CROSSWORD
CYBERSECURITY
PLC

ANNUAL REPORT & ACCOUNTS

2019

Crossword Cybersecurity plc is the parent company of the Crossword group of companies which focuses on the cyber security sector. The Group's strategy is the development and commercialisation of university research based cyber security related software and cyber security consulting.

Revenue is generated by selling the Software as a Service products direct to end user companies or via partners. This is supported by Crossword's team of expert cyber security consultants, who leverage years of experience in national security, defence and commercial cyber intelligence and operations to provide advice on cyber security risk and mitigation, strategy, assessment and transformation and other cyber security related matters.

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For more information visit
www.crosswordcybersecurity.com

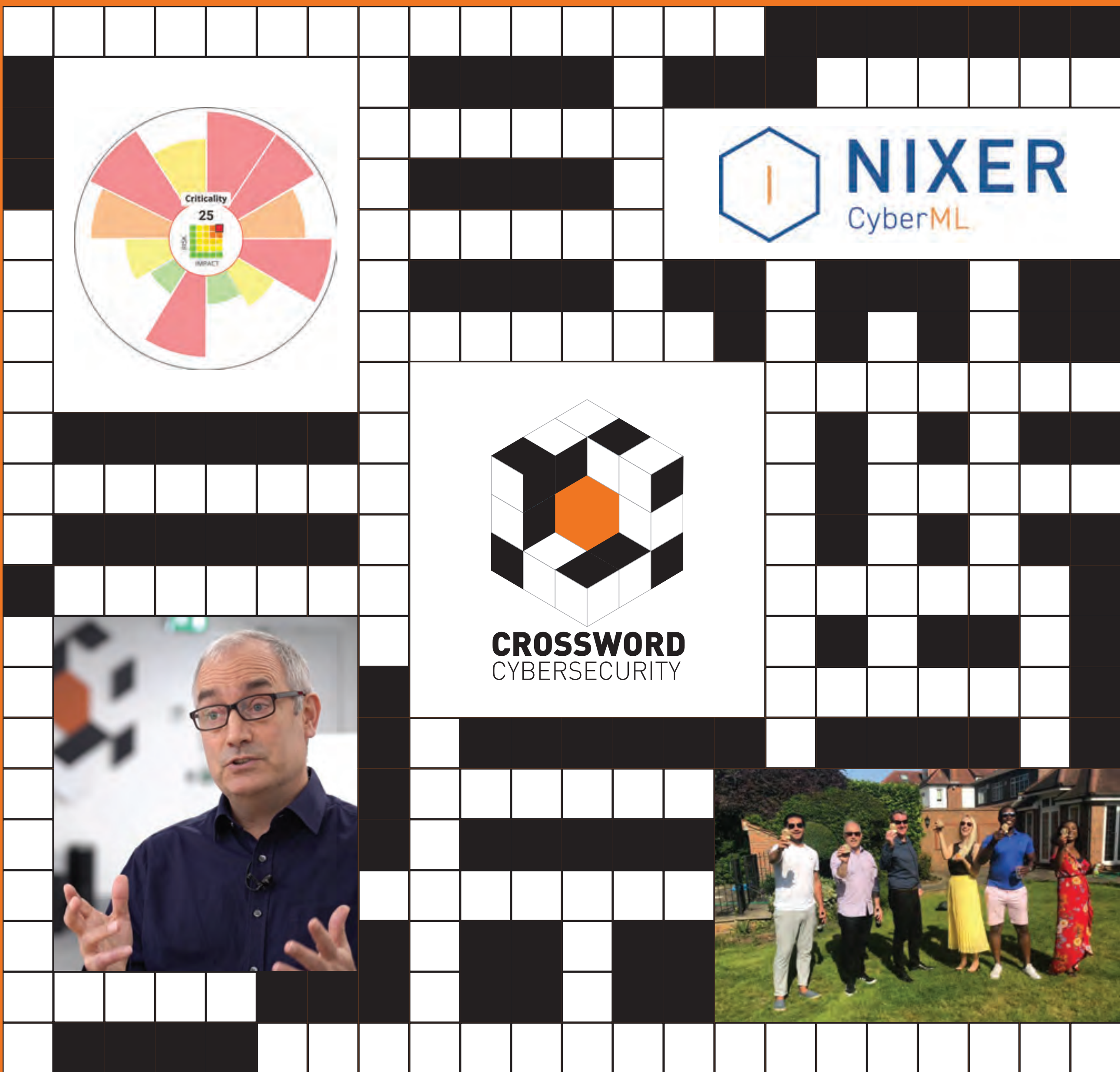
2019 HIGHLIGHTS

Revenue increased by 22% to £1.3m

Product and Consulting revenue increased by 51%

Cash at 31 December 2019 was £1.5m

Received £1.4m in funding



Collaborating with Leonardo MW and NCC Group to use Rizikon

Nixer Cyber ML released

Rizikon V2 released

vCISO (virtual Chief Information Security Officer) solution launched

CREST Penetration Testing Provider Accreditation achieved

Supported 3 charities

Chairman's Statement

The financial year ending 31 December 2019 saw Crossword Cybersecurity plc complete its first successful year on AIM, the London Stock Exchange's growth market. In this report, I am delighted to provide an overview of the year and on finance and governance. Following this overview, the CEO's report provides a detailed review of the business, together with commentary on the company's finances and operations.

A Strategy based on Cyber Security Intellectual Property

Crossword's strategy is to build a significant intellectual property based, AIM quoted cyber security business. Crossword is a technology commercialisation business focusing on cyber security. The Group develops and commercialises university research based cyber security related software and provides cyber security consulting services.

Crossword ended the financial year with a growing set of Rizikon Assurance clients, a very strong Rizikon sales pipeline and a fast-growing specialist cyber security consulting team. The Group was successfully admitted to AIM at the end of 2018 and we are very pleased with the progress that we have made at the end of our first year as an AIM listed company.

The Board is excited by Management's ambitious growth plans and is fully supportive. We are confident that our plans will create sustainable shareholder value.

Strong Financial Management

During the period under review, the Board and Management have continued to adopt a robust set of financial controls. Finance Director, Mary Dowd, has reviewed and strengthened our procedures and the company has comfortably adapted to life on AIM.

REVENUE

£1.3m

Increased 22%

from £1.07m in 2018

We strengthened the Group Balance Sheet at the end of 2019 by receiving £1.4m in convertible loans. I would like to thank shareholders for their continued support for Crossword's strategy and we are pleased to have seen this reflected in our share price over our first year on the market.

Continued Strong Governance

The Directors fully understand the importance of high standards of corporate governance and I refer you to the Chairman's Corporate Governance Statement on page 19 of this report. The Board has adopted the Quoted Companies Alliance ("QCA") Corporate Governance Code (the "QCA Code") in line with the London Stock Exchange's requirement for all AIM listed companies to adopt and comply with a recognised corporate governance code appropriate to the nature, complexity and scale of the Group. In addition, we ensure that we maintain high standards throughout the Group by operating a robust framework of controls, and more details can be found in the Director's Report. The Board believes that, to deliver our corporate strategy, generate shareholder value on a sustainable basis and safeguard all of our stakeholders' long-term interests, effective corporate governance is essential.

Growth is Accelerating

We have made great progress over the last twelve months. The growth in our core businesses of product sales and consulting has been accelerating, as we shift the focus from software development activity to commercialisation. The cyber security sector as a whole continues to flourish and with a first-class team, a new dedicated Group Sales Director in place and a solid and stable AIM listed business, Crossword sees opportunities opening up rapidly in the year ahead.

Our diverse and talented employees are the reason why Crossword continues to be successful and I would like to thank all of them for their hard work and dedication, as well as our university partners, business partners, suppliers and shareholders for their continued support. We are very confident that Crossword will achieve its goals over the coming years.

Sir Richard Dearlove KCMG OBE
24 April 2020

Chief Executive Officer's Statement

As Chief Executive Officer, it is my pleasure to present the annual report and audited accounts for Crossword Cybersecurity plc ("Crossword" or the "Company" or the "Group") for the financial year ended 31 December 2019.

2019 has been a year of solid commercial growth for Crossword, the technology commercialisation company focused on cyber security. This was Crossword's first year as an AIM listed company and we grew into this new status with confidence and certainty. By the end of 2019 we had built a multi-million pound sales pipeline, closed a range of new deals across a variety of sectors, launched Rizikon v2.0, a significant upgrade to Rizikon, Nixer CyberML and an exciting new Consulting service called vCISO (virtual Chief Information Security Officer). We also secured £1.4m convertible loans to strengthen our balance sheet as we go into 2020.

Crossword's ambition is to build a large scale listed cyber security business. To assist in this journey, in early 2019 we announced the creation of a world class Advisory Board, chaired by Dr Robert Coles, former Chief Information Security Officer of GlaxoSmithKline. Professor Nick Jennings, Vice-Provost of Imperial College and former Chief Scientific Adviser on national security to the UK Government, Dr Una-May O'Reilly a leading AI expert from MIT and General the Lord Nick Houghton (Baron Houghton of Richmond), former Chief of Defence Staff, UK Armed Forces also joined the Advisory Board. Dr Robert Coles also recently took over the role of Chairman of Crossword Consulting Ltd, our consulting subsidiary, where we will be able to draw directly on his experience as KPMG lead partner on cyber security.

Crossword continues to work and build relationships with a wide range of universities. We conducted further detailed analysis of a variety of university-based cyber security research projects. In addition, the Company was engaged to support a programme run by KTN (the UK Government backed Knowledge Transfer Network) to assist university spin outs. This involved working with cyber security spin out teams from the Universities of Southampton, Kent, Glasgow, Bournemouth, Coventry, De Montfort, Wolverhampton, Gloucestershire, Royal Holloway University of London and Oxford.

We achieved a major step forward with our core product, Rizikon Assurance with the launch of RA v2 at a high profile event hosted at the Magic Circle in London, attended by clients, prospects, investors, partners and the media. RA v2 includes a new dashboard and scorecard, giving clients a 360° view of all supplier risks. RA v2 also incorporates CreditSafe integration, for the first time bringing supplier credit referencing directly into the product. We believe with the launch of RA v2 we now have the most comprehensive supplier assurance platform on the market. At the same time, we also announced Crossword's Rizikon Supplier Assurance Framework (RSAF), providing a structured framework for clients to work through their approach to managing and assuring large numbers of suppliers.

In addition to the major advances of Rizikon, at the end of 2019 we also released our second product, Nixer CyberML, the family of machine learning libraries tackling growing cyber security problems faced by large online companies such as credential stuffing. We intend to start promoting Nixer CyberML actively in the first half of 2020. We are making very good progress on our third product, drawing upon university research in the areas of applying AI to complex and very large scale cyber security challenges. We look forward to making some exciting announcements about this activity in the coming months.

One area of focus for Crossword in 2019 was to develop major commercial partnerships, and I am delighted to report that we were very successful on this front. We have now established go to market relationships for Rizikon with two major industry partners, NCC Group plc and Leonardo MW Ltd and we expect to reap the reward of these partnerships during 2020.

NCC Group plc is the global expert in cyber security and risk mitigation. Trusted by over 15,000 clients worldwide, NCC operates in 12 countries. Crossword is collaborating with NCC on third party cyber security assurance. Crossword also signed an MoU with Leonardo MW Ltd, the global high-tech Aerospace, Defence and Security company. With revenues of over €12 billion, Leonardo is a top ten player in aerospace and defence worldwide. It targets its cyber security offerings at Government, Defence and Critical National Infrastructure both in the UK and internationally.

In addition to the 2 partnerships formed in 2019, Crossword was also pleased to announce in April 2020 that we will be collaborating with leading security reseller and managed security services provider Satisnet Limited on the provision of third party assurance technology to its clients, as part of the expansion of Crossword's partner programme.

With continued focus on sales and marketing activity, Crossword has seen a huge leap forward on the strength of our sales pipeline and an increasing number of deals being closed as the pipeline comes through to maturity. We recruited a dedicated Group Sales Director, Sean Arrowsmith, at the end of 2019 and he is set to drive sales forward in 2020. Sean has around 20 years of IT sales experience, mostly in the cyber security arena and joins with a wealth of relationships. We entered 2019 with a Rizikon sales pipeline of qualified opportunities worth £1.4m across over 30 companies and over the course of the year we more than doubled this pipeline to almost £4m across over 200 organisations. In addition to this pipeline there are several large, long term bids that we are currently working on in conjunction with our partners. The Rizikon sales pipeline is converting nicely into contracts proving that Rizikon clearly has traction in the market now. Clients ranging a FTSE 250 chemicals company, to the Nursing Midwifery Council, a large IT supplier and multiple Borough Councils including Peterborough, East Hants and Stevenage all signed up to Rizikon during the year. NCC Group, our partner, has already announced its first Rizikon client, a major government department, and has a healthy pipeline of their own Rizikon prospects that they expect to start closing in early 2020.

Meanwhile, Crossword's consulting business, with its mix of blue-chip cyber risk consultants and technical cyber security experts, doubled in size once again. We worked with 35 consulting clients in 2019, building a reputation in areas such as insurance consulting where we now have several clients and winning our first FTSE250 client. In 2019 we launched a new consulting service called vCISO (Virtual Chief Information Security Officer). This service provides a flexible, monthly packages of cyber security support and reporting services to a client on an ongoing basis. We signed our first major vCISO deal with a global financial services institution, our single biggest, multi-year recurring revenue deal to date and we enter 2020 with a strong pipeline of potential vCISO deals ahead of us.

2020 is set to be a big year for Crossword. There is no let up in the deluge of major cyber security incidents that organisations are facing, ranging from the second biggest data loss in history, 900 million records stolen from First American, the real estate title insurer, to Travelex £4.6m ransomware attack and Biostar2 data breach involving 1 million fingerprints used by the UK Metropolitan Police and other agencies. The Company has just completed a placing of 363,617 Ordinary Shares to raise £836,319. In addition, I intend to subscribe on the same terms for 73,914 Ordinary Shares to complete the total fundraise of £1 million following the end of the current close period, following the publication of these 2019 results. I am delighted with the continued support we have received from our shareholders in this latest fundraising. Our pipeline is standing at approximately £6m split between both products and consulting and these funds will enable us to continue to drive business growth over the next 12 months. With the market turbulence caused by COVID-19, our first priority is the welfare of our staff and all stakeholders. Our flexible approach enabled us to quickly and effectively implement remote working before it was mandated, with minimal impact on clients and sales activity.

Crossword's clients and opportunities exist in multiple sectors, some of which have clearly been affected by the pandemic, and some of which are seeing increased activity as cyber security becomes even more important. Our Rizikon Assurance product pipeline continues to grow and represents nearly £4m out of the £6m total pipeline, and we are engaged in several large-scale bid situations. However, we have also seen some clients delaying the start of new projects, and we remain in close contact with them. We will also monitor any potential impact on our own business and are in a position to take advantage of Government support and take other actions if and when they are required. With Sean Arrowsmith, our new Group Sales Director, in place the Company will continue to focus on sales and marketing activity across product and consulting, to drive up revenue rapidly.

Crossword's team has nearly doubled to 40 across our Richmond, London and Krakow, Poland staff. We are also delighted to be engaging as a whole team with charitable activities. The Richmond team has adopted SPEAR, a local homelessness charity to support with a variety of fundraising activities. We take real pride in our culture as a responsible, open, flexible and learning company. I would like to take this opportunity to thank everyone who has enabled us to make such outstanding progress in 2019 and look forward to the next stage of our exciting journey.

Tom Ilube CBE
Chief Executive Officer
Crossword Cybersecurity PLC
24 April 2020

Performance Review

Financial Review

REVENUE

£1.3m

FINANCIAL POSITION

Crossword Cybersecurity plc finished the year with a strong cash balance of £1.5m.

RESULTS

Year on year revenue increased by 22% to £1.3m, with SaaS (Software as a Service) and Consulting revenue increasing by 51%. Total Comprehensive Loss for the year was £2.1m.

Total cost of sales and administrative expenses increased by almost £0.3m, driven by staff costs increases of almost £0.5m, and a reduction in professional fees of £0.3m reflecting the costs of AIM admission in 2018. Additionally direct costs of sales increased as third parties support the delivery of the vCISO (virtual Chief Information Security Officer) service launched during the year.

Total staff costs increased by £455k, which included increases in staff numbers in Consulting, Sales and Finance, as bookkeeping was taken in house during 2019.

Other administrative expenses, increased, primarily as a result of the increase in staff numbers. Additional insurance and professional fees were experienced as a result of being listed on AIM. Marketing Spend more than doubled in the period.

FUNDS RAISED

Convertible loan notes of £1.275m were issued in Dec2019 followed by a further £0.125m in January 2020. The main terms of the loans are 3 years, 12% interest rate payable quarterly, option to convert to ordinary 5p shares,.at £4.80warrants to convert 10% of the loan at the conversion price of £4.80. On 20th April the Company announced that it has undertaken a fundraising of approximately £1million through a placing and proposed subscription of Crossword ordinary shares of 5p each ("Ordinary Shares") at a price of 230 pence per share. Please refer to Note 21 Subsequent events.

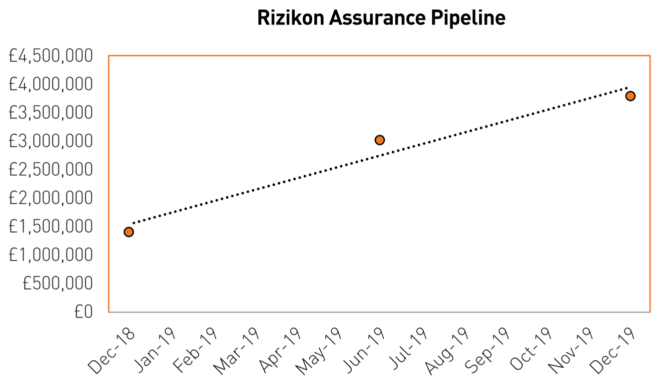
CASHFLOWS

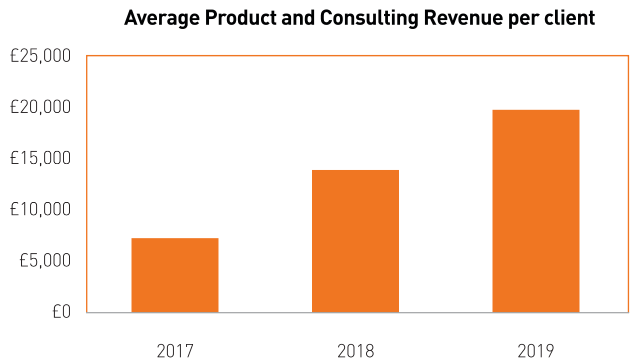
Net cash outflows in 2019 were £0.7m. Excluding proceeds from issue of loan notes, net cash outflows were £1.7m (£2.3m in 2018).

TAXATION

The Group continues to claim Research and Development tax credits, with £167k accounted for in 2019 (£192k in 2018).

KPIs





Section 172 Statement

The requirements of section 172 (1) (a)-(f) of the Companies Act 2006 have been addressed in the Strategic Report and the Corporate Governance Report. The directors act in the way he/she considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

(a) the likely consequences of any decision in the long term

(b) the interests of the company's employees

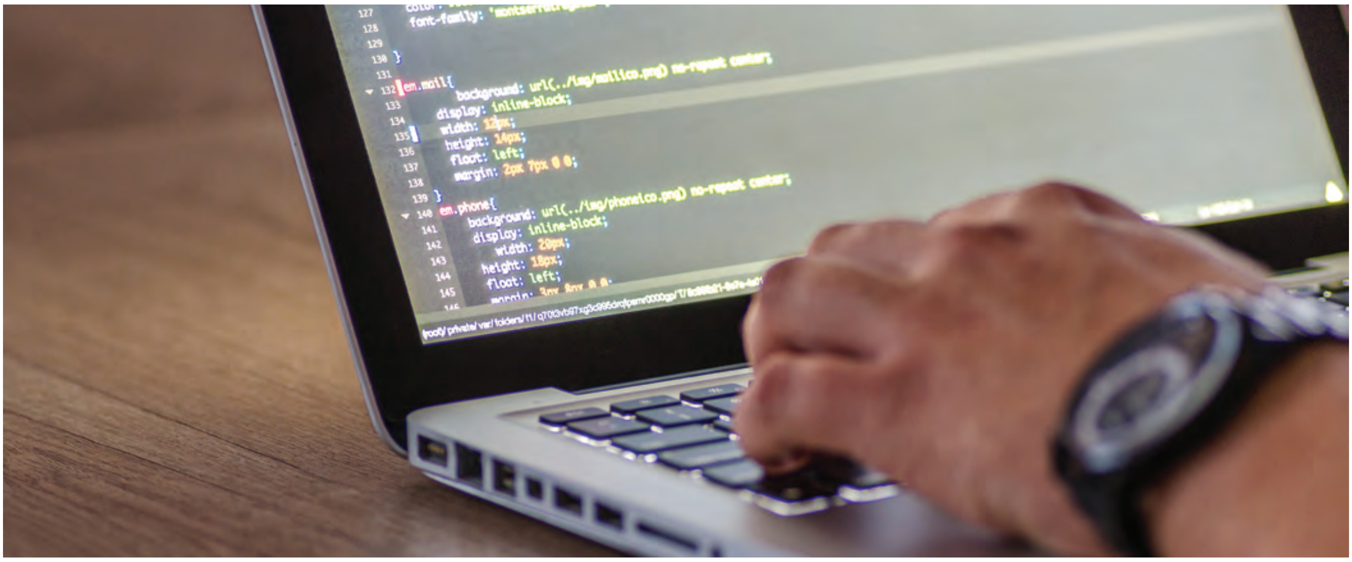
(c) the need to foster the company's business relationships with suppliers, customers and others

(d) the impact of the company's operations on the community and the environment

(e) the desirability of the company maintaining a reputation for high standards of business conduct, and

(f) the need to act fairly as between members of the company

Principal Risks



The Board has overall responsibility for ensuring that risk is appropriately managed throughout the business.

The Board is aware of the need to conduct regular risk assessments to identify any deficiencies in the controls currently operating over all aspects of the Company.

Risks to the achievement of strategic objectives are identified by the Executive. The degree of risk is evaluated with reference to the impact and probability of the risk, considering inherent and residual risk. The Executive considers the nature and extent of the risks, the threat of such risks becoming reality, the ability to reduce the incidence and impact on its business if the risk materialises, and the costs and benefits resulting from operating relevant controls.

A Risk Register is prepared and regularly reviewed by the Executive, and shared with the Audit Committee for independent review and robust challenge. The Risk Register includes a plan for mitigation of risks above the risk appetite of the business.

Risks relating to the Group and the industry in which it operates

INTELLECTUAL PROPERTY ACQUISITION AND DEVELOPMENT

Crossword acquires intellectual property (IP) rights from universities via licensing and IP transfer arrangements and then develops this IP into commercial products. Failure to secure good quality IP deals and to quickly and appropriately meet new cyber security challenges, will make it difficult for the Group to generate new products.

The success of this strategy depends on the ability of Crossword to source suitable IP and use its expertise in business management, marketing and product development to build solutions attractive to its potential customer base. Ultimately, Crossword will only succeed if it is able is to design, develop and sell new software solutions in a timely fashion that deliver operational reliability and effectiveness.

TECHNOLOGICAL CHANGES

Generally, product markets are exposed to rapid technological change, changes in use, changes to customer requirements and preferences, services employing new technologies and the emergence of new industry standards and practices. The Group operates in a market with such changes which have the potential to render the Group's existing technology and products obsolete or uncompetitive.

To successfully remain competitive, the Group must ensure continued product improvement and the development of new markets and capabilities to maintain a pace congruent with changing technology. This added strain may stretch the Company's capital resources which may adversely impact the revenues and profitability of the Company. The Company's success is dependent on the ability to effectively respond and

adapt to technological changes and changes to customer preferences. There can be no assurance that the Company will be able to effectively anticipate future technological changes or changes in customer preferences. Furthermore, there is also no assurance that the Company will have sufficient financial resources to effectively respond in a timely manner if such a change is anticipated.

REPUTATIONAL RISKS

As a cyber security company, Crossword is very conscious of its external reputation. If the Group is compromised as a result of a cyber incident, it would impact its clients' confidence. Crossword has an experienced cyber security expert acting as its Chief Information Security Officer (CISO) and a strong technical team who actively seek to mitigate threats. Nonetheless, should an event take place which adversely affects the reputation of the Group, its future prospects and value could suffer.

COMPETITION

There is no guarantee against new entrants or current competitors providing superior technologies, products or services to the market. There is no certainty that new entrants or current competitors will not provide equivalent products for a lower price. The Company may be forced to make changes to one or more of its products or to its pricing strategy to effectively respond to changes in customer preferences in order to remain competitive. This may impact negatively on the Company's financial performance.

The Group's consulting division operates in an environment that includes large international accounting firms and consultancies and a number of smaller niche players. There are very low start-up costs for any new entrant into the market and the Group cannot prevent any person or organisation from seeking to compete with it. There is a risk that an existing competitor or a new entrant may, over time, be able to win work from the Group's existing and future customers. In addition, larger competitors may, in the future, adopt more aggressive expansion strategies, which could include hiring additional experienced consultants and changing their business model and service offering to one that is directly comparable to that of the Group. This could, in theory, result in a material loss of customers from the Group to larger competitors and, therefore, have a material adverse impact on the financial performance of the Group.

KEY SYSTEM FAILURE, DISRUPTION OR INTERRUPTION

The Group's reliance on technology exposes it (the Group) to a significant risk in the event that such technology, or the Company's systems, experience damage, interruption or failure in some form. A malfunctioning of the Company's technology and systems, or those of key parties, could result in a diminished confidence in the Company's services, resulting in a consequential material adverse effect on the Company's operations and results.

DEPENDENCE ON THIRD PARTIES AND BUSINESS CONTINUITY

Key components of Crossword's technology platform may be dependent upon the continuing availability of a particular supplier.

The software development environment or data processing platforms may become unavailable for an extended period of time, thereby disrupting customers' experience of Crossword's products and services.

Crossword's business is at risk from disruption of key systems and assets upon which it depends. The functioning of the IT systems on which it relies could be disrupted for reasons

Principal Risks continued

either within or beyond its control, including, but not limited to: accidental damage; disruption to the supply of utilities or services; security breaches; extreme weather events; systems failure or workforce actions. There is a risk that such disruption may materially and adversely affect Crossword's ability to offer services to customers and, therefore, materially and adversely affect its reputation, performance or financial condition.

ABILITY TO RECRUIT AND RETAIN SKILLED PERSONNEL

The Company believes that it has the appropriate incentive structures to attract and retain the calibre of employees and contractors necessary to ensure the efficient management and development of the Company. However, any difficulties encountered in hiring, and retaining, appropriate employees and/or contractors and the failure to do so, or a change in market conditions that renders current incentive structures lacking, may have a detrimental effect upon the trading performance of the Company. The ability to attract new employees and contractors with the appropriate expertise and skills cannot be guaranteed.

FINANCIAL CONTROLS AND INTERNAL REPORTING PROCEDURES

The Company's future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Company's growth could have a material adverse effect on the Company's business, financial condition and results of operations.

General business risks

TAXATION RISK

The Company is subject to taxation and the application of such taxes may change over time due to changes to legislation, regulations or interpretations by the relevant tax authorities. Whilst no material changes are anticipated in such taxes, any such changes may have a material adverse effect on the Company's financial condition and results of operations.

The continuing status of the ordinary shares as a qualifying holding for VCT and EIS purposes will be conditional, amongst other things, on the qualifying conditions being satisfied throughout the period of ownership. There can be no assurance that the Company will continue to conduct its activities in a way that will secure or retain qualifying status for VCT and/or EIS purposes.

COUNTERPARTY CREDIT RISK

There is a risk that parties with whom the Company trades or has other business relationships (including partners, customers, suppliers, subcontractors and other parties) may become insolvent. This may be as a result of general economic conditions, factors specific to that Company, or exceptional circumstances such as COVID-19. In the event that a party with whom the company trades becomes insolvent, this could have an adverse impact on the revenues and profitability of the Company.

LEGAL RISK

Legal risks include the inability to enforce security arrangements, an absence of adequate protection for intellectual property rights, an inability to enforce foreign judgements relating to contracts entered into by the Company that are governed by law outside England and Wales, absence of a choice of law, and an inability to refer disputes to arbitration or to have a limited choice with regard to arbitration rules, venue and language.

Mitigation measures for these risks may also be limited.

INSURANCE RISK

There can be no certainty that the Group's insurance cover is adequate to protect against every eventuality.

The occurrence of an event for which the Group did not have adequate insurance cover could have a materially adverse effect on the Group's business, revenue, financial condition, profitability, results, prospects and/or future operations.

ECONOMIC CONDITIONS

The Group could be affected by unforeseen events, such as COVID-19, outside its control including economic and political events and trends, inflation and deflation or currency exchange fluctuations, potentially driven by Brexit. Any economic downturn, either globally or locally, in any area in which the Group operates may have an adverse effect on the demand for the Group's products and services. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's activities and sales, restricting the Group's ability to realise a profit. The markets in which the Group offers its services are directly affected by many national and international factors that are beyond the Group's control.

Crossword's clients and opportunities exist in multiple sectors, some of which have clearly been affected by the COVID-19 pandemic, and some of which are seeing increased activity as cyber security becomes even more important. However, we have also seen some clients delaying the start of new projects, and we remain in close contact with them. We will also monitor any potential impact on our own business and are in a position to take advantage of Government support and take other actions if and when they are required.

CURRENCY EXCHANGE RISK

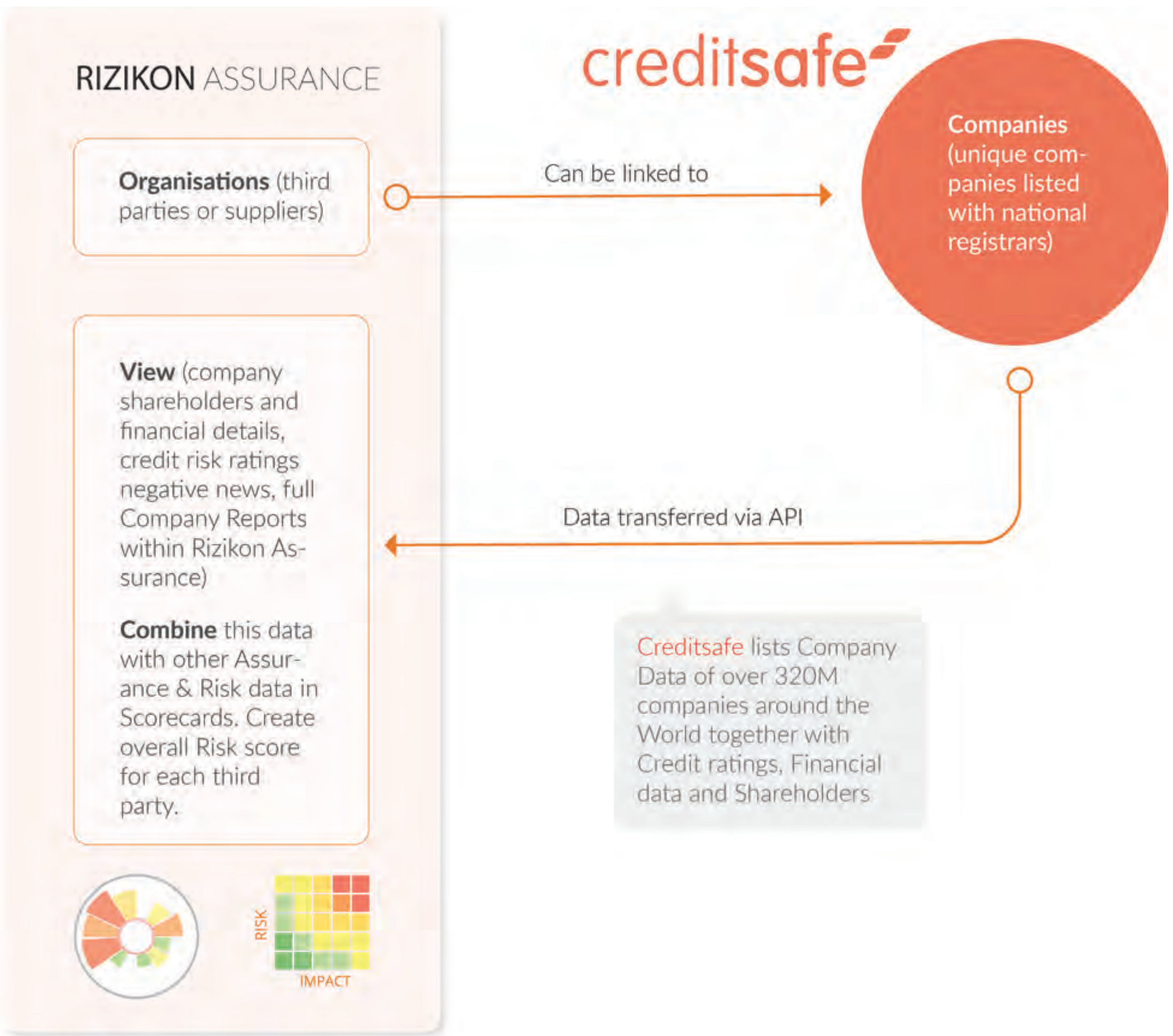
The Group's functional currency is sterling. One subsidiary, Crossword Cybersecurity Sp. Z.o.o is based in Poland. Crossword Cybersecurity Sp. Z.o.o, where the functional currency is zloty, accounts for approximately 16 per cent. of the total costs of the business. Exposure to this and other exchange rates may affect the Group's results. The Group may consider implementing policies to limit its currency exposure, and will consider currency hedging instruments when they prove to be available and cost effective.

GOING CONCERN RISK

The £1m placing subsequent to the Accounts, in April 2020, ensures the Group has sufficient cash for 12 months. There is a risk that the Group will not be able to raise cash when it is required. This could be as a result of poor performance within the Group or turmoil with the markets following COVID-19, or other economic issues such as Brexit.

CROSSWORD CYBERSECURITY

CREATING CYBER SECURITY PRODUCTS


RIZIKON ASSURANCE
creditsafe
Organisations (third parties or suppliers)
Can be linked to
Companies (unique companies listed with national registrars)
Data transferred via API
View (company shareholders and financial details, credit risk ratings negative news, full Company Reports within Rizikon Assurance)
Combine this data with other Assurance & Risk data in Scorecards. Create overall Risk score for each third party.
Creditsafe lists Company Data of over 320M companies around the World together with Credit ratings, Financial data and Shareholders
RISK
IMPACT

The Board

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

Sir Richard Dearlove KCMG OBE, Non-Executive Chairman

Appointment Date: 1st 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. He also holds several advisory roles.

Thomas Ilube CBE, Chief Executive Officer

Appointment Date: 6th 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 the BBC, and Advisory Fellow of St Anne's College, Oxford.

Mary Dowd, Finance Director

Appointment Date: 14th 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 post graduate Diploma in Business Studies from the same university. She is an associate member of the Chartered Institute of Management Accountants.

External appointments:
None.

Professor David Stupples, Non-Executive Director

Appointment Date: 16th June 2014

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 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 organised cyber crime for both the UK Government and commercial companies. However, he still maintains an active interest in radar surveillance research.

External appointments:
David is a member of the Defence Scientific Advisory Council (DSAC) and the Defence Procurement Agency's Independent Advisory Board on Systems Integration.

Dr David Secher, Independent Non-Executive Director

Appointment Date: 16th 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 recently was Senior Bursar at Gonville & Caius College, Cambridge where he was responsible for the investment of a £210 million endowment.

David is Patron of PraxisAuril (formerly Praxis). Until 31 October 2013, he was co- founder and chairman of Praxis Courses Limited, the leading UK technology transfer training programme. 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 £2 million 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 the Queen's Award for Enterprise Promotion (2007) 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 Ltd, Trustee of Cambridge United Charities and Chairman of Fitzwilliam Museum (Enterprises) Ltd. From 1 March to 30 September 2020 David is Interim Bursar of Corpus Christi College, Cambridge.

Gordon Matthew, Non-Executive Director

Appointment Date: 24th June 2015

Skills and Experience:
Gordon in currently Non-Executive Chairman of Amito, Reading's largest datacenter, and Non-Executive Chairman of Flow Communications Limited, experts in designing, building, implementing and supporting customers' global IT infrastructure requirements.

Previously, Gordon served as Chief Executive Officer of Azzurri Communications Limited and was responsible for ensuring that it met its financial and growth targets. He has served as the Chief Executive Officer of Ramesys (later RedSky IT) Holdings Limited where he was responsible for the successful turnaround, growth and exit of the business through two significant transactions in December 2005 and January 2007.

Gordon has over 20 years' IT experience with broad experience of software applications, services, large bespoke developments and telecommunications. He also spent five years at Software AG (UK) where he oversaw all aspects of service delivery.

External appointments:
Gordon currently acts as Non-Executive Consultant to Adventoris Limited. Gordon was the Non-Executive Chairman of Intrinsic Technology Limited from October 2011 to August 2017, m-hance Limited from May 2014 to August 2016, and Science Warehouse from June 2016 to February 2018.

The Board continued

Andy Gueritz, Independent Non-Executive Director

Appointment Date: 21st 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 e21 Commerce 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.

Ruth Anderson, Independent Non-Executive Director

Appointment Date: 1st February 2018

Skills and Experience:
Ruth has over 15 years' experience in the fields of security, intelligence, cybercrime 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 Director of Transformation Risk 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.

The Executive

Thomas Ilube CBE, Chief Executive Officer

Appointment Date: 6th 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 the BBC, and Advisory Fellow of St Anne's College, Oxford.

Stuart Jubb, Managing Director, Consulting

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

Sean has over 20 years sales experience in cyber/information security and technology.

He was previously Group Sales Director at IRM Ltd, 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.

Mary Dowd, Finance Director

Appointment Date: 14th June 2018

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 post graduate Diploma in Business Studies from the same university. She is an associate member of the Chartered Institute of Management Accountants.

External appointments:

None.

Jake Holloway, Chief Product Officer

Jake Holloway has over 30 years of experience in Tech 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 & 2016.

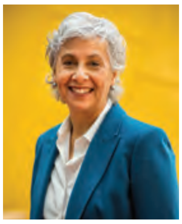
The Advisory Board

Dr Robert Coles, Advisory Board Chair and Consulting Chair

Dr Robert Coles 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, Dr Robert Coles worked for GlaxoSmithKline (GSK) from 2013 and was the company's Chief Information Security Officer (CISO). Before GSK, Dr Coles served as CISO for the National Grid and Merrill Lynch. Dr Coles is an Honorary Professor at UCL and Visiting Professor at Royal Holloway, University of London and has extensive links with major industry information security networking groups and government security agencies.

Dr Una-May O'Reilly, Advisory Board Member



Dr Una-May O'Reilly is a leading Artificial Intelligence researcher at Massachusetts Institute of Technology (MIT) Computer Science and Artificial Intelligence Lab, Boston, USA. Dr Una-May O'Reilly joined the Computer Science and Artificial Intelligence Lab at MIT, Boston, as a Post-Doctoral Associate in 1996. Dr O'Reilly is the Founder and Principal Research Scientist of the AnyScale Learning For All (ALFA) Group at MIT. ALFA conducts research projects investigating applied artificial intelligence and machine learning in cyber security, healthcare, and online education. As well as her academic prowess, O'Reilly brings to the Advisory Board her extensive international connections.

Professor Nick Jennings CB FREng, Advisory Board Member

Professor Jennings served as the UK Government's inaugural Chief Scientific Adviser for National Security from 2010 to 2015, providing independent scientific advice on issues of national security. He is currently the Vice-Provost for Research at Imperial College, where he also holds a chair in Artificial Intelligence in the Departments of Computing and Electrical and Electronic Engineering. Before joining Imperial, Professor Jennings was the Regius Professor of Computer Science at the University of Southampton – the first holder of that title in the institution's history. Professor Jennings is an internationally recognised authority in the areas of cyber-security, artificial intelligence, autonomous systems and agent-based computing.

General The Lord Houghton GCB CBE DL, Advisory Board Member

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.

Corporate Governance Report

Chairman's Introduction

The Directors acknowledge the importance of high standards of corporate governance and have adopted the principles set out in the Quoted Companies Alliance Corporate Governance Code for Small and Mid-Size Quoted Companies (the "QCA Code") 2018, given the Group's size and the constitution of the Board. The QCA Code sets out a standard of minimum best practice for small and mid-size quoted companies, particularly AIM companies.

The Chairman and the Board accept the importance and responsibility of setting good corporate culture, values and behaviours. The Board also acknowledges its responsibility in delivering the long-term success of the Company for the benefit of shareholders and other stakeholders.

This Corporate Governance Report describes how the Company has applied the principles and standards set out in the Code during the year and, to the extent it has not done so, any deviations from them. It is the Board's view that the Company has complied with all of the provisions of the Code during the year ended 31 December 2019.

Principle 1: Establish a strategy and business model which promote long-term value for shareholders

The Company's strategy report is on pages 1 to 11 of this report.

The Company's objective is to be the European leader in commercialising cyber security research originating from universities.

Crossword Cybersecurity plc focuses on the development and commercialisation of university research-based cyber security and risk management related software and cyber security consulting. The Group's specialist cyber security product development and software engineering teams work with its university partners to develop the research concept into a fully-fledged commercial product that it will then take to market. The Group's aim is to build up a portfolio of revenue generating, intellectual property based, cyber security products. Rizikon Assurance, Crossword's leading product, is a SaaS platform that enables medium to large companies to assess and manage all risks from their suppliers. Nixer CyberML, Crossword's most recently launched product, is a new tool for businesses that want to solve advanced security and cybercrime problems, such as detecting and dealing with compromised accounts, fraud, and in-application denial of service attacks. Crossword's team of expert cyber security consultants leverages years of experience in national security, defence and commercial cyber intelligence and operations to provide bespoke advice tailored to its clients' business needs.

Where appropriate, Crossword will transfer the IP to separate companies in which it will retain a commercial interest. So far, Crossword has been instrumental in the development of two such companies, ByzGen Limited and CyberOwl Limited.

Principle 2: Seek to understand and meet shareholder needs and expectations

Crossword is committed to engaging with its shareholders to ensure that its strategy, business model and performance is clearly understood. The Company communicates with shareholders and potential investors through a variety of channels, including regular financial reporting, direct contact with its major shareholders and release of regulatory announcements, which are available on its website.

Regulatory announcements include details of the Company's website and the relevant contact at the Company, as well as its professional advisors.

The Annual General Meeting (AGM) provides another opportunity for dialogue between shareholders and the Board. The Chair of the Board and of the Committees, together with other Directors, routinely attend the AGM and are available to answer questions raised by the shareholders. At the meeting, each vote, the number of proxy votes received for, against and withheld is announced. The results of the AGM are subsequently published on the Company's website and released via a regulatory information service provider.

A range of corporate information, including all Company announcements, is also available to shareholders, investors and the public on the Company's corporate website, **www.crosswordcybersecurity.com**.

Corporate Governance Report continued

Principle 3: Take into account wider stakeholder and social responsibilities and their implications for long-term success

Apart from our shareholders, our most important stakeholder groups are our employees, our partners, our clients and the universities we work with. The Board receives regular updates from executives on stakeholder feedback and their potential impact on our business to enable them to understand and consider this feedback in decision-making. The Board understands that maintaining the support of all its stakeholders is paramount for the long-term success of the Company.

EMPLOYEES

Crossword aims to provide an environment which will attract, retain and motivate its team. The Company has a growing number of permanent staff employed across the UK and Poland. Employee engagement with the senior management, who pride themselves on their availability and flexibility, is frequent through daily discussions and meetings. Staff are encouraged to give regular feedback in relation to their needs, interests and expectations on away days, general discussions or one-to-one meetings with their line managers. These can then be addressed at the fortnightly management meeting with all senior members of the team, where further actions will be discussed. Furthermore, the team engages in a weekly call where staff are able to communicate with all levels of the team across both countries.

Crossword reviews its processes and policies, which are guided by the principles of fairness and integrity, to make continuous improvements for its staff. The Company has developed it's induction programme for new staff, is engaging with employees to define its culture and values and expected behaviours, performs exit interviews in the event people decide to leave the business, and follow up interviews with new employees. Crossword is supportive of the career development of its employees and provides training programmes and Masters opportunities where appropriate.

CROSSWORD'S PARTNERS

Crossword develops mutually beneficial commercial relationships with companies to support sourcing and commercialising cyber security intellectual property originating from university research projects, and evaluating and exploiting routes to distributing and reselling its products. Crossword recognises that the establishment of a close working relationship with its partners is essential for its long-term success.

Crossword maintains its relationship with its partners through regular meetings, mutual understanding and aligned objectives. Feedback from partners is communicated to the relevant teams and the Board as appropriate.

UNIVERSITIES

Crossword has excellent connections with universities in the UK and elsewhere through members of the Board and Management, who include some of the most highly regarded experts in IP commercialisation and the cyber security sector. Crossword maintains regular interaction with the universities with which it engages. This is predominantly achieved by digital means (e.g. frequent email exchanges and video calls), in which both parties can feedback to one another to ensure their needs are being met. The team also has face-to-face meetings with academics and works alongside universities at various events, such as talks and conferences. This continuous engagement with universities is paramount to the long-term success of the Company, due to its principal objective.

Principle 4: Embed effective risk management, considering both opportunities and threats, throughout the organisation

AUDIT, RISK AND INTERNAL CONTROL

Financial controls

The Group has an established framework of internal financial controls, the effectiveness of which is regularly reviewed by the Executive Management, the Audit Committee and the Board, in light of an ongoing assessment of significant risks facing the Group.

- The Board is ultimately responsible for the effectiveness of the Group's system of internal controls. Its key strategy has been to establish financial reporting procedures that provide the Board of Directors with a reasonable basis upon which to make judgements as to the financial position and prospects of the Group. Executive Directors and Non-Executive Directors have been appointed by the Board to assist with the implementation of this strategy and report progress to the Board.
- The Audit Committee has the primary responsibility for monitoring the quality of internal controls to ensure that the financial performance of the Group is properly measured and reported on. It receives and reviews reports from the Group's management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group. The Audit Committee meets not less than three times in each financial year and has unrestricted access to the Group's external auditors.

- Regular budgeting and forecasting is conducted to monitor the Group's ongoing cash requirements and cash flow forecasts are circulated to the Board.
- The Group has a Risk Register which identifies the potential possibility and impact of risks associated with the Group and allocates an owner to mitigate each risk. The Risk Register is updated by the Finance Director and reviewed by the Executive, the Audit Committee and the Board.

Non-financial controls

The Board has ultimate responsibility for the Group's system of internal control and for reviewing its effectiveness. However, any such system of internal control can provide only reasonable, but not absolute, assurance against material misstatement or loss. The Board considers that the internal controls in place are appropriate for the size, complexity and risk profile of the Group. The principal elements of the Group's internal control system include:

- Close management of the day-to-day activities of the Group by the Executive Directors;
- An organisational structure with defined levels of responsibility, which promotes entrepreneurial decision-making and rapid implementation whilst minimising risks;
- Central control over key areas such as capital expenditure authorisation and banking facilities;
- A comprehensive annual budgeting process producing a detailed integrated profit and loss, balance sheet and cash flow, which is approved by the Board; and
- Detailed monthly reporting of performance against budget.

The Group continues to review its system of internal control to ensure compliance with best practice, whilst also having regard to its size and the resources available.

STANDARDS AND POLICIES

The Board is committed to maintaining appropriate standards for all the Group's business activities and ensuring that these standards are set out in written policies. Key examples of such standards and policies include:

- Anti-bribery and Corruption Policy
- Information Security Policy
- Data Protection Policy
- Share Dealing Code.

All policies are documented and senior managers and directors are responsible for monitoring the compliance of these policies.

APPROVAL PROCESS

All contracts are required to be reviewed and signed by a Director of the Company.

Principle 5: Maintaining the Board as a well-functioning, balanced team, led by the Chair

COMPOSITION, QUALIFICATION AND INDEPENDENCE OF THE BOARD

The Board comprises six Non-Executive and two Executive directors. The names and responsibilities of the current Directors, together with their biographical details, are set out on pages 14 to 16.

The Board considers each of the Non-Executive Directors to be independent in character and judgement. Two of the Non-Executive Directors do not meet the strict criteria for independence set out in the QCA Code, due to their ownership of ordinary shares and their participation in the Company's share option arrangements, as part of their remuneration arrangements.

The Board considers that the ownership of shares and participation in the Company's share options to certain of the Non-Executive Directors encourages the alignment of their interests with those of the Company's shareholders and are not material enough to compromise their independence, character and judgement.

DIVERSITY

Corporate Governance Report continued

Therefore, the Company considers all Non-Executive Directors to be independent for the purposes of the QCA Code.

The Non-Executive Directors provide independent, robust and constructive challenge to the Executive Management and monitor the performance of the management team in delivering the agreed objectives.

All Directors have disclosed their other significant commitments and confirmed that they have sufficient time to discharge their duties effectively.

APPOINTMENT AND TENURE

The Board makes decisions regarding the appointment and removal of Directors and there is a formal, rigorous and transparent procedure for appointments, some of which has been delegated to the Nomination Committee. Appointments are made on merit, taking account of the balance of skills, experience and knowledge required.

The Company's Articles of Association require that all Directors retire by rotation at regular intervals and that any new Directors appointed during the year must stand for election at the AGM immediately following their appointment.

Principle 6: Ensure that, between them, the Directors have the necessary up-to-date experience, skills and capabilities

The names and responsibilities of the current Directors, together with their biographical details, are set out on pages 14 to 16.

The Board believes that its composition brings a desirable range of skills and experience in light of the Group's challenges and opportunities following Admission, while at the same time ensuring that no individuals or a small group of individuals can dominate the Board's decision making.

The current Board, although considered to have a sufficient level of skills in all areas of the business, is always looking to improve and further its knowledge of the industry. All Directors receive regular and timely information on the Group's operational and financial performance and on technical issues.

INDUCTION

Upon appointment, all Directors are provided with training in respect of their legal, regulatory and governance responsibilities and obligations, in accordance with the UK regulatory regime.

The induction includes face-to-face meetings with Executive Management and site visits to orientate and familiarise the new Directors with Company's industry, organisation, business, strategy, commercial objectives and key risks.

The Board is kept up to date on legal, regulatory and governance matters at Board meetings. Additional training is available on request, where appropriate, so that Directors can update their skills and knowledge as applicable.

INDEPENDENT ADVICE

All Directors are able to take independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In addition, the Directors have direct access to the advice and services of the Company Secretary and Finance Director.

Principle 7: Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement

BOARD EFFECTIVENESS REVIEW

In compliance with the QCA Code, the Board undertook an evaluation of its performance before the financial year end. The evaluation was conducted by way of a questionnaire designed to assess the effectiveness of the Board, the Directors and the Chairman, as well as the Board's Committees and identify any areas for improvement. The Board has a formal process for the annual performance evaluation of the Board, its committees and individual Directors going forward. Such evaluation of the Board and its committees will primarily be undertaken by the Nominations Committee.

The Committee will regularly review the structure, size and composition (including the skills, knowledge, independence, experience and diversity) of the Board and make recommendations concerning plans for succession for both Executive and Non-Executive Directors and in particular for the key roles of Chairman and Chief Executive Officer.

Principle 8: Promote a corporate culture that is based on ethical values and behaviours

The Board is committed to promoting a strong ethical and values driven culture throughout the Company and has a people-oriented ethos where hard-work and commitment is recognised. During 2019, a project to formally define the Company's culture was started. At the end of this project, the Company will be in a position to articulate and develop its values and expected behaviours.

Crossword also recognises that employees will have interests outside work and consequently supports flexibility around these interests.

Principle 9: Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

THE ROLE OF THE BOARD

The Board is responsible for the long-term success and strategic leadership of the Group It is responsible for reviewing, formulating and approving the strategy of the Group and its subsidiaries, corporate actions and overseeing the Group's progress towards its goals. In addition, it also approves the annual and interim results and monitors the exposure to key business risks. The Board's full responsibilities are set out in a schedule of matters reserved for the Board.

The matters reserved for the attention of the Board include:

- The approval of interim and annual financial statements, dividends and significant changes in accounting practices;
- Review of bi-monthly financial statements;
- Board membership, reviewed by NOMAD, and powers including the appointment and removal of Board members, determining the terms of reference of the Board and establishing the overall control framework;
- AIM related issues including the approval of communications to the London Stock Exchange and communications with shareholders will be dealt with by the Market Disclosure Committee and reviewed by the NOMAD, or delegated by the Board to the Executive Directors;
- Senior management, remuneration, contracts, and the grant of share options will be addressed by the Remuneration Committee;
- Key commercial matters where the financial commitment is in excess of £50,000 per annum;
- Taking of loans or other credit;
- Financial matters including the approval of the budget and financial plans and performance against such plans and budgets;
- Approval of the appointment of the current period auditor, year-end audited statutory accounts and audit related queries addressed by the Audit Committee;
- Risk management review;
- Changes to the Company's capital structure, its business strategy, acquisitions and disposals of businesses, and capital expenditures outside of budget approval; and
- Other matters including, but not limited to, health and safety policy, insurance and legal compliance.

ROLE OF THE CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibility at the head of the Company. The Chairman is responsible for running the business of the Board and for ensuring appropriate strategic focus and direction, whilst the Chief Executive Officer is responsible for proposing the strategic focus to the Board, implementing it once approved, and overseeing the management of the Company through the Executive. The Chief Executive Officer is also responsible for communicating with shareholders, assisted by the Finance Director. This separation of responsibilities is clearly defined and agreed by the Board.

BOARD AND COMMITTEE MEETINGS

The Board meets at least six times each year, in accordance with its scheduled meeting calendar (these may be supplemented by additional meetings as and when required) to review, formulate and approve the Group's strategy, budgets, corporate actions and oversee the Group's progress towards its goals. At each meeting, the Board considers a number of matters, which include technical, operational, financial, risk and corporate governance reports, in addition to an update from its Committees, where applicable.

Corporate Governance Report continued

Any Director can challenge proposals and decisions are taken democratically after discussion. Any Director who feels that any concern remains unresolved after discussion may ask for that concern to be noted in the minutes of the meeting, which are then circulated to all Directors. Specific actions arising from such meetings are agreed by the Board or relevant committee and then followed up by Management.

The table below sets out the attendance record of individual Directors at the scheduled and unscheduled Board meetings held during the year:

Name	Quarterly Board Meetings	Audit	Nomination	Remuneration
Richard Dearlove	5	-	-	-
Tom Ilube	8	-	-	-
A Gueritz	8	2	2	4
Ruth Anderson	5	1	-	3
D Secher	8	2	-	4
D Stupples	7	-	2	4
G Matthew	6	-	2	-
M Dowd	7	-	-	-

The Group has established an Audit Committee, a Remuneration Committee, a Nomination Committee and a Market Disclosure Committee, each with formally delegated duties and responsibilities outlined within terms of reference reviewed and approved by the Board on an annual basis.

From time to time, separate committees may be set up by the Board to consider specific issues when the need arises.

The Board and its Committees are supported by the Company Secretary, who ensures that the Board receives regular and timely information ahead of each meeting. A formal agenda is produced for each meeting and the Company Secretary distributes papers several days before meetings take place to provide the Board with sufficient time to consider the matters to be discussed. Each Committee has access to such resources, information and advice as it deems necessary, at the cost of the Company, to enable it to discharge its duties.

Principle 10: Communicate how the Company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders

The Board attaches considerable importance to the maintenance of constructive relationships with shareholders and its other stakeholders.

As mentioned above, the Company communicates with shareholders through the Annual Report and accounts, full-year and half-year results announcements, the AGM and one-to-one meetings with large existing or potential new shareholders. The Company regularly releases regulatory and other announcements covering operational and corporate matters.

A range of corporate information (including all Company announcements) is also available to shareholders, investors and the public on the Company's corporate website, **www.crosswordcybersecurity.com** including:

- Our Articles of Association and admission document;
- A detailed account of how we have applied the principles of the QCA Code;
- Latest Crossword Cybersecurity news and press releases;
- Annual and Interim Reports.

The Board receives regular updates on the views of shareholders through briefings from the Chief Executive Officer, Finance Director and the Company's brokers.

The Company is currently exploring further methods of obtaining feedback from its staff, including exit interviews in the event people decide to leave the business, and follow up interviews with new employees.

Sir Richard Dearlove KCMG OBE
Chairman
24 April 2020

Audit Committee Report

I am pleased to present the Committee's report for the year ended 31 December 2019. The following pages provide an insight into how the Committee discharged its responsibilities during the year and the key topics that it considered in doing so.

The role of the Audit Committee is to monitor the integrity of the Group's Financial Statements, including its annual and half-yearly reports and any other formal statements relating to its financial performance. It monitors and reviews the effectiveness of the Group's system of internal financial control systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems.

COMMITTEE MEMBERSHIP AND GOVERNANCE

The Audit Committee is comprised of three independent non-executive directors, currently David Secher, Ruth Anderson and Andrew Gueritz. David Secher, Chair of the committee, is considered by the Board to have recent and relevant financial experience and the Committee as a whole has competence relevant to the sector in which the Company operates. Ruth Anderson joined the Committee on 4 April 2019 to further strengthen the risk management experience on the Committee and to ensure that any two members of the Committee are available for the Committee to be quorate. At the request of the Chair of the Committee, the Chief Executive Officer, Finance Director and other members of the senior management team may also be invited to attend meetings as guests.

The Audit Committee aims to meet three times in each financial year and has unrestricted access to the Group's external auditors. The Committee works to a planned programme of activities focused on key events in the annual financial reporting cycle and standing items that it considers regularly under its Terms of Reference.

PRINCIPAL ACTIVITIES DURING THE YEAR

The Committee held two meetings during the year under review and considered the following:

- The external auditor's 2019 year-end audit report and opinion;
- The Company's Report for the financial year ended 31 December 2019 and the related results announcements and the Half-Yearly Report to 30 June 2019;
- Evaluation of the performance of the external auditor including their independence, objectivity and the effectiveness of the audit process;
- The re-appointment of MHA MacIntyre Hudson as the external auditor for the Company;
- The Committee's Terms of Reference;
- The Company's risk registers as well as the internal controls and risk management systems in place.

The Committee is planning the following activities during 2020;

- Review the Company's procedures for detecting fraud;
- Review the Company's systems and controls for the prevention of bribery and receive reports on non-compliance;
- Review the adequacy and security of the Company's arrangements for its employees to raise concerns, in confidence, about possible wrongdoing in financial reporting or other matters. The Committee shall ensure that these arrangements allow proportionate and independent investigation of such matters and appropriate follow up action;
- Review and approve the FY20 external audit plan, including the proposed materiality threshold, the scope of the audit, the significant audit risks and fees;
- Risk – review and challenge the Risk Register, and consider the risk appetite of the business.

The Committee members' attendance at meetings during the year is set out on page 24 above.

Corporate Governance Report continued

EXTERNAL AUDITOR

MHA MacIntyre Hudson has been the external auditor of the Group since 2014. The continued appointment of MHA MacIntyre Hudson is reviewed by the Committee each year, taking into account the relevant legislation, guidance and best practice appropriate for a Company of its size, nature and stage of development.

The Committee considers a number of areas when reviewing the external auditor appointment, namely its performance in discharging the audit, the scope of the audit and terms of engagement, its independence and objectivity, and its reappointment and remuneration.

The breakdown of fees between audit and non-audit services paid to MHA MacIntyre Hudson during the financial year is set out in Note 6 to the Group's Consolidated Financial Statements. The non-audit fees relate to tax advice. The Audit Committee is satisfied that it was appropriate for the external auditor to carry out this work, and that it did not impair its independence or objectivity.

INTERNAL AUDIT

The Audit Committee presently considers it appropriate that the Group does not have an internal audit function. This is due to the effectiveness of the group's internal financial control systems that identify, assess, manage and monitor financial risks, and other internal control and risk management systems, and the close involvement of the Executive Directors and senior management on a day-to-day operational basis. However, the need for an internal audit function will be kept under review by the Audit Committee on behalf of the Board.

David Secher
Chair, Audit Committee
24 April 2020

Nomination Committee Report

The Nomination Committee is responsible for reviewing the composition of the Board taking into account the skills, experience and diversity of the Directors in light of the challenges and opportunities facing the Company and makes recommendations for the appointment and reappointment of Board members.

COMMITTEE MEMBERSHIP AND GOVERNANCE

The Nomination Committee is chaired by Andrew Gueritz and its other members are Ruth Anderson, Gordon Matthew and David Stupples. Under the Committee's Terms of Reference, the Committee is required to meet at least twice in each financial year and must comprise of at least three members, two of whom must be independent Non-Executive Directors. The Committee held two meetings during the year. The Committee members' attendance at meetings during 2019 is set out on page 24.

BOARD EFFECTIVENESS REVIEW

In compliance with the QCA Code, the Board undertook an evaluation of its performance before the financial year end. The evaluation was conducted by way of a questionnaire designed to assess the effectiveness of the Board, the Directors and the Chairman, as well as the Board's Committees and identify any areas for improvement.

The results of the evaluation were presented to the Board for review in February 2020 and revealed no significant concerns amongst Directors about the effectiveness of the Board. Actions arising from recommendations to further improve the effectiveness of the Board are being implemented and include the review of succession plans for key members of management and Board members.

DIVERSITY

The Company has not adopted a formal policy on diversity and, therefore, has no measurable objectives to disclose. Appointments, including appointments to the Board and senior management positions are made on merit, taking account of the balance of skills and experience required.

KEY AREAS OF FOCUS FOR 2020:

- Review the structure, size and composition (including the skills, knowledge, experience and diversity) of the Board and make recommendations to the Board as appropriate;
- Review the time commitment and independence of the Non-Executive Directors;
- Put in place succession plans for both Executive and Non-Executive Directors and, in particular, for the key roles of Chair and Chief Executive Officer; and
- Conduct an internal evaluation of the Board, its Committees and individual Directors, using questionnaires.

Andrew Gueritz
Chair, Nomination Committee
24 April 2020

Corporate Governance Report continued

Remuneration Committee Report

The Remuneration Committee is responsible for determining and agreeing with the Board the framework or broad policy for the remuneration of all Executive Directors, the Chairman of the Board, including pension rights and any compensation payments, and such other members of the senior management as it is designated to consider. In addition, the Committee makes recommendations to the Board on proposals for the granting of share options and other equity incentives, pursuant to any employee share option scheme or equity incentive plans in operation from time to time.

COMMITTEE MEMBERSHIP AND GOVERNANCE

The Remuneration Committee is a formal committee of the Board and has powers delegated to it under the Articles of Association. Its remit is set out in Terms of Reference formally adopted by the Board which are reviewed annually.

The Remuneration Committee is currently comprised of Andrew Gueritz (as Chair), David Secher, David Stupples and Ruth Anderson. The Committee meets at least once in each financial year and held four meetings during the year.

The Committee members' attendance at meetings during the year is set out on page 24 above.

LETTERS OF APPOINTMENT, SERVICE CONTRACTS AND TERMINATION

Thomas Ilube (Chief Executive Officer)

Tom Ilube is appointed as Chief Executive Officer under an executive service contract dated 1 April 2014 (as amended). The employment commenced on 1 April 2014 and will continue unless terminated by either party giving twelve months' written notice. The Company may terminate the contract without notice (or with payment *in lieu* of notice) if, *inter alia*, Tom is guilty of gross misconduct, commits a serious breach of the employment contract, commits a criminal offence, is declared bankrupt or becomes of unsound mind. The Company may, after giving or receiving notice of termination, immediately end the employee's employment and make payment *in lieu* of salary with no other benefit for the remaining period of notice.

Mary Dowd (Finance Director)

Mary Dowd is employed as Finance Director under an employee service contract dated 10 May 2018. The employment commenced on 16 May 2018 and will continue unless terminated by either party giving six months' written notice. The Company may terminate the contract on shorter notice if the employee is absent from work for an extended period through sickness or injury and may terminate without notice (or with payment *in lieu* of notice) if, *inter alia*, Mary is guilty of gross misconduct, commits a serious breach of the employment contract, commits a criminal offence, is declared bankrupt or becomes of unsound mind. The Company may, after giving or receiving notice of termination, immediately end the employee's employment and make payment *in lieu* of salary with no other benefit for the remaining period of notice. Following termination of employment, Mary is subject to certain restrictions for a period of six months, including a restriction on dealing with the Company's customers and suppliers and from working for a competing business.

Non-Executive Directors

All Non-Executive Directors, including the Chairman serve on the basis of letters of appointment which are terminable by three months' written notice and are available for inspection at the Company's registered office. Subject to continued satisfactory performance, the Board does not think it appropriate at this time to limit the term of appointment of the Non-Executive Directors.

The Executive Directors' service contracts are also available for inspection at the Company's registered office.

At the Company's Annual General Meeting held on 9 May 2019, shareholders authorised an increase to the aggregate amount of fees paid to Non-executive Directors, in any one financial year, (as set out in article 101 of the Articles of Association of the Company) be increased from £100,000 to £125,000. This increase ensures that the Company has sufficient headroom to pay the fees of non-executive directors given the increase in the number of non-executive directors in recent years.

The remuneration of the Directors who served during the year was as follows:

Directors' remuneration	Basic Salary and fees	Bonus £'000	Taxable benefits £'000	Employer's Pension contributions £'000	Total £'000
Executive Directors					
Thomas Ilube CBE	£130,000	10,000	£4,801	£1,188	**£145,989**
Mary Dowd	£128,750	8,477	–	£1,188	**£138,415**
Non Executive Directors					
Sir Richard Dearlove	£25,000		£50,000		**£75,000**
Ruth Anderson	£9,500				**£9,500**
Andrew Gueritz	£11,833				**£11,833**
Gordon Matthew	£12,000				**£12,000**
David Secher	£11,833				**£11,833**
David Stupples	£12,000				**£12,000**
Total	**£340,966**	**£0**	**£54,801**	**£2,376**	**£416,570**

DIRECTORS' SHAREHOLDINGS AND SHARE INTERESTS

The table below sets out the Directors' interests in the ordinary shares of the Company as at 31 December 2019. There have been no changes in the current Directors' interests in shares or options granted by the Company between the end of the financial year and 24 April 2020.

Name	Number of Issued Ordinary Shares	% of Issued Shares
Thomas Ilube*	1,382,112	29.52%
Dr David Secher	26,365	0.56%
David Stupples	5,263	0.11%

* *Thomas Ilube's shareholding is made up of 1,251,668 shares held by him personally and 130,444 held by Share Nominees Limited on his behalf. Thomas Ilube, and connect investors (together the "Concert Party") are deemed to be acting in concert for the purposes of the Takeover Code. The Concert Party owns in aggregate 1,408,739 Ordinary Shares representing 30.00 per cent. of the Company's Share Capital.*

SHARE OPTION AND INCENTIVISATION ARRANGEMENTS

The Board considers employee share ownership to be an important part of its strategy for employee incentivisation and retention. The Group has established share option programmes that entitle certain employees to purchase shares in the Company. These were issued in July 2014, November 2014, July 2015, December 2015, January 2016, June 2016, September 2016, June 2017, January 2018, May 2018, July 2018, October 2018, June 2019 and November 2019. There are no performance conditions attaching to these options.

During the year, the Company cancelled the share option programme in Crossword Consulting Limited and issued 3,000 Crossword Cybersecurity plc share options at the prevailing price in the Company to replace the Crossword Consulting Limited 24,500 outstanding share options. In March 2020, the Company put in place an incentive arrangement for Stuart Jubb, the Managing Director of Crossword Consulting Limited, which is designed to incentivise him with entrepreneurial-style rewards commensurate with the achievement of a growth in enterprise value of that Company.

Corporate Governance Report continued

The Directors hold the following shares under option:

Name	Date of grant	Number of Ordinary Shares under option	Exercise Price	Vesting Conditions	Expiry Date
Sir Richard Dearlove	03/10/2016	13,158	£1.90	(1)	03/10/2026
Sir Richard Dearlove	25/05/2018	6,757	£3.70	(1)	25/05/2028
Sir Richard Dearlove	03/06/2019	4,587	£5.45	(1)	02/06/2029
Sir Richard Dearlove	28/11/2019	5,208	£4.80	(1)	28/11/2029
Dr David Secher	18/07/2014	15,000	£0.54	(1)	17/07/2024
Professor David Stupples	18/07/2014	35,000	£0.54	(1)	17/07/2024
Gordon Matthew	20/07/2015	5,000	£1.90	(1)	19/07/2025
Mary Dowd	24/10/2018	7,936	£3.15	(1)	24/10/2028
Mary Dowd	03/06/2019	10,000	£5.45	(1)	02/06/2029
Total		**102,646**			

(1) Option Shares to vest in three equal tranches on the first, second and third anniversary of the date of grant.

In addition, the Company has issued 86,243 options to members of staff and a former Director, John Bottomley.

EMI SHARE OPTION PLAN

The Company has established an enterprise management incentive share option plan under scheme rules dated 21 May 2014 ("EMI Option Plan") for the purposes of recruiting and retaining its staff. The Company may grant an Option intended to be a qualifying option under the Income Tax (Earnings and Pensions) Act 2003 ("ITEPA 2003") ("EMI Option") to any eligible employee it chooses, subject to the limitations and conditions of the EMI Option Plan. EMI Options may not be granted where prohibited by law or any corporate governance code which applies to the Company or after the tenth anniversary of the date of the EMI Option Plan.

Andrew Gueritz
Chair, Remuneration Committee
24 April 2020

Directors' Report & Statement of Directors' Responsibilities

Directors' Report

This Directors' Report includes the information required to be included under the Companies Act 2006 or, where provided elsewhere, an appropriate cross-reference is given. The Corporate Governance Report approved by the Board is provided on pages 14 to 39 and incorporated by reference into this Directors' Report.

Principal activity, review of the business and future developments

Crossword Cybersecurity plc (08927013) is a public company, limited by shares, incorporated in the United Kingdom under the Companies Act, with operations in the UK and Poland. Its shares are traded on AIM, a sub market of the London Stock Exchange ('AIM').

The Company has two principal areas of activity, being (i) the development and commercialisation of university research based cyber security related software and (ii) cyber security consulting. More details on the strategy, nature of the Group's operations and future developments are set out in the Strategic report on pages 1 to 11.

Share capital and rights attaching to the shares

The number of shares in issue as at the date of publication of this report was 4,694,560 (31 December 2019: 4,681,227) ordinary shares of £0.05, each with one vote.

In accordance with applicable laws and the Company's Articles of Association, holders of ordinary shares are entitled to:

- Receive shareholder documentation including the notice of any general meeting;
- Attend, speak and exercise voting rights at general meetings, either in person or by proxy; and
- A dividend, where declared and paid out of profits available for such purposes. On a return of capital on a winding up, holders of ordinary shares are entitled to participate in such a return.

Articles of Association

The Company's Articles of Association can only be amended by special resolution and are available at **https://www.crosswordcybersecurity.com/wp-content/uploads/2019/12/Update-Articles.pdf**

Engagement with Employees

With the continuing growth in staff numbers, the Directors recognise the need to ensure excellence in engagement with employees. Two Staff Away Days took place during 2019 with feedback from staff forming a prioritised Action Plan.

Included was an action to ensure that the Company's culture is maintained during its growth. To this effect, a project to define the Company's culture was started. At the end of this project, the Company will be in a position to state its values and expected behaviours.

Engagement with charities was another action from the Away Days. In 2019, the Company supported three charities. In Richmond, Surrey, the Company is working with SPEAR, a charity for people experiencing homelessness in South West London. In Krakow, Poland, the Company supported Noble Gift, a charity which provides aid in the form of Christmas gifts in response to the actual needs of the recipients, providing an impulse for change and motivation for them to become independent and take responsibility for their lives. Additionally the Company support Macmillan Cancer Support.

Powers of Directors

The Directors may exercise powers subject to applicable legislation and regulations and the Company's Articles of Association.

The Directors in office at the date of this Annual Report are shown on pages 14 to 16.

Directors' conflict of interest

The Board may authorise, to the fullest extent permitted by law any matter which, if not so authorised, would or may result in a Director infringing his or her duty to avoid a situation in which he/she can have a direct or indirect interest that conflicts, or possibly may conflict, with the interests of the Company and which may reasonably be regarded as likely to give rise to a conflict of interest.

The Company has effective procedures in place to monitor and deal with conflicts of interest. The Board is aware of the other commitments and interests of its Directors, and changes to these commitments and interests are reported to and, where appropriate, agreed with the rest of the Board.

Directors' Report & Statement of Directors' Responsibilities continued

Directors' Insurance and Indemnity

The Group maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors. In accordance with Section 234 of the Companies Act 2006, qualifying third party indemnity provisions are in place for the Directors in respect of liabilities incurred as a result of their office to the extent permitted by law.

Purchase of own shares

The Company has not acquired any of its own shares in the period to 31 December 2019, nor in the period up to the date of approval of this Annual Report.

Subsequent events

On 20th April the Company announced that it has undertaken a fundraising of approximately £1million through a placing and proposed subscription of Crossword ordinary shares of 5p each ("Ordinary Shares") at a price of 230 pence per share.

Dividend

The Directors do not intend that the Company will declare a dividend in the near term, but instead channel the available cash resources into funding the expansion of the Group. The Board intends to commence the payment of dividends only when it becomes commercially prudent to do so, having regard to the Group's earnings, financial position, cash requirements and availability of distributable profits, as well as the provisions of relevant laws and/or generally accepted accounting principles from time to time.

Political donations

No political donations have been made during this financial year.

Principal shareholder

Tom Ilube is the Company's principal shareholder, holding a total of 1,382,112 ordinary shares, representing 29.44 per cent. of the voting rights attached to the current issued share capital of the Company. Of the 1,382,112 shares held, 1,251,668 shares are held by Tom Ilube directly and 130,444 shares are held on his behalf by Share Nominees Limited.

Annual General Meeting

The Annual General Meeting of the Company will be held on the 14th of May, 2020 at 3pm at 60 Gracechurch Street, London EC3V 0HR. The Notice of Meeting will be available to view on the Company's website in advance of that meeting.

Approval of Directors' Report

This Directors' Report, including the Corporate Governance Statement, was approved for and on behalf of the Board on 24 April 2020.

Statement of Directors' Responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs), as adopted by the European Union, and parent company financial statements, in accordance with International Financial Reporting Standards, (IFRSs), as adopted by the European Union. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs and profit or loss of the Group and parent company for that period. In preparing the financial statements, the Directors are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable IFRSs, as adopted by the European Union, have been followed for the Group financial statements and IFRSs, as adopted by the European Union, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the Group and parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and parent company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and parent company and enable them to ensure that the financial statements and the Directors' Remuneration Report comply with the Companies Act 2006 and, as regards the Group financial statements, Article 4 of the IAS Regulation. They are also responsible for safeguarding the assets of the Group and parent company and, hence, for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the parent company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Responsibility Statement of the Directors in respect of the Annual Report and Accounts

The Directors consider that the annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and parent company's position, performance, business model and strategy.

Each of the Directors, whose names and functions are listed in the Corporate Governance Section confirm to the best of our knowledge, that:

- The parent company and Group financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the European Union and Article 4 of the IAS Regulation, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation as a whole; and
- The Annual Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The annual report and accounts, taken as a whole, is fair, balanced and understandable and provides the information necessary for the shareholders to assess the Group and parent company's position, performance, business model and strategy; and
- The strategic report includes a fair review of the development and performance of the business and the position of the Group and parent company, together with a description of the principal risks and uncertainties that it faces.

Disclosure of information to the auditors

- We, the directors of the company who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:
  - there is no relevant audit information of which the company's auditors are unaware; and
  - we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

This Statement of Responsibilities and the Directors Report were approved by the Board on 24 April 2020.

Tom Ilube
Chief Executive Officer
24 April 2020

Independent Auditor's Report

To the Members of Crossword Cybersecurity plc

1. Our Opinion

We have audited the financial statements of Crossword Cybersecurity Plc for the year ended 31 December 2019.

The financial statements that we have audited comprise:

- Consolidated Statement of Comprehensive Income
- Statement of Financial Positions
- Statement of Changes in Equity
- Consolidated Statement of Cashflows
- Notes 1 to 22 of the financial statements, including the accounting policies.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

IN OUR OPINION:

- the financial statements give a true and fair view of the state of the Group's and of the Company's affairs as at 31 December 2019 and the Group's loss for the year then ended;
- the financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

2. Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our ethical responsibilities in accordance with those requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Material uncertainty regarding going concern

We draw your attention to note 1.3 in the financial statements which states that the group incurred substantial losses during the year and the continued requirements for successful future equity or debt fund raising. The impact of this together with other matters set out in the note, indicate that a material uncertainty exists that may cast significant doubt on the group's ability to continue as a going concern. Our opinion is not modified in respect of this matter.

OVERVIEW

Materiality		
Group	£72K	2% of aggregate of cost of sales and administrative expenses
Company	£54	2% of aggregate of costs of sales and administrative expenses
Key audit matters		
Group		• Accuracy of measurement of amounts arising from lease contracts and the presentation and disclosures of those amounts. • Completeness of revenue. • Accuracy of classification and measurement of the convertible loan notes issued during the year.
Company		• Assessment of the recoverability of debt finance provided to subsidiary

4. Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those matters which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team and, as required for listed entities, our results from those procedures. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Accuracy of measurement of the group's right to use assets held under operating leases

The Risk	Our response
As described in the notes 1.2 and 12 of the financial statements the group has implemented IFRS 16 'Leases' with effect from 1 January 2019. The new standard requires lessees to make substantial changes to the measurement and presentation of lease contracts. The recognition of new lease liabilities and rights to use assets will require the exercise of judgement and the use of significant estimation techniques by management. There are also complex rules applicable to transition and the use of exemptions and practical expedients. These factors all increase the risk of a material misstatement.	We reviewed the accounting policy to be adopted by management and assessed its consistency with the requirements of IFRS 16. We reviewed and discussed the approach to transition with management to confirm that material contracts had been correctly identified. We tested managements calculations of the lease liability and assessed the reasonableness of judgements made regarding the incremental rate of borrowing and the expected term of the lease. We considered the presentation and measurement of the right to use asset and the reasonableness of the estimated useful life of this asset. We also considered management's assessment of whether there were any indications of impairment of the right to use asset. We assessed whether the appropriate disclosures regarding the nature of the lease contracts and the associated capital commitments has been adequately disclosed in the financial statements. We also considered the reasonableness of managements basis for applying relevant exemptions or practical expedients and confirmed that these had been appropriately disclosed in the financial statements.

Result of our procedures

We concluded that amounts in respect of lease contracts have been appropriately measured and presented in the financial statements and that the disclosures in respect of these amounts meet the requirements of IFRS 16.

Completeness of revenue

The Risk	Our response
There is a risk that revenue is incomplete due to inaccurate recording of revenue based on assessing when the group has satisfied the performance obligations where revenue may be recognised in accordance with IFRS 15 - Revenue from Contracts with Customers and its 5 step model for revenue recognition. The risk arises from the group having differing streams of revenue where the point of revenue may be recognised at a point in time or over a period of time under the percentage of completion method.	Our procedures included assessing the design and implementation of key controls around the recognition of revenue recognition and detailed testing of the revenue cycles in the group's business. In addition, we performed substantive analytical review procedures to determine that the revenue recorded in the financial statements was complete.

Result of our procedures

We concluded that revenue was complete and had been accurately recorded in the financial statements.

Independent Auditor's Report continued

To the Members of Crossword Cybersecurity plc

Accuracy of classification and measurement of the convertible loan notes issued during the year	
The Risk	**Our response**
There is a risk that the convertible loan notes of £1.4M issued in December 2019 are not presented in accordance with IAS 32 – Financial Instruments: Presentation and if the convertible loan notes are not presented correctly they may be measured in error in accordance with IFRS 9 – Financial Instruments.	Our procedures included an assessment of the presentation of the financial instrument based on the underlying terms and conditions of the convertible loan notes and that they are accurately measured and recorded in the financial statements.
Result of our procedures We concluded that the classification and measurement of the convertible loan notes were accurately recorded in the financial statements.	

Assessment of the recoverability of debt finance provided to subsidiary	
The Risk	**Our response**
There is a risk that the debt due from the group's subsidiary may not be recoverable.	Our procedures included an assessment of the business plan of the group and the subsidiary and management's plans and intentions regarding the payment of the loan and an assessment of the subsidiary's ability to be able to repay the loan.
Result of our procedures We concluded that based on management's plans and intentions that the loan to the subsidiary was recoverable.	

5. Our application of materiality

Our definition of materiality considers the value of error or omission on the financial statements that would change or influence the economic decision of a reasonably knowledgeable person. Materiality is used in planning the scope of our work, executing that work and evaluating the results.

Materiality in respect of the group was set at £72K and for the parent company was £54K which was determined based on 2% of sales and administrative expenses.

6. An overview of the scope of our audit

The group consists of three reporting components of which two were considered to be significant components of the group, Crossword Cybersecurity Plc and Crossword Consulting Limited. The significant components were subjected to full scope audits for the purposes of our audit report on the group financial statements. The component not considered to be significant was subject to specific risk focused audit procedures designed to address identified risks which could potentially result in material misstatement of the group financial statements.

Our audit of the group financial statements also involved the use of a component auditor. The group audit team provided comprehensive instructions to the component auditor of Crossword Cybersecurity z.o.o. These instructions included specific procedures to be performed. Those instructions also included an assessment of component materiality which was set at £4.2K.

The group audit team discussed and agreed the proposed approach to the audit procedures to be performed and the nature and form of their reporting on the results of their work. The group team conducted reviews of the working papers prepared by the component auditors via remote enquiries of the component auditor.

	Identified misstatements reported to the audit committee		
	Group reported	**Company reported**	**Identified misstatements**
Revenue	£1.3M	£0.6M	£Nil
Total assets	£2.4M	£2.8M	£Nil
Loss for the year before tax	£2.1M	£1.9M	£Nil

7. Capability of the audit in detecting irregularities, including fraud

As part of our audit we identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and then design and perform audit procedures responsive to those risks, including obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to both reduce costs and inflate operating profit, and management bias in accounting estimates.

Audit procedures performed by the engagement team included, but were not limited to:

- Obtaining an understanding of the legal and regulatory frameworks that the group and company operates in, focusing on those laws and regulations that had a direct effect on the financial statements. The key laws and regulations we considered in this context included UK Companies Act, AIM regulations and applicable tax legislation. In addition, we considered compliance with the UK Bribery Act and employee legislation, as fundamental to the group and company's operations;
- Discussing among the engagement team regarding how and where fraud might occur in the financial statements and any potential indicators of fraud;
- Discussions with group and company management and the audit committee, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Enquiring of the audit committee concerning actual and potential litigation and claims;
- Evaluation of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- Assessment of matters reported on the group and company's whistleblowing helpline and the results of management's investigation of such matters;
- Reading key correspondence with regulatory authorities such as the Financial Reporting Council; and
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular with respect to the classification and measurement of the convertible loan notes.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

We did not identify any key audit matters relating to irregularities, including fraud.

Independent Auditor's Report continued

To the Members of Crossword Cybersecurity plc

8. We have nothing to report on the other information in the Annual Report

The directors are responsible for the other information. The other information comprises the information included in the Annual Report and Accounts, other than the financial statements and our auditor's report thereon. Our opinion of the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

STRATEGIC REPORT AND DIRECTORS REPORT

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

9. Matters on which we are required to report by exception

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires is to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received by branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

10. Responsibilities of directors

As explained more fully in the directors' responsibilities statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

11. Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group and company's internal control.
- Evaluate the appropriateness of accounting policies used and reasonableness of accounting estimates and related disclosures made by the directors.
- As noted in Section 3 it is our responsibility to conclude on whether a material uncertainty exists and on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group and the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group and company to cease as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

12. Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Rajeev Shaunak FCA
(Senior Statutory Auditor)

for and on behalf of MHA MacIntyre Hudson
Chartered Accountants and Statutory Auditor

6th Floor
2 London Wall Place
London
EC2Y 5AU

24 April 2020

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NIXER

A MACHINE LEARNING CREDENTIAL STUFFING & APPLICATION DDOS PLATFORM

Consolidated Financial Statements

for Crossword Cybersecurity Plc company number 08927013

Consolidated Statement of Comprehensive Income

	Notes	12 Months ended 31st December 2019 £	12 Months ended 31st December 2018 £
Revenue	2	**1,305,055**	1,067,609
Cost of Sales	3	**(1,431,648)**	(1,013,521)
Gross (loss)/profit		**(126,593)**	54,088
Other operating income – research & development tax credits		**171,623**	192,149
Administrative expenses	3	**(2,185,170)**	(2,335,228)
Share based payments	4	**(32,200)**	(45,751)
Finance income-bank interest receivable and foreign exchange		**8,357**	3,727
Finance costs-other interest payable		**(24,351)**	(1,237)
Gain on remeasurement of financial liabilities	17	**92,764**	
Loss for the year before taxation		**(2,095,570)**	(2,132,252)
Tax expense	7	**(5,878)**	(8,052)
Loss for the Year		**(2,101,448)**	(2,140,304)
Other Comprehensive Income			
Items that may be reclassified to profit or loss:			
Foreign Exchange Translation Loss		**(5,354)**	(13,542)
Total comprehensive (loss)/profit		**(2,106,802)**	(2,153,846)
Earnings Per Share	14	**(0.47)**	(0.55)
Diluted Earnings Per Share	14	**(0.42)**	(0.44)

All results are derived from continuing operations

Statement of Financial Position as at 31 December

	Notes	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Non-Current Assets					
Tangible assets	8	15,438	10,918	12,066	4,583
Right of Use assets	12	203,062	133,726	–	–
Investments in other unlisted investment & subsidiary	9	31	11,048	31	11,048
Total non-current assets		218,531	155,692	12,097	15,631
Current Assets					
Trade and other receivables	10	606,953	1,170,458	483,055	783,211
Tax receivable		19,345	9,222	76,332	64,993
Cash and cash equivalents		1,514,166	1,452,085	2,222,706	2,213,071
Total current assets		2,140,463	2,631,764	2,782,093	3,061,276
TOTAL ASSETS		2,358,994	2,787,456	2,794,190	3,076,907
EQUITY					
Attributable to the owners of the Company					
Share Capital	13	234,061	234,061	234,020	234,020
Share premium account	13	7,515,744	7,515,744	7,513,908	7,513,908
Other reserves	16	128,826	128,826	96,626	77,101
Retained earnings		(7,428,818)	(6,914,714)	(5,327,370)	(4,999,370)
Translation of foreign operations		(11,367)	–	(6,013)	–
Total equity		438,447	963,918	2,511,172	2,825,659
LIABILITIES					
Current Liabilities					
Trade and other payables	11	522,286	516,302	235,802	251,248
Tax payable		91,024	–	47,216	–
Total current liabilities		613,311	516,302	283,018	251,248
Long Term Liabilities					
Loan	20	1,307,236	1,307,236		
Total long term liabilities		1,307,236	1,307,236	0	0
Total Liabilities		1,920,547	1,823,538	283,018	251,248
Total Equity & Liabilities		2,358,994	2,787,456	2,794,190	3,076,907

The financial statements were approved by the Board and authorised for issue on 24 April 2020. They were signed on its behalf by Tom Ilube Chief Executive Officer.

Consolidated Financial Statements continued

Statement of Changes in Equity

As At

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Share Capital				
At 1st January	234,022	234,022	159,173	159,173
Issue of shares	39	39	74,849	74,849
At 31st December	234,061	234,061	234,022	234,022
Share Premium				
At 1st January	7,513,906	7,513,906	3,555,522	3,555,522
Issue of shares	1,838	1,838	3,958,384	3,958,384
At 31st December	7,515,744	7,515,744	7,513,906	7,513,906
Equity Reserve				
At 1st January	96,626	77,101	50,875	50,875
Employee share schemes – value of employee services	32,200	51,725	45,751	26,226
At 31st December	128,826	128,826	96,626	77,101
Retained Earnings				
At 1st January	(5,327,370)	(4,999,370)	(3,187,066)	(2,947,789)
Loss for the period	(2,101,448)	(1,915,344)	(2,140,304)	(2,051,581)
At 31st December	(7,428,818)	(6,914,714)	(5,327,370)	(4,999,370)
Translation of Foreign Operations				
At 1st January	(6,013)	–	7,529	–
Translation of Foreign Operations	(5,354)	–	(13,542)	–
At 31st December	(11,367)	–	(6,013)	–
Total				
At 1st January	2,511,172	2,825,659	586,033	817,781
Loss for the period	(2,106,802)	(1,915,344)	(2,153,846)	(2,051,581)
Issue of shares	1,877	1,877	4,033,233	4,033,233
Share based Payments	32,200	51,725	45,751	26,226
At 31st December	438,447	963,917	2,511,172	2,825,659

Consolidated Statement of Cashflows

Years	Notes	12 Months ended 31st December 2019 £	12 Months ended 31st December 2018 £
Cashflows From Operating Activities			
Loss for the year/period		**(2,101,448)**	(2,140,304)
Movement in trade and other receivables		**(66,911)**	(383,807)
Movement in trade and other payables		**330,292**	190,942
Depreciation and amortisation		**147,281**	5,592
Non cash Financial Instrument stated at amoritised cost		**(92,764)**	
Non cash employee benefits		**32,200**	45,751
Net Cashflow from Operating Activities		**(1,751,350)**	(2,281,826)
Cashflow From Investing Activities			
Purchase of tangible assets	8	**(9,657)**	(5,250)
Purchase of right to use assets		**(344,058)**	
Purchase of shares in other unlisted investment	9	**–**	–
Net Cashflow from Investing Activities		**(353,715)**	(5,250)
Cashflows From Financing Activities			
Proceeds from issue of ordinary shares		**1,877**	4,033,233
Proceeds from issue of debt		**1,400,000**	
Net Cash Inflow from Financing Activities		**1,401,877**	4,033,233
Net Increase in Cash & Cash Equivalents		**(703,186)**	1,746,158
Foreign Currency Translation Difference		**(5,354)**	(13,542)
Cash and Cash Equivalent at the beginning of the period		**2,222,706**	490,090
Cash and Cash Equivalent at the end of the period		**1,514,165**	2,222,706

Consolidated Financial Statements continued

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 principal 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").

The principal accounting policies applied in the preparation of the financial information are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

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 and in accordance with International Financial Reporting Standards ("IFRS") and IFRS Interpretations Committee ("IFRS IC") interpretations as adopted by the European Union and the Companies Act 2006 applicable to companies reporting under IFRS.

The financial information has been prepared on the historical cost basis. 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 areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial information are disclosed in note 1.16.

Changes in accounting policy and disclosures

The Group has adopted the following new and amended IFRS from 1 January 2019 prospectively in the consolidated financial information. There has not been a material impact to the Group when adopting these new and amended IFRSs:

IFRS16 – Leases, applicable for financial years beginning on/after 1 January 2019

IFRS 16 replaces IAS 17 Leases and will primarily change lease accounting, with lessor accounting under IFRS 16 expected to be similar to lessor accounting under IAS 17. Lessee accounting under IFRS 16 will be similar in many respects to IAS 17 accounting for finance leases, but is expected to be substantively different to existing accounting for operating leases.

Where a contract meets IFRS 16's definition of a lease and the Group acts as a lessee, lease agreements will give rise to the recognition of a non-current asset representing the right to use the leased item, and a loan obligation for future lease payables on the Group's balance sheet.

The change in accounting policy is made in accordance with the transitional provisions.

Lease costs will be recognised in the form of depreciation of the right-of-use asset and interest on the lease liability, which may impact the phasing of operating profit and profit before tax, compared to existing cost profiles and presentation in the income statement, and will also impact the classification of associated cash flows.

The impact of IFRS 16 – Leases will require the Group to record its current property leases and qualifying technology contracts on the balance sheet giving rise to a right to use asset and a corresponding lease obligation. The leases impacted are currently treated as operating expenses. The change in recognition is expected to increase depreciation charges and lead to a reduction in lease costs in the income statement.

Other standards and interpretations yet to be adopted include:

IFRS 17 'Insurance Contracts'

Amendments to IFRS 2 'Share Based Payments'

Amendments to IFRS 11 'Accounting for Acquisition of Interests in Joint Operation'

Amendments to IFRS 9 'Prepayment Features with Negative Compensation' Amendment

Amendment to IAS 40 'Transfer of Investment Property'

And are not expected to have a material impact of the future results of the Group.

1.3 Going Concern

The financial information are prepared on a going concern basis. The Group's business model is being developed and its operations have incurred a net loss in each period reported within this Financial Information whilst the Group's products and services are bought to market. It is forecast to continue to be loss making with net cash outflow as the business continues to develop its products and converts its pipeline into sales. Operations have been supported by cash flow from customers and issue of equity and debt and business forecasts highlight the need for the Group to continue to have further successful fundraising placements.

The directors have considered the Group's future and forecast business and cash requirements. Following the completion of a successful fundraise in April 2020, the directors have determined that the group has sufficient cash resources for the period through to early 2021, when a further fundraising placement is forecast to be required. As part of their forecasting, the directors have considered various scenarios driven by the uncertain impact of the COVID-19 pandemic, particularly on revenue, and have identified actions, including costs controls and taking advantage of the Government schemes, which the company is in a position to action quickly if necessary. The full impact of COVID-19, the continued level of government support and the underlying trading assumptions used in forecasting are judgemental and difficult to predict and could be subject to significant variation and affect the timing of future fundraising.

The Directors have concluded that these circumstances and specifically the ongoing need for successful future fundraising give rise to a material uncertainty. However, in light of the recent successful fund raise the directors are of the position that they can continue to adopt the going concern basis in preparing the financial statements.

The financial statements do not include any adjustment that may arise in the event that the entity is unable to realise its assets and discharge its liabilities in the normal course of business.

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, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group.

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 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.

1.6 Functional and presentation currency

The presentation currency of the Group is pounds sterling (GBP). The functional currency of the Company is pounds sterling. The functional currency of the Company's polish subsidiary is Polish Zloty (PLN).

1.7 Foreign currency transactions

Transactions in foreign currencies are translated to GBP at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to GBP at the exchange rate at that date.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to GBP at the exchange rate at the date that the fair value was determined.

Foreign exchange differences arising on translation are recognised in the statement of comprehensive income.

On consolidation, the assets and liabilities of foreign operations are translated into GBP at the rate of exchange at the reporting date. Their statements of profit or loss are transacted at exchange rates at the dates of transaction.

Consolidated Financial Statements continued

The exchange differences arising upon consolidation on retranslation from a functional currency other than GBP are recognised as a separate component of equity.

1.8 Property, plant and equipment

Property, plant and equipment is stated at purchase price less accumulated depreciation and impairment losses. The cost includes all expenses directly related to the purchase of a relevant asset.

All other repair and maintenance costs are charged to the income statement for the period during the reporting period in which they are incurred.

1.9 Depreciation

Each item of property, plant and equipment is depreciated using the straight line method over the estimated useful life and depreciation charge is included in the income statement for the period.

The depreciation is charged to the income statement for the period and determined using the straight line method over the estimated useful life of the item of property, plant and equipment.

The expected useful lives of property, plant and equipment in the reporting and comparative periods are as follows:

	Useful lives in years
Computers	3.33
Furniture & fittings	3.33

1.10 Impairment of non-financial assets

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its physical life.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. Items costing less than £2,000 per individual asset are written off in the period of acquisition.

At the end of each reporting period management assesses whether the indicators of impairment of property, plant and equipment exists.

The carrying amounts of property, plant and equipment and all other non-financial assets are reviewed for impairment if there is any indication that the carrying amount may not be recoverable.

For the purpose of impairment testing the recoverable amount is measured by reference to the higher of value in use (being the net present value of expected future cashflows of a relevant cash generating unit) and fair value less costs to sell (the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties who are independent from each other less the costs of disposal).

Where there is no binding sale agreement or active market, fair value less costs to sell is based on the best information available to reflect the amount the Group would receive for the cash generating unit.

A cash generating unit is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

If the carrying amount of the asset exceeds its recoverable amount, the asset is impaired and an impairment loss is charged to the income statement so as to reduce the carrying amount in the statement of financial position to its recoverable amount.

A previously recognised impairment loss is reversed if the recoverable amount increases as a result of a reversal of the conditions that originally resulted in the impairment.

This reversal is recognised in profit or loss for the period and is limited to the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised in prior years.

1.11 Financial Instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in the statement of comprehensive income.

All financial instruments are classified in accordance with the principles of IFRS 9 Financial Instruments.

1.11a Financial assets

Classification of financial assets

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Debt instruments that meet the following conditions are subsequently measured at FVTOCI:

- the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

By default, all other financial assets are subsequently measured at FVTPL.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Impairment of financial assets

The Company recognises a loss allowance for expected credit losses on financial assets that are measured at amortised cost. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Expected credit loss measurement

IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in "Stage 1" and has its credit risk continuously monitored by the Company.
- If a significant increase in credit risk ("SICR") since initial recognition is identified, the financial instrument is moved to "Stage 2" but is not yet deemed to be credit-impaired.
- If the financial instrument is credit-impaired, the financial instrument is then moved to "Stage 3".
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 or 3 have their ECL measured based on expected credit losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.
- Purchased or originated credit-impaired financial assets are those financial assets that are credit-impaired on initial recognition. Their ECL is always measured on a lifetime basis (Stage 3).

Consolidated Financial Statements continued

1.11b Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at "Fair Value Through Profit or Loss" ("FVTPL").

Financial liabilities at FVPL

Financial liabilities are classified as at FVTPL when the financial liability is 1) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, 2) held for trading, or 3) it is designated as at FVTPL.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not 1) contingent consideration of an acquirer in a business combination, 2) held-for-trading, or 3) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Derecognition of financial liabilities

The Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in the statement of comprehensive income.

1.12 Financial Instruments – Risk

The Group could be exposed to risks that arise from its use of financial instruments.

Risks in relation to financial assets include:

1.12.1 Market risk

Market risk covers foreign exchange risk, price risk and interest rate risk.

As the majority of the Group's transactions are either in Sterling or in Polish Zloty the Group considers its exposure to foreign exchange risk to be minimal.

There are no derivatives and hedging instruments.

The Group is not exposed to price risk given that no securities are held under financial assets.

The Group is not exposed to interest rate or cash flow risk due to the fact that the Group has no borrowing or complex financial instruments.

1.12.2 Credit risk

Credit risk is considered to be the risk of financial loss incurred by the Group in the event that a customer or counterparty to an asset fails to meet contractual obligations.

The Group does not consider credit risk to be significant given the type of services it provides.

1.12.3 Liquidity risk

Management monitor rolling forecasts of the Group's liquidity reserves, cash and cash equivalents on the basis of expected cash flows and therefore monitors liquidity risk sufficiently.

1.13 Research and development

Research and development expenditure is written off as incurred.

1.14 Taxes

Income Taxes include all taxes based upon the taxable profits of all Group companies. Other taxes not based on income such as property and capital taxes are included within operating expenses or financial expenses according to their nature.

Deferred income tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts in the financial information.

Deferred income tax assets relating to the carry-forward of unused tax losses are recognised to the extent that it is probable that future taxable profit will be available against which the unused tax losses can be utilised.

Current and deferred income tax assets are offset when the income taxes are levied by the same taxation authority and when there is a legally enforceable right to offset them.

1.15 Share Based Payments

On occasion, the Company has made share-based payments to certain Directors and employees by way of issue of share options. The fair value of these payments is calculated by the Company using the binomial option valuation 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.

1.16 Capital management

The Group considers its capital to comprise of its equity share capital, share premium, foreign exchange reserve, share options reserve and capital redemption reserve, less its accumulated losses. Quantitative detail is shown in the consolidated statement of changes in equity.

The directors' objective when managing capital is to safeguard the Group's ability to continue as a going concern in order to provide returns for the shareholder and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

The directors monitor a number of KPIs at both the Group and individual subsidiary level on a monthly basis. As part of the budgetary process, targets are set with respect to operating expenses in order to effectively manage the activities of the Group. Performance is reviewed on a regular basis and appropriate actions are taken as required. These internal measures indicate the performance of the business against budget/forecast and to confirm that the Group has adequate resources to meet its working capital requirements.

1.17 Critical accounting estimates and judgements and key sources of estimation uncertainty

Estimates and judgements are continually evaluated and are based on experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The following are the key estimates that the directors have made in the process of applying the Group's accounting policies and have the most significant effect on the amounts recognised in the financial information. There are no further critical accounting judgements.

Fair value of options granted to employees

The Group uses a combination of the Black-Scholes model and Binomial model in determining the fair value of options granted to employees under the Group's various share schemes. The determination of the fair value of options requires a number of assumptions. The alteration of these assumptions may impact charges to the income statement over the vesting period of the award. Details of the assumptions used are shown in note 4.

Convertible Loans

The Group has given consideration to the measurement and presentation of the convertible loans.

On legal execution of the loans the financial liability is initially measured at its fair value which is the face value of the loans. Immediately after recognition,at fair value, the financial liability is measured at amortised cost, using a reasonable estimate of the Group's cost of capital. The difference between the fair value and the amortised cost is taken to the P&L account.

1.18 Investments

Shares in subsidiary undertakings are stated at cost less provision for impairment. Provision is made against investments where diminution in value is considered to be permanent.

Investments which are not subsidiaries are stated at fair value unless this cannot be reliably measured in which case, they can be measured at cost less impairment.

Consolidated Financial Statements continued

2 Revenue and segmental information

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

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Revenue from the sale of goods/licences	**69,884**	**69,884**	66,373	66,373
Revenue from the rendering of services	**16,000**	**16,000**	30,336	30,336
Revenue from Cyberowl Limited for software development	**91,574**	**91,574**	165,806	165,806
Revenue from Byzgen Limited for software development	**208,555**	**208,555**	236,421	236,421
Revenue from Consulting	**919,042**		568,673	
Total Revenue	**1,305,055**	**386,013**	1,067,609	498,936

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 geographic operating segments (UK and Poland) supported by one centralised cost segment (UK and Poland) and one revenue segment (UK). Reporting on this basis is reviewed by the Board of directors which is the chief operating decision-maker and is responsible for the strategic decision-making of the Group.

No analysis of net assets by geographic segment is provided as the net assets are principally all within the UK.

3 Expenses By Nature

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Staff and related costs	**2,311,737**	**1,171,736**	1,860,259	1,030,932
Consultancy and related costs	**225,172**	**732,941**	171,468	794,185
Professional fees	**354,369**	**319,549**	694,179	669,240
Property related costs	**82,593**	**71,905**	178,945	154,529
Depreciation	**147,281**	**101,528**	5,592	917
Other expenses	**495,666**	**289,114**	438,306	217,499
Total cost of sales and administrative expenses	**3,616,818**	**2,686,772**	3,348,749	2,867,302

Expenses by geographic segment

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
UK	**3,085,727**	**2,095,814**	2,858,419	2,316,104
Poland	**531,091**	**590,958**	490,331	551,198
Total cost of sales and administrative expenses	**3,616,818**	**2,686,772**	3,348,749	2,867,302

4 Staff Costs

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Wages and salaries	**2,073,682**	**1,027,652**	1,644,363	915,601
Social security costs	**207,878**	**119,260**	196,073	98,968
Share based payments	**32,200**	**51,725**	45,751	26,226
Other pension costs	**33,208**	**24,824**	19,823	16,364
	2,346,968	**1,223,461**	1,906,010	1,057,159

The average monthly number of employees, including the directors, during the period was as follows:

	Group 2019	Company 2019	Group 2018	Company 2018
Staff	**31**	**13**	26	13
Directors	**9**	**7**	9	7

Share based payments

The amount recognised in respect of share based payments was £32,200 for December 2019, £45,751 for December 2018, £15,784 for 2017, £18,636 for 2016 and £16,455 for 2015.

The Group has established share option programmes that entitle certain employees to purchase shares in the Group.

These were issued in July 2014, November 2014, July 2015, December 2015, January 2016, June 2016, September 2016, June 2017, Jan 2018, May 2018, July 2018, October 2018, June 2019 and November 2019.

There are no performance conditions attaching to these options. 6,666 options were exercised in April 2018, 666 options in December 2018, 332 options in April 2019, and 499 options in December 2019. Since 31 December 2019, 13,333 options have been exercised.

Total options issued amount to 183,181 as at 31 December 2019, 149,010 as at 31 December 2018, 115,658 as at 31 December 2017 by Crossword Cybersecurity plc. See details in Note 14 Earnings & Diluted Earnings per share.

27,500 share options were issued by Crossword Consulting Ltd in January 2018. In July 2019, the Crossword Consulting Share Scheme was cancelled and share option in Crossword Cybersecurity plc were awarded to recipients of options in the cancelled scheme.

The share options have been valued using a binomial model applying the following inputs:

- Exercise price – equal to the share price at grant date;
- Vesting date – all options vest in three tranches, on the first, second and third anniversary from the grant date;
- Expiry/Exercise date – 10 years from the grant date;
- Volatility (sigma) – 35%. Given the thinly traded shares of the Company on AIM, we have estimated Crossword's share price volatility by reference to the calculated volatility of quoted comparator companies Sophos Group Plc and Osirium Technologies Plc.;
- Risk free rate – yield on a zero coupon government security at each grant date with a life congruent with the expected option life;
- Dividend yield – 0%;

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- Staff turnover – 0%. We have however adjusted the P+L charge for the current year (and future years) to account for lapsed options due to Leavers; and
- Performance conditions – none.

Reconciliation of share options – Company

	Weighted average exercise price 2019 £	2019 £	Weighted average exercise price 2018 £	2018 £
1st January	**149,010**	**1.80**	115,658	1.29
Granted during the period	**50,312**	**5.07**	50,186	3.02
Lapsed/exercised during the period	**(10,433)**	**2.86**	(16,834)	1.95
End of the period	**188,889**	**2.61**	149,010	1.80

Reconciliation of share options-Crossword Consulting Limited

	Weighted average exercise price 2019 £	2019 £	Weighted average exercise price 2018 £	2018 £
1st January	**24,500**	**0.01**		
Granted during the period			27,500	0
Lapsed/exercised during the period	**(24,500)**	**0.01**	(3,000)	0
End of the period	**0**	**0.00**	24,500	0

5 Directors' Remuneration

Remuneration

	2019 £	2018 £
Sir Richard Dearlove	**75,000**	25,000
Tom Ilube	**145,989**	115,000
Dr David Secher	**11,833**	6,000
Prof David Stupples	**12,000**	12,000
Andy Gueritz	**11,833**	6,000
Ruth Anderson	**9,500**	6,000
Gordon Matthew	**12,000**	12,000
Mary Dowd	**138,415**	62,949
John Bottomley		3,000
Total	**416,570**	247,949

Share Options issued (2017 nil)

	Year	Share Options	Exercise Price	Total Value
Sir Richard Dearlove	2018	6,757	£3.70	£9,902
Mary Dowd	2018	7,936	£3.15	£9,993
Sir Richard Dearlove	2019	4,587	£5.45	£10,587
Sir Richard Dearlove	2019	5,208	£4.80	£10,576
Mary Dowd	2019	10,000	£5.45	£23,080

6 Auditor's Remuneration

The expenses for services rendered by the Group auditor present themselves as follows

	Group 2019 £	Group 2018 £
Fees for legal audit of consolidated financial information	**31,250**	31,000
Fees for tax advisory services	**5,577**	5,004
	36,827	36,004

7 Tax

Income tax

	Group 2019 £	Group 2018 £
Current income tax expense	**5,878**	8,052
Deferred income tax	**–**	–
Total tax expense	**5,878**	8,052

There is no tax charge in respect of other comprehensive income.

The deferred income taxes for all years/periods and deferred tax assets as at the end of each year/period were considered nil as the Directors consider there is no sufficient certainty over the recoverability of the corporation tax losses available.

Corporation tax losses carried forward for offset against future year's trading profits amount to approximately £4,500,000 (2018: £3,500,000, 2017: £2,500,000, 2016 : £1,600,000, 2015 : £700,000).

	Group 2019 £	Group 2018 £
Loss before taxation	**2,095,570**	2,132,252
Average rate of corporation tax	**19.00%**	19.00%
Tax on loss	**(398,158)**	(405,128)
Effects of:		
Expenses not deductible for tax purposes	**18,895**	11,608
Depreciation for the period in excess of capital allowances	**147,281**	5,592
Deferred tax not recognised	**226,105**	379,876
Total tax charge	**5,878**	8,052

Factors that may affect future tax changes

A reduction in the UK corporation tax rate from 20% to 19% was enacted in October 2015 and took effect from 1 April 2017. A further reduction from 19% to 17% was substantively enacted on the same date and is now to be reversed.

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Polish Corporation Tax has been 19% until 1 January 2017, when Crossword started to benefit from the new small companies reduced rate of 15% adopted by the Parliament Act amendment to Polish CIT Law.

8 Tangible Assets

Computers

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Cost b/f	22,674		22,924	
Additions/(Disposals)			(250)	
	22,674	–	22,674	–
Accumulated Depreciation				
B/F	15,191		10,516	
Charge for the period	2,966		4,675	
C/d	18,157	–	15,191	–
Net Book Value	4,517	–	7,483	–

Furniture and Fittings

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Cost b/f	5,500	5,500	–	–
Additions	9,657	9,657	5,500	5,500
	15,157	15,157	5,500	5,500
Accumulated Depreciation				
B/F	917	917	–	–
Charge for the period	3,318	3,318	917	917
C/d	4,235	4,235	917	917
Net Book Value	10,921	10,921	4,583	4,583

9 Other Unlisted Investment

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Cost b/f	31	11,048	31	1,048
Additions	–	–	–	10,000
C/D	31	11,048	31	11,048
Carrying Amount	31	11,048	31	11,048

The above investment represents Crossword Cybersecurity Plc's 2019 – 7.1% (2018 – 9.88%, 2017 – 11.069%, 2016 – 14.58%) holding in CyberOwl Limited which was purchased on 18 April 2016.

10 Trade and Other Receivables

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Trade receivables	**263,679**	**260,947**	210,930	227,962
Tax receivable	**19,345**	**9,222**	76,332	64,993
Other receivables	**252,263**	**237,114**	142,664	127,468
Prepayments & accrued income	**92,349**	**73,148**	129,461	127,78
Intercompany receivables within one year		**1,249**		
Intercompany receivable greater than one year		**598,000**		300,000
	606,953	**1,170,459**	483,055	783,211
Overdue	**67,874**		19,620	

All overdue amounts were paid following the period.

All of the above amounts are considered to be due within one year. The maximum exposure to credit risk at the reporting date is the carrying value as above and none are either past or impaired.

Of the above amounts held within the Group, 2019: £29,180; 2018: £15,195; 2017: £32,566; is denominated in Polish Zloty with the remainder in GBP.

Foreign exchange risk is currently minimal as balances in Polish Zloty are between the parent and its wholly owned subsidiary.

11 Trade and Other Payables

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Trade payables	**82,165**	**276,814**	86,641	160,352
Tax payables	**91,024**		47,216	
Accruals and deferred income	**150,750**	**117,579**	101,946	90,882
Other payables	**289,371**	**121,909**	47,216	14
	613,310	**516,302**	283,018	251,248

All of the above amounts are considered to be due within one year.

Of the above amounts held within the Group, £24,420 (2018: £19,569; 2017: £31,149) is denominated in Polish Zloty with the remainder in GBP.

Suppliers denominated in Euros had a zero balance outstanding at 31st December 2019 (2018: £7,452; zero in previous periods).

12 Operating Leases

All Right of Use assets are operating leases.

Included within trade and other payables are lease liabilities of the group of £185,267 (2018: £nil) and of the company £113,334 (2018: £nil). Interest expense on lease liabilities in 2019 was £23,621. Total cash outflow in 2019 for leases was £149,384.

As at the end of the comparative year ended 31 December 2018 future minimum rentals payable under non-cancellable operating leases were in the amount of £501,855 of which £173,865 was due within one year and £327,986 between one and five years.

Minimum lease payments recognised as an operating lease expense for the comparative period 31 December 2018 were £132,932.

The amount of operating lease commitments as at 31 December 2019 is nil, following the first-time adoption of the new standard IFRS 16 Leases and the recognition of a right-of-use asset and corresponding lease liability. For further information see Note 1.2 Basis of preparation of financial information.

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13 Share Capital

Allotted called up and fully paid

2015: 2,383,460, 2016: 3,120,250, 2017:3,183,408, 2018: 4,680,440, 2019: 4,681,227 ordinary shares of £0.05 each

	2019 £	2018 £
Share Capital		
Cost b/f	**234,020**	159,171
Shares Issued in period	**42**	74,849
	234,061	234,020
Share Premium		
B/F	**7,513,908**	3,555,524
Shares Issued in period	**1,836**	3,958,384
C/d	**7,515,744**	7,513,908

The shares issued during the period represent share options exercised, and were ordinary shares of £0.05 issued at a premium of £1,835.

14 Earnings & Diluted Earnings 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 year the calculation was based on the loss for the year of £2,191,280 (2018: £2,132,252; 2017: £1,200,424) divided by the weighted average number of ordinary shares of 4,679,965 (2018: 3,853,254; 2017: 3,158,318)

Diluted earnings per share is calculated by dividing the loss of the year by the weighted average number of ordinary shares outstanding during the year plus unexercised share based payments, Convertible Loan Notes and associated warrants shares. The weighted average number of ordinary shares used in the calculation of diluted earnings per share was 5,190,283 (2018: 4,725,481; 2017: 3,277,481).

15 Reconciliation of Cash Flows from Financing Activities (IAS 7)

	2019 £	2018 £
Net Debt Reconciliation		
Cash in hand	**74**	72
Cash at bank	**1,514,092**	2,267,750
Cash and liquid investments	**1,514,166**	2,267,822
Borrowing repayable within one year (including overdrafts)	**–**	(45,116)
Borrowing repayable within three years	**(1,400,000)**	
Net debt £	**114,166**	2,222,706

	Cash and cash equivalents £	Gross borrowings with a fixed interest rate £	Total cash and cash equivalents £
Net debt as at 1 January 2018	490,090		490,090
Cash flows	1,732,616		1,732,616
Net debt as at 31 December 2018	2,222,706		2,222,706
Cash flows	(708,540)		(708,540)
Net debt as at 31 December 2019	**1,514,166**		1,514,166

16 Reserves

The following describes the nature and purpose of each reserve within owners' equity

Reserve	Description and purpose
Share capital	This represents the nominal value of shares issued
Share premium	Amount subscribed for share capital in excess of nominal value
Equity reserve	Represents amounts charged on share options that have been granted to employees
Retained earnings	Cumulative net gains and losses recognised in the consolidated statement of comprehensive income
Translation of foreign operations	is the difference that arises due to consolidation of foreign subsidiaries using an average rate during the period and a closing rate for the period end statement of financial position

17 Financial Instruments Note

	Group 2019 £	Company 2019 £	Group 2018 £	Company 2018 £
Current Financial Assets				
Financial assets measured at amortised cost				
Trade and other receivables	**349,186**	**931,893**	312,262	617,955
Cash and cash equivalents	**1,514,166**	**1,452,085**	2,222,706	2,213,071
	1,863,352	**2,383,978**	2,534,968	2,831,026
Current Financial Liabilities				
Financial liabilities measured at amortised cost				
Trade and other payables	**474,802**	**468,817**	227,548	242,993
Non-Current Financial Liabilities				
Financial liabilities measured at amortised cost				
Loan	**1,307,236**	**1,307,236**	–	–
	1,782,038	**1,776,053**	227,548	242,993

Included within trade and other payables are lease liabilities of the group of £185,267 (2018: £nil) and of the company £113,334 (2018: £nil).

In relation to the loan there was a fair value gain of £92,764 (2018: £nil) arising from the loans notes being initially measured at fair value and subsequently measured at amortised cost.

Consolidated Financial Statements continued

18 Pension obligations

The Group operates a defined contribution pension scheme for employees in the United Kingdom. A defined contribution scheme is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior years.

Contributions payable to the Group's pension scheme are charged to the income statement in the year to which they relate. The Group has no further payment obligations once the contributions have been paid.

In Poland, the Group pays the statutory employer's contribution into the public pension scheme for each employee, but does not operate any pension schemes.

19 Related Party Transactions

	2019	2018
CyberOwl Limited – Crossword Cybersecurity plc has an investment in CyberOwl Limited		
Percentage Holding	**7.07%**	9.88%
Revenue from development services £	**91,574**	165,806
Balance Outstanding £	**5,070**	15,960
Byzgen Limited – Crossword Cybersecurity has a licencing agreement with Byzgen Limited		
Revenue from development services and licence agreement £	**208,555**	236,421
Balance Outstanding £	**36,330**	18,656

	2019	2018
Subsidiary Transactions		
Crossword Cybersecurity Limited		
Services received from £	**47,802**	47,802
Balance Payable to £	**4,780**	5,380
Services supplied to £	**182,871**	147,153
Balance Due from £	**213,199**	68,351
Crossword Cybersecurity SP Z.o.o		
Services received from £	**588,696**	551,198
Balance Payable to £	**143,030**	45,149
Services supplied to £	**–**	–
Balance Due from £	**–**	–

Tom Ilube, CEO, has agreed to make a loan of £250,000 to the Company on the same terms as the other Lenders as described in Note 20.

20 Convertible Loan Notes

In 2019, the company received funds for £1.4m of Convertible Loan Notes. The term of the loans is 3 years and the interest is 12% payable quarterly in arrears. Early repayment is at the Company's sole option, subject to a minimum repayment amount of £10,000. Repayment is at the end of the term, in cash, save that each lender may opt to convert part or all of their loan into Ordinary Shares at £4.80. On repayment of the Loans in cash, each lender will be issued warrants valid for three months to subscribe for Ordinary Shares representing 10 per cent. of the value of the Loan at £4.80.

Included among the commitments is one from Tom Ilube, CEO, for an amount of £250,000. Tom Ilube has agreed to make a loan to the Company on the same terms as the other Lenders as described above.

21 Subsequent events

On 20th April the Company announced that it has undertaken a fundraising of approximately £1 million through a placing and proposed subscription of Crossword ordinary shares of 5p each ("Ordinary Shares") at a price of 230 pence per share and the following announcement was made to the market on 20 April 2020.

20 April 2020 – London, UK – Crossword Cybersecurity Plc (AIM:CCS, "Crossword", the "Company" or the "Group"), the technology commercialisation company focused solely on cyber security and risk, is pleased to announce that it has undertaken a fundraising of approximately £1 million through a placing and proposed subscription of Crossword ordinary shares of 5p each ("Ordinary Shares") at a price of 230 pence per share.

The Company has completed a placing of 363,617 Ordinary Shares ("Placing Shares") to raise £836,319. In addition Tom Ilube, CEO and founder of Crossword, intends to subscribe on the same terms for 73,914 Ordinary Shares ("Subscription Shares") to complete the total fundraise of £1 million following the end of the current close period, when 2019 Annual Report and Accounts are issued later this month. The Placing Shares and the Subscription Shares will be issued under the Company's existing share allotment authorities.

Settlement and dealings

Application will be made for the admission of the 363,617 Placing Shares, which rank pari passu with the Company's existing issued Ordinary Shares, to be admitted to trading on AIM. Dealings on AIM are expected to commence at 8:00am on or around 4 May 2020 ("Admission").

Total Voting Rights

For the purposes of the Financial Conduct Authority's Disclosure Guidance and Transparency Rules ("DTRs"), following Admission, Crossword will have 5,058,177 Ordinary Shares in issue with voting rights attached. Crossword holds no shares in treasury. This figure of 5,058,177 may be used by shareholders in the Company as the denominator for the calculations by which they will determine if they are required to notify their interest in, or a change to their interest in the Company, under the DTRs.

22 Controlling Party

The company does not have a controlling party.

Notice of AGM

Notice is hereby given that the Annual General Meeting of Crossword Cybersecurity plc (the "Company") will be held at the Company's offices, Midmoor House, 1st Floor, 1-2 Kew Road, Richmond, TW9 2NQ, United Kingdom on Thursday 28th May 2020 11.00 am to consider, and if thought fit, to pass the following resolutions, of which 1 – 5 will be proposed as Ordinary Resolutions and resolutions 6 and 7 will be proposed as Special Resolutions:

Ordinary Business

1. To receive and adopt the report of the directors and the financial statements for the year ended 31 December 2019 and the report of the auditors thereon.
2. To re-elect, as a director of the Company, Sir Richard Dearlove who retires in accordance with Article 90.2 of the Company's Articles of Association and offers himself for re-election.
3. To re-elect, as a director of the Company, Dr David Secher who retires in accordance with Article 90.2 of the Company's Articles of Association and offers himself for re-election.
4. To re-appoint MHA MacIntyre Hudson as auditors of the Company and to authorise the directors to determine the auditor's remuneration.

Special Business

5. THAT the Directors be and they are hereby generally and unconditionally authorised pursuant to Section 551 of the Companies Act 2006 ("the Act"), in substitution for all previous powers granted to them, to exercise all the powers of the Company to allot and make offers to allot relevant securities (within the meaning of the Act) up to an aggregate nominal amount of £45,000.00 such authority shall, unless previously revoked or varied by the Company in general meeting, expire on the conclusion of the Annual General Meeting of the Company to be held in 2021 provided that the Company may, at any time before such expiry, make an offer or enter into an agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot relevant securities pursuant to any such offer or agreement as if the authority conferred hereby had not expired.
6. THAT the Directors be and they are hereby authorised pursuant to Section 570 of the Act to allot equity securities (as defined in Section 560 of the Act) for cash pursuant to the authority conferred by resolution 5 above as if Section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to:

   (a) the allotment of equity securities in connection with an issue in favour of shareholders where the equity securities respectively attributable to the interests of all such shareholders are proportionate (or as nearly as may be practicable) to the respective number of Ordinary Shares in the capital of the Company held by them on the record date for such allotment, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange, in any territory;

   (b) the allotment of equity securities arising from the exercise of options or the conversion of any other convertible securities outstanding at the date of this resolution; and

   (c) the allotment (otherwise than pursuant to sub-paragraph (a) and (b) above) of further equity securities up to an aggregate nominal amount of £40,000.00;

   provided that this power shall, unless previously revoked or varied by special resolution of the Company in general meeting, expire at the conclusion of the Annual General Meeting of the Company to be held in 2021. The Company may, before such expiry, make offers or agreements which would or might require equity securities to be allotted after such expiry and the Directors are hereby empowered to allot equity securities in pursuance of such offers or agreements as if the power conferred hereby had not expired.
7. THAT the Articles be amended by deleting the current Article 113.2 in its entirety and replacing it with the following Article 113.2:

   "The Board shall restrict the borrowings of the Company and exercise all voting and other rights and powers of control exercisable by the Company in respect of its subsidiary undertakings so as to procure (as regards its subsidiary undertakings in so far as it can procure by such exercise) that the aggregate principal amount at any one time outstanding in respect of monies borrowed by the Group (exclusive of monies borrowed by one Group company from another and after deducting cash deposited) shall not at any time, without the previous sanction of an ordinary resolution of the Company, exceed the greater of £2,000,000 and an amount equal to 20% of the Adjusted Capital and Reserves."

BY ORDER OF THE BOARD
B Harber
Company Secretary
24 April 2020

6th Floor
60 Gracechurch Street
London EC3V 0HR

Covid-19

We note the current issues surrounding COVID-19 (coronavirus) and the rapidly developing public health guidance at the time of writing. This includes the stringent requirements requiring UK nationals to stay at home except in certain circumstances (which do not include attending an AGM), the social distancing and shielding guidance for those over the age of 70 or with underlying medical conditions, and the ban on all non-essential travel. The health and safety of our shareholders and colleagues is always our utmost priority. Please note that if the public health guidance remains unchanged shareholders will not be able to attend the AGM in person and those that attend the venue will be denied entry. Therefore, we strongly encourage you to consider ensuring your vote is counted by submission of a proxy form in accordance with notes 1 and 4 below. Although this outcome is undesirable, the directors of the Company believe that, in the current circumstances, there is no alternative to ensure the health, safety and security of attendees and to allow the business of the AGM to be transacted.

We will continue to monitor the situation and the latest available public health guidance, and will provide updates in relation to our AGM on our website as and when necessary.

Should you wish to raise any questions ahead of the AGM please do so via email to the Company Secretary at ben.harber@shma.co.uk.

Notes

1. Members entitled to appoint a proxy to exercise all or any of their rights to attend and to speak and vote on their behalf at the meeting. A proxy need not be a shareholder of the Company. A shareholder may appoint more than one proxy in relation to the Annual General Meeting provided that each proxy is appointed to exercise the rights attached to a different share or shares held by that shareholder. To appoint more than one proxy you may photocopy this form. Please indicate the proxy holder's name and the number of shares in relation to which they are authorised to act as your proxy (which, in aggregate, should not exceed the number of shares held by you). Please also indicate if the proxy instruction is one of multiple instructions being given. All forms must be signed and should be returned together in the same envelope. To be valid, the form of proxy and the power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be lodged at the offices of the Company's registrars, **Share Registrars Limited, The Courtyard, 17 West Street, Farnham, Surrey GU9 7DR by hand, or sent by post**, so as to be received not less than 48 hours before the time fixed for the holding of the meeting (excluding any part of a day which is not a working day) or any adjournment thereof (as the case may be). **Please note the Share Registrars Limited will accept scans of the proxy forms via email sent to the following address: voting@shareregistrars.uk.com with 'Crossword Cybersecurity plc AGM vote' in the subject line provided that such email is received not less than 48 hours before the time fixed for the holding of the meeting (excluding any part of a day which is not a working day) or any adjournment thereof (as the case may be).**
2. Any member entitled to attend and vote at the meeting may appoint one or more proxies to attend and, on a poll, vote instead of him. A proxy need not also be a member.
3. The completion and return of a form of proxy will not preclude a member from attending in person at the meeting and voting should he wish to do so.
4. CREST members may appoint a proxy through CREST by using the procedures described in the CREST Manual (available via www.euroclear.com/CREST). CREST personal members or other CREST sponsored members and those CREST members who have appointed a voting service provider should refer to their CREST sponsor or voting service provider, who will be able to take the appropriate action on their behalf. In order for a proxy appointment or instruction made using the CREST service to be valid, the appropriate CREST message ("a CREST proxy instruction") must be properly authenticated in accordance with Euroclear UK & Ireland Limited's specifications and must contain the information required for such instructions, as described in the CREST Manual. All messages relating to the appointment of a proxy or an instruction to a previously appointed proxy must be transmitted so that they are received by Share Registrars Limited (ID 7RA36) by 11.00 a.m. (UK time) on 26th May 2020 (or, if the meeting is adjourned, the time that is 48 hours (excluding non-working days) before the time fixed for the adjourned meeting). For this purpose, the time of receipt will be taken to be the time (as determined by the time stamp applied to the message by the CREST Applications Host) from which the issuer's agent is able to retrieve the message by enquiry to CREST in the manner prescribed by CREST. Any change of instructions to proxies appointed through CREST should be communicated to the appointee through other means. CREST members and, where applicable, their CREST sponsors or voting service providers should note that Euroclear UK & Ireland Limited does not make available special procedures in CREST for any particular message. Normal system timings and limitations will, therefore, apply in relation to the input of CREST proxy instructions. It is therefore the responsibility of the CREST member concerned to take (or procure the taking of) such action as shall be necessary to ensure that a message is transmitted by means of the CREST system by any particular time. In this connection, CREST members and, where applicable, their CREST sponsors or voting service providers are referred, in particular, to those sections of the CREST Manual concerning practical limitations of the CREST system and timings. The Company may treat a CREST Proxy Instruction as invalid in the circumstances set out in Regulation 35(5)(a) of the Uncertificated Securities Regulations 2001.

Notice of AGM continued

5. The Company has specified that only those members entered on the register of members at 11.00 a.m. on 26th May 2020 shall be entitled to attend and vote at the meeting in respect of the number of ordinary shares of £0.05 each in the capital of the Company held in their name at that time. Changes to the register after 11.00 a.m. on 26th May 2020 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

6. **Resolution 2 & 3** – Article 90.2 of the Company's Articles of Association require that a director of the Company who held office at the time of the two preceding annual general meetings and who did not retire at either of them must offer themselves for re-appointment at the next Annual General Meeting.

7. **Resolution 5** – As required by the Act, this resolution, to be proposed as an Ordinary Resolution, relates to the grant to the Directors of authority to allot unissued Ordinary Shares until the conclusion of the Annual General Meeting to be held in 2021, unless the authority is renewed or revoked prior to such time. If approved, this authority is limited to a maximum of 900,000 Ordinary Shares.

8. **Resolution 6** – The Act requires that if the Directors decide to allot unissued Ordinary Shares in the Company the shares proposed to be issued be first offered to existing shareholders in proportion to their existing holdings. This is known as shareholders' pre-emption rights. However, to act in the best interests of the Company the Directors may require flexibility to allot shares for cash without regard to the provisions of Section 561(1) of the Act. Therefore this resolution, to be proposed as a Special Resolution, seeks authority to enable the Directors to allot equity securities up to a maximum of 800,000 Ordinary Shares. This authority expires at the conclusion of the Annual General Meeting to be held in 2021.

9. **Resolution 7** – Article 113.2 restricts the Company's borrowing to £1.5m and an amount equal to 20% of the Adjusted Capital and Reserves. As 20% of the Adjusted Capital and Reserves is less than £1.5m, the Company's current borrowing limit is effectively £1.5m. Following the approval of loans of £1.4m, the Company now would like to extend its borrowing limit to £2m, to ensure it has the option to avail of available funding, for example; the Government's CBILS, and VCT debt, if the appropriate opportunity arises.

Company Information

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