

Consolidated Financial Statements

MWR Infosecurity Limited

For the Year Ended 30 June 2017



Registered number: 04451698

MWR Infosecurity Limited

Company Information

Directors

I Shaw
A Fidgen
I Messenger
R Genieser
H Grobbelaar
R De Tonnac

Company secretary

A Last

Registered number

04451698

Registered office

Matrix House 5th Floor
Basing View
Basingstoke
Hampshire
RG21 4DZ

Independent auditor

Grant Thornton UK LLP
Chartered Accountants & Statutory Auditor
1020 Eskdale Road
Winnersh
Wokingham
Berkshire
RG41 5TS

MWR Infosecurity Limited

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MWR Infosecurity Limited

Directors' Report For the Year Ended 30 June 2017

The directors present their report and the financial statements for the year ended 30 June 2017.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, the Directors' Report and the consolidated 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 applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. 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 of the Company and the Group and of the profit or loss of the Group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors

The directors who served during the year were:

I Shaw
A Fidgen
I Messenger
M Ruks (resigned 30 March 2017)
R Genieser
F Bienfait (resigned 30 March 2017)
E Wallace (resigned 30 March 2017)
H Grobbelaar (appointed 9 September 2016)
R De Tonnac (appointed 30 March 2017)
P Webber (resigned 9 September 2016)

Leigh Woolley resigned as Company Secretary on 6 November 2017. Andrew Last was appointed Company Secretary on 6 November 2017.

MWR Infosecurity Limited

Directors' Report (continued) For the Year Ended 30 June 2017

Future developments

The Group will continue its focus on excellence in delivering high quality consulting services and technologies to meet client needs. This will be achieved through a combination of research led consulting, continuing investment in product development and hiring the best individuals to deliver our services. The directors continue to invest significant funds in the development of its market leading latest service, Countercept. The Countercept service has been rolled out across a number of significant global clients.

Going concern

The directors of MWR have considered forecasted results for the business, taking into account the business activities and the markets in which it operates. The forecasts indicate that sufficient funds are available for the company to be able to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of signing these financial statements. The directors accordingly continue to prepare the financial statements on the going concern basis.

Post balance sheet events

In July 2017 MWR Infosecurity Limited approved additional investment by existing shareholders (253,620 Series C Shares of £0.001 nominal value for a total consideration of £300,000).

Research and development activities

Innovation is at the core of our vision, mission and strategic goals. In the past year, we have delivered a number of industry firsts which has been widely recognised by our customers.

Employee involvement & disabled employees

The performance of the Group relies on the selection, development and retention of highly talented employees. Wherever possible the Group attempts to promote from within to develop staff and create opportunities for career development.

Recruitment policies are designed to ensure equal opportunity of employment regardless of age, race or sex. Appropriate consideration is given to disabled applicants in offering employment.

Senior management are kept informed of Group developments in certain financial, commercial, strategic and personnel matters to enable them to inform and discuss with their teams as appropriate. Each operating unit maintains good communication with team members through regular team and one to one meetings. In line with the flexibility of the Group's approach to management, team leaders are encouraged to tailor their approach to whatever best suits their operations.

Disclosure of information to auditor

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditor is unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditor is aware of that information.

MWR Infosecurity Limited

**Directors' Report (continued)
For the Year Ended 30 June 2017**

Auditor

Under section 487(2) of the Companies Act 2006, Grant Thornton UK LLP will be deemed to have been reappointed as auditor 28 days after these financial statements were sent to members or 28 days after the latest date prescribed for filing the accounts with the registrar, whichever is earlier.

This report was approved by the board and signed on its behalf.



I Shaw
Director

Date: 29.03.2018

MWR Infosecurity Limited

Group Strategic Report For the Year Ended 30 June 2017

The directors are pleased to present their strategic report for the year ended 30 June 2017.

Results and dividends

The net loss for the year, after taxation, amounted to £0.659m (2016: £0.588m). The directors have not recommended a dividend (2016: £Nil).

Principal activities

Established in 2003, MWR InfoSecurity (MWR) is a research-led information security Company, offering consulting services, software and managed services. The Company has a large, multinational client list consisting of Dow Jones, NASDAQ, FTSE 100 companies, and Government agencies & departments. MWR supports clients around the world, providing specialist technology and services across the main areas of cyber security, from mobile and desktop end-points across clients' portfolio of technological interfaces.

Business review

Since the Company was formed, MWR has consistently grown the number of fee earning consultants to in excess of 185 operating from all eight of its global offices.

Central to MWR's philosophy is the desire to deliver high quality cyber security software and services with superior levels of support to clients. MWR's focus is working with clients to develop and deliver a full cyber security programme, tailored to meet the needs of individual organisations. MWR's solutions range from providing professional and managed services, developing and deploying software products and technology and offering training and research across areas such as incident response, web defence, phishing, mobile and payment security.

MWR provides industry-leading development opportunities for its consultants and each consultant is required to spend up to 25% of their time on external research and development activities. Coupled with a proactive development and certification programme including CHECK and CREST certification, the Company now possesses some of the world's leading cyber security talent as is shown by ongoing successes at industry wide conferences.

The UK Company continued its strong growth during 2016/17, with revenue growth of 40% reflecting the Company's success in delivering high quality consulting services and technologies to meet client needs, together with the strength of the overall market. The security threats posed by modern attackers leave MWR particularly well placed for sustained growth, and in this regard the Company continues to invest significant funds in the development of its latest service, Countercept. Countercept is a complete service for detection and response to cyber-attacks, run by one of the only independent security consultancies listed on the CESG Cyber Incident Response (CIR) Scheme. Built around endpoint threat-detection and response (ETDR), it is delivered from MWR's operations centres for 24/7 real-time monitoring of clients' network, end point and intellectual property assets.

The directors have recognised the importance in ongoing investment and development in Countercept over the past two years and have ensured that this world leading product is available for all 200 companies and institutions in MWR's client base.

In June 2017 MWR Infosecurity Limited approved additional investment by Environmental Technologies Fund of 845,399 Series C Shares of £0.001 nominal value for a total consideration of £1m. Following this investment round, in July 2017 MWR Infosecurity Limited also approved additional investment by management of 253,620 Series C Shares of £0.001 nominal value for a total consideration of £300,000.

The directors are satisfied with the overall performance in the year.

MWR Infosecurity Limited

Group Strategic Report (continued) For the Year Ended 30 June 2017

Financial key performance indicators

Various key performance indicators are used by the directors to monitor and compare the performance of the company. They regard the following as the key financial indicators of performance, all of which can be observed in the attached financial statements.

Turnover increased during the year from £15.459m to £21.597m, a 40% increase.

For reasons stated above, total operating costs increased from £16.169m to £22.162m however total operating loss decreased from £0.710m to £0.565m. Whilst the company continued in the year to make an Operating loss, this position has improved year on year, and is broadly as anticipated, given the sums invested in future technology and in ongoing development of pre-profit overseas businesses during the year.

Employee numbers increased during the year from 201 to 310 at 30 June 2017.

Net assets increased from £3.464m to £3.887m and net current assets decreased from £2.885m to £2.788m.

Cash level, inclusive of short term deposits, at the year-end was £2.441m compared to £2.602m as at 30 June 2016.

The directors believe the Group's businesses are in a sound position at the year end and are well placed to meet the challenges for 2017/18. They do not anticipate any major changes to the Group's strategy for the year ahead and believe its prospects are good.

Principal risks and uncertainties

MWR uses various financial instruments, including trade debtors and trade creditors arising directly from trading operations. The existence of these financial instruments exposes the Group to a number of market, currency, and credit risks as summarised below.

Market risk

For MWR, market risk encompasses currency risk and interest risk. The Group has loans in place at 30th June 2017 that remain subject to potential changes in libor-based interest rates, and therefore may see increased interest payments in future.

Currency risks

The group is exposed to foreign exchange risk as certain assets and liabilities are held in non-GBP currencies. MWR does not currently adopt a policy of hedge accounting for these financial instruments, and has no forward exchange contracts outstanding.

Credit risk

The Groups principal financial assets are trade debtors, which represent a risk which is managed by considering the financial strength of all customers, and applying appropriate credit limits and payment terms. All cash balances are held with well-established banks with a good credit rating.

Liquidity risk

The objective of the Group in managing liquidity risk is to ensure that it can meet its financial obligations as and when they fall due. The Group expects to meet its financial obligations through operating cash flows. In the event that the operating cash flows would not cover all the financial obligations the Group has credit facilities.

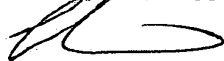
MWR Infosecurity Limited

**Group Strategic Report (continued)
For the Year Ended 30 June 2017**

Going concern

The directors of MWR have considered forecasted results for the business, taking into account its current and planned business activities and the markets in which it operates. The forecasts indicate that sufficient funds are available for the company to be able to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of signing these financial statements. The directors accordingly continue to prepare the financial statements on the going concern basis.

This report was approved by the board and signed on its behalf.



I Shaw
Director

Date: 29.03.2018



Independent Auditor's Report to the Members of MWR Infosecurity Limited

Opinion

We have audited the financial statements of MWR Infosecurity Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 30 June 2017 which comprise the Consolidated statement of comprehensive income, the Consolidated and Company statement of financial position, the Consolidated and Company statement of changes in equity, the Consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102; The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state of the group's and of the parent company's affairs as at 30 June 2017 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

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 group and the parent 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, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Who we are reporting to

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.

Conclusion relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the *going concern* basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the *going concern* basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.



Independent Auditor's Report to the Members of MWR Infosecurity Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Directors' report and Group Strategic report set out on pages 1 to 5, other than the financial statements and our auditor's report thereon. Our opinion on 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.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

- the information given in the Group 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.

Matters on which we are required to report under the Companies Act 2006

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.



Independent Auditor's Report to the Members of MWR Infosecurity Limited (continued)

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 us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 1, 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Grant Thornton UK LLP

James Rogers BA FCA
Senior statutory auditor
for and on behalf of Grant Thornton UK LLP
Chartered Accountants, Statutory Auditor
Reading
Date:

29 March 2018

MWR Infosecurity Limited

**Consolidated Statement of Comprehensive Income
For the Year Ended 30 June 2017**

	Note	2017 £	2016 £
Turnover	4	21,597,176	15,458,592
Cost of sales		(8,975,305)	(6,661,672)
Gross profit		12,621,871	8,796,920
Administrative expenses		(13,186,514)	(9,507,334)
Operating loss	5	(564,643)	(710,414)
Write-back foreign subsidiaries		-	20,592
Interest receivable and similar income	11	79,287	42,355
Interest payable and expenses	12	(28,619)	(32,117)
Loss before taxation		(513,975)	(679,584)
Tax on loss	13	(144,931)	91,879
Loss for the financial year		(658,906)	(587,705)
Foreign exchange gain/(loss) on the translation of subsidiaries		98,112	(151,405)
Other comprehensive income for the year		98,112	(151,405)
Total comprehensive income for the year		(560,794)	(739,110)
Loss for the year attributable to:			
Non-controlling interests		-	55,203
Owners of the parent Company		(658,906)	(642,908)
		(658,906)	(587,705)

There were no recognised gains and losses for 2017 or 2016 other than those included in the consolidated statement of comprehensive income.

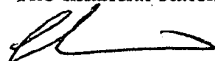
The notes on pages 18 to 47 form part of these financial statements.

MWR Infosecurity Limited
Registered number:04451698

Consolidated Statement of Financial Position
As at 30 June 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	14	150,522	62,259
Tangible assets	15	1,174,885	870,632
		<u>1,325,407</u>	<u>932,891</u>
Current assets			
Debtors: amounts falling due after more than one year	17	436,193	115,232
Debtors: amounts falling due within one year	17	5,967,952	5,737,945
Cash at bank and in hand		2,441,074	2,602,020
		<u>8,845,219</u>	<u>8,455,197</u>
Creditors: amounts falling due within one year	18	(6,057,002)	(5,569,973)
Net current assets		<u>2,788,217</u>	<u>2,885,224</u>
Total assets less current liabilities		<u>4,113,624</u>	<u>3,818,115</u>
Creditors: amounts falling due after more than one year	19	(226,869)	(353,761)
Net assets		<u><u>3,886,755</u></u>	<u><u>3,464,354</u></u>
Capital and reserves			
Called up share capital	23	56,534	55,584
Share premium account	24	7,484,921	6,502,676
Other reserves	24	(1,156,182)	(1,156,182)
Merger reserve	24	740,478	740,478
Profit and loss account	24	(3,238,996)	(2,678,202)
Equity attributable to owners of the parent Company		<u><u>3,886,755</u></u>	<u><u>3,464,354</u></u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



I Shaw
 Director

Date: 29.03.2018

The notes on pages 18 to 47 form part of these financial statements.

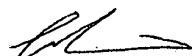
MWR Infosecurity Limited
Registered number:04451698

Company Statement of Financial Position
As at 30 June 2017

	Note	2017 £	2016 £
Fixed assets			
Intangible assets	14	99,172	55,834
Tangible assets	15	698,888	545,485
Investments	16	2,851,528	2,301,528
		<u>3,649,588</u>	<u>2,902,847</u>
Current assets			
Debtors: amounts falling due after more than one year	17	1,924,111	946,451
Debtors: amounts falling due within one year	17	4,683,076	4,631,330
Cash at bank and in hand		1,331,385	1,525,341
		<u>7,938,572</u>	<u>7,103,122</u>
Creditors: amounts falling due within one year	18	(4,878,353)	(4,178,685)
Net current assets		<u>3,060,219</u>	<u>2,924,437</u>
Total assets less current liabilities		<u>6,709,807</u>	<u>5,827,284</u>
Creditors: amounts falling due after more than one year	19	(175,933)	(353,761)
Net assets		<u><u>6,533,874</u></u>	<u><u>5,473,523</u></u>
Capital and reserves			
Called up share capital	23	56,534	55,584
Share premium account	24	7,484,921	6,502,676
Merger reserve	24	740,478	740,478
Profit and loss account	24	(1,748,059)	(1,825,215)
		<u>6,533,874</u>	<u>5,473,523</u>

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of comprehensive income in these financial statements. The Company profit after tax for the year amounted to £77,156 (2016: loss of £526,290).

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



I Shaw
 Director

Date: 29.03.2018

MWR Infosecurity Limited

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2017

	Called up share capital	Share premium account	Other reserves	Merger reserve	Profit and loss account	Equity attributable to owners of parent Company	Total equity
	£	£	£	£	£	£	£
At 1 July 2016	55,584	6,502,676	(1,156,182)	740,478	(2,678,202)	3,464,354	3,464,354
Comprehensive income for the year							
Loss for the year	-	-	-	-	(658,906)	(658,906)	(658,906)
Foreign exchange gain on the translation of subsidiaries	-	-	-	-	98,112	98,112	98,112
Other comprehensive income for the year	-	-	-	-	98,112	98,112	98,112
Total comprehensive income for the year	-	-	-	-	(560,794)	(560,794)	(560,794)
Shares issued during the year	950	982,245	-	-	-	983,195	983,195
Total transactions with owners	950	982,245	-	-	-	983,195	983,195
At 30 June 2017	56,534	7,484,921	(1,156,182)	740,478	(3,238,996)	3,886,755	3,886,755

MWR Infosecurity Limited

Consolidated Statement of Changes in Equity
For the Year Ended 30 June 2016

	Called up share capital	Share premium account	Other reserves	Merger reserve	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£	£	£	£	£	£	£	£
At 1 July 2015	46,885	3,103,264	-	-	(1,883,889)	1,266,260	73,815	1,340,075
Comprehensive income for the year								
Loss for the year	-	-	-	-	(642,908)	(642,908)	55,203	(587,705)
Foreign exchange loss on the translation of the subsidiaries	-	-	-	-	(151,405)	(151,405)	-	(151,405)
Other comprehensive income for the year	-	-	-	-	(151,405)	(151,405)	-	(151,405)
Total comprehensive income for the year	-	-	-	-	(794,313)	(794,313)	55,203	(739,110)
Shares issued during the year	8,699	3,399,412	-	-	-	3,408,111	-	3,408,111
Investment in MWR Infosecurity (PTY) Limited	-	-	(1,156,182)	740,478	-	(415,704)	(129,018)	(544,722)
Total transactions with owners	8,699	3,399,412	(1,156,182)	740,478	-	2,992,407	(129,018)	2,863,389
At 30 June 2016	55,584	6,502,676	(1,156,182)	740,478	(2,678,202)	3,464,354	-	3,464,354

The notes on pages 18 to 47 form part of these financial statements.

MWR Infosecurity Limited

**Company Statement of Changes in Equity
For the Year Ended 30 June 2017**

	Called up share capital	Share premium account	Merger reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 July 2015	46,885	3,103,264	-	(1,298,925)	1,851,224
Comprehensive income for the year					
Loss for the year	-	-	-	(526,290)	(526,290)
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>(526,290)</u>	<u>(526,290)</u>
Contributions by and distributions to owners					
Shares issued during the year	8,699	3,399,412	-	-	3,408,111
Investment in MWR Infosecurity (PTY) Limited	-	-	740,478	-	740,478
At 1 July 2016	55,584	6,502,676	740,478	(1,825,215)	5,473,523
Comprehensive income for the year					
Profit for the year	-	-	-	77,156	77,156
Total comprehensive income for the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>77,156</u>	<u>77,156</u>
Contributions by and distributions to owners					
Shares issued during the year	950	982,245	-	-	983,195
At 30 June 2017	<u>56,534</u>	<u>7,484,921</u>	<u>740,478</u>	<u>(1,748,059)</u>	<u>6,533,874</u>

MWR Infosecurity Limited**Consolidated Statement of Cash Flows
For the Year Ended 30 June 2017**

	2017	2016
	£	£
Cash flows from operating activities		
Loss for the financial year	(658,906)	(587,705)
Adjustments for:		
Amortisation of intangible assets	50,937	28,740
Depreciation of tangible assets	571,767	388,825
Loss on disposal of tangible assets	-	3,854
Interest paid	28,619	32,117
Interest received	(79,287)	(42,355)
Taxation charge	144,931	(91,879)
(Increase) in debtors	(434,285)	(2,198,902)
Increase in creditors	506,105	2,827,603
Corporation tax (paid)	(188,025)	(281,728)
R&D tax credit received	-	98,669
Foreign exchange	(11,817)	(165,804)
Net cash generated from operating activities	(69,961)	11,435
Cash flows from investing activities		
Purchase of intangible fixed assets	(138,040)	(52,786)
Purchase of tangible fixed assets	(840,843)	(581,024)
Interest received	79,287	42,355
Net cash from investing activities	(899,596)	(591,455)

MWR Infosecurity Limited

**Consolidated Statement of Cash Flows (continued)
For the Year Ended 30 June 2017**

	2017	2016
	£	£
Cash flows from financing activities		
Issue of ordinary shares (net of issue costs)	983,195	3,180,494
Purchase of South Africa minority interest (cash consideration)	-	(308,448)
Repayment of loans	(177,828)	(363,824)
Interest paid	(28,619)	(32,117)
Net cash used in financing activities	<u>776,748</u>	<u>2,476,105</u>
Net (decrease)/increase in cash and cash equivalents	(192,809)	1,896,085
Cash and cash equivalents at beginning of year	2,597,726	701,641
Cash and cash equivalents at the end of year	<u><u>2,404,917</u></u>	<u><u>2,597,726</u></u>
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	2,441,074	2,602,020
Bank overdrafts	(36,157)	(4,294)
	<u><u>2,404,917</u></u>	<u><u>2,597,726</u></u>

The notes on pages 18 to 47 form part of these financial statements.

MWR Infosecurity Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

1. General information

MWR Infosecurity Limited is a limited liability company incorporated in England and Wales. The registered office and place of business is Matrix House, Basing View, Basingstoke, Hampshire, RG21 4DZ. A description of the nature of the entity's operations and its principal activities are disclosed in the Group Strategic report.

2. Accounting policies

2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with FRS 102 requires the use of certain critical accounting estimates. It also requires Group management to exercise judgment in applying the Group's accounting policies (see note 3).

The following principal accounting policies have been applied:

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

In accordance with the transitional exemption available in FRS 102, the group has chosen not to retrospectively apply the standard to business combinations that occurred before the date of transition to FRS 102, being 01 July 2014.

2.3 Going concern

The directors of MWR have considered forecasted results for the business, taking into account its current and planned business activities and the markets in which it operates. The forecasts indicate that sufficient funds are available for the group to be able to continue in operational existence for the foreseeable future, being a period of at least twelve months from the date of signing these financial statements. The directors accordingly continue to prepare the financial statements on the going concern basis.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

2. Accounting policies (continued)

2.4 Revenue

Turnover comprises revenue recognised by the Group in respect of services supplied during the year, exclusive of Value Added Tax and trade discounts. Income arising from the provision of consultancy services is recognised as the work is performed. Fees relating to contracts that straddle a period end are recognised over the period in which services are performed, and adjustments are made, where necessary for deferred revenue.

2.5 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the acquiree at the date of acquisition. Subsequent to initial recognition, Goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

All intangible assets are considered to have a finite useful life and are amortised over a period of three to five years. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.6 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Leasehold property	- over the term of the lease
Fixtures & fittings	- 25%
Office equipment	- 33%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.7 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

MWR Infosecurity Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

2. Accounting policies (continued)

2.8 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable from group undertakings are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

2.9 Cash and cash equivalents

Cash is represented by deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated statement of cash flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

2. Accounting policies (continued)

2.10 Financial instruments

The Group only enters into basic financial instruments transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in non-puttable ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or financed at a rate of interest that is not a market rate or in case of an out-right short-term loan not at market rate, the financial asset or liability is measured, initially, at the present value of the future cash flow discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an impairment loss is recognised in the Consolidated Statement of Comprehensive Income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Group would receive for the asset if it were to be sold at the reporting date.

Financial assets and liabilities are offset and the net amount reported in the Statement of Financial Position when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

2.11 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.12 Share based payments

The parent company grants share options to certain employees and directors. Share options have been granted each year since 2010 with three year vesting periods. An expense is not recognised in the profit and loss account for these options as management do not think it is material to the financial statements. Fair value is measured using the Black Scholes pricing model. The expected life used in the model has been adjustment, based on management's estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

2. Accounting policies (continued)

2.13 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at the closing rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

2.14 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.15 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the lease term, unless another systematic basis is representative of the time pattern of the lessee's benefit from the use of the leased asset.

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the standard 01 July 2014 to continue to be charged over the period to the first market rent review rather than the term of the lease.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

2. Accounting policies (continued)

2.16 Pensions

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

2.17 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

2.18 Borrowing costs

All borrowing costs are recognised in the Consolidated Statement of Comprehensive Income in the year in which they are incurred.

2.19 Provisions for liabilities

Provisions are made where an event has taken place that gives the Group a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to the Consolidated Statement of Comprehensive Income in the year that the Group becomes aware of the obligation, and are measured at the best estimate at the Statement of Financial Position date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Statement of Financial Position.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

2. Accounting policies (continued)

2.20 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits;
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.21 Research and development

In the research phase of an internal project it is not possible to demonstrate that the project will generate future economic benefits and hence all expenditure on research shall be recognised as an expense when it is incurred. Intangible assets are recognised from the development phase of a project if and only if certain specific criteria are met in order to demonstrate the asset will generate probable future economic benefits and that its cost can be reliably measured. The capitalised development costs are subsequently amortised on a straight line basis over their useful economic lives, which range from 3 to 6 years.

If it is not possible to distinguish between the research phase and the development phase of an internal project, the expenditure is treated as if it were all incurred in the research phase only.

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Estimates are based on historical experience and other assumptions that are considered reasonable in the circumstances. The actual amount or values may vary in certain instances from the assumptions and estimates made. Changes will be recorded, with corresponding effect in profit or loss, when, and if, better information is obtained.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in material adjustments within the next financial year are included below.

Key sources of estimation uncertainty

Impairment of investments

Determining whether investments are impaired requires an estimation of the value in use of the cash generating units to which investments have been allocated. The value in use calculation requires the Company to estimate the future cash flows expected to arise from the cash generating unit and a suitable discount rate in order to calculate the present value.

Key assumptions in the forecasts include future revenue projections, the associated hiring plans and growth in central functions to support the Group in continuing on a similar trajectory. These assumptions are based on historical trends and future market expectations.

Other key assumptions applied in determining value in use are:

- i) Growth rates – revenue growth rates have been projected based on demonstrable historic rates.
- ii) Gross margin – gross margin assumptions have closely followed historical trends.
- iii) Discount rate – the discount rate is based on a Weighted Average Cost of Capital (WACC) of 7.5%.

We have performed sensitivity analysis around the base assumptions and have concluded on the calculation of each investment that no impairments are considered appropriate.

Investments in subsidiaries held as fixed assets are stated at cost less provision for any impairment and have a carrying value as at 30 June 2017 of £2,851,528 (2016: £2,301,528). Further details can be found in Note 16 (Fixed asset investments).

Trade receivables and amounts owed by group undertakings

Management estimates the recoverable amount of trade receivables and amounts owed by Group undertakings, taking into account the most reliable evidence at each reporting date and making a provision for any doubtful debts.

In determining the fair value of inter-company loans management have forecast future cash flows expected to arise from each entity carrying a loan balance. A discount rate of 7.5% is applied in order to calculate the present value of the future cash receipts expected.

Recoverability of deferred tax

In determining the recoverability of the deferred tax asset, management have forecast future cash flows. A discount rate of 7.5% has been applied in order to calculate the present value of the future cash flows and determine that the existing deferred tax asset is recoverable with no impairment to its value.

MWR Infosecurity Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

4. Turnover

Analysis of turnover by country of destination:

	2017	2016
	£	£
United Kingdom	12,135,640	10,342,538
Rest of Europe	439,245	1,471,799
Middle East and Africa	6,516,571	2,731,895
Asia Pacific	925,758	594,091
US / Americas	1,579,962	318,269
	<u>21,597,176</u>	<u>15,458,592</u>

5. Operating loss

The operating loss is stated after charging:

	2017	2016
	£	£
Research & development charged as an expense	576,807	355,276
Depreciation of tangible fixed assets	571,767	388,825
Amortisation of intangible assets, including goodwill	50,937	28,740
Exchange (gain)/loss	(11,817)	(160,410)
Operating lease rentals - land and buildings	644,669	516,594
Operating lease rentals - other	13,987	28,594
Defined contribution pension cost	289,221	171,870
	<u>2,825,851</u>	<u>1,940,179</u>

6. Auditor's remuneration

	2017	2016
	£	£
Fees payable to the Group's auditor and its associates for:		
The audit of the Company's and Group's annual financial statements	37,600	54,752
The audit of group subsidiaries' annual financial statements	16,666	3,373
Taxation compliance services	5,500	4,800
Taxation advisory services	12,307	-
All other services	14,954	-
	<u>87,027</u>	<u>62,925</u>

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

7. Employees

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

	2017	2016
	£	£
Wages and salaries	13,993,137	9,585,582
Social security costs	1,213,650	1,069,012
Cost of defined contribution scheme	289,221	171,870
	<u>15,496,008</u>	<u>10,826,464</u>

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

	2017	2016
	No.	No.
	278	201
	<u>278</u>	<u>201</u>

8. Directors' remuneration

	2017	2016
	£	£
Directors' emoluments	<u>705,605</u>	<u>646,667</u>

During the year retirement benefits were accruing to 4 directors (2016: 4) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £171,292 (2016: £168,674).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,137 (2016: £7,475).

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

9. Directors' remuneration (continued)

Share options issued to Directors

Prior to bonus issue

Issue date	Quantity	Price (pence)	Total granted but restricted	Total granted but not restricted
01/11/2010	60	330	60	-
20/01/2013	22	1,700	-	22
	82	2,030	60	22

After bonus issue

Issue date	Quantity	Price (pence)	Total granted but restricted	Total granted but not restricted
01/11/2010	18,000	1	18,000	-
22/01/2013	6,600	6	-	6,600
30/08/2013	12,000	9	-	12,000
28/01/2015	4,000	300	-	4,000
27/11/2015	6,000	65	-	6,000
	46,600	381	18,000	28,600

After 10:1 split in February 2016

	Quantity	Price (pence)	Total granted but restricted	Total granted but not restricted
01/11/2010	180,000	0.1	180,000	-
22/01/2013	66,000	0.6	-	66,000
30/08/2013	120,000	0.9	-	120,000
28/01/2015	40,000	30	-	40,000
27/11/2015	60,000	6.5	-	60,000
	466,000	38.1	180,000	286,000

MWR Infosecurity Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

10. Share options

MWR Infosecurity Limited set up a share-option scheme on 1 November 2010. The scheme is open to nominated members of staff. To be eligible for this scheme the nominated members of staff must work at least 25 hours a week for the company or work 75% of their time for the company. The options can be exercised after a period of 3 years and must be exercised within 10 years. If the option holder ceases employment the options will lapse and be forfeited. Furthermore, the option may be exercised in the event of an exit of MWR Infosecurity Limited.

During the year a further 2,290,000 share options were granted at a price of £0.077 a share.

	Weighted average exercise price (pence) 2017	Number 2017	Weighted average exercise price (pence) 2016	Number 2016
Outstanding at the beginning of the year	7.20	2,346,000	8.11	1,761,000
Granted during the year	7.65	2,290,000	6.50	810,000
Forfeited during the year	7.38	(120,000)	14.80	(180,000)
Exercised during the year	0.48	(105,000)	0.11	(45,000)
Outstanding at the end of the year	7.59	4,411,000	7.20	2,346,000

No charge has been made to operating expenses in respect of the options issued as in the opinion of the directors this charge would not be material to the financial statements.

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

10. Share options (continued)

During the financial year to 30 June 2014 the price of options already issued changed as a result of a 299 for 1 bonus issue. In February 2016 a 10:1 split took place. A series of tables documenting the price change and split is included below.

Prior to bonus issue

Issue date	Quantity	Price (pence)	Total granted but restricted	Total granted but not restricted
01/11/2010	90	330	90	-
20/10/2011	50	330	-	50
22/01/2013	62	1,700	-	62
30/08/2013	235	2,800	-	235
	437	5,160	90	347

After bonus issue

Issue date	Quantity	Price (pence)	Total granted but restricted	Total granted but not restricted
01/11/2010	27,000	1	27,000	-
20/10/2011	15,000	1	-	15,000
22/01/2013	18,600	6	-	18,600
30/08/2013	70,500	9	-	70,500
28/01/2015	45,000	300	-	45,000
27/11/2015	58,500	65	-	58,500
	234,600	382	27,000	207,600

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

10. Share options (continued)

After 10:1 split in February 2016

Issue date	Quantity	Price (pence)	Total granted but restricted	Total granted but not restricted
01/11/2010	270,000	0.1	270,000	-
20/10/2011	150,000	0.1	-	150,000
22/01/2013	186,000	0.6	-	186,000
30/08/2013	705,000	0.9	-	705,000
28/01/2015	450,000	30	-	450,000
27/11/2015	585,000	6.5	-	585,000
01/12/2016	2,065,000	7.7	-	2,065,000
	<u>4,411,000</u>	<u>46</u>	<u>270,000</u>	<u>4,141,000</u>

11. Interest receivable and similar income

	2017 £	2016 £
Other interest receivable	<u>79,287</u>	<u>42,355</u>

12. Interest payable and similar charges

	2017 £	2016 £
Bank interest payable	<u>28,619</u>	<u>32,117</u>

MWR Infosecurity Limited

Notes to the Financial Statements
For the Year Ended 30 June 2017

13. Taxation

	2017	2016
	£	£
Corporation tax		
Current tax on profits for the year	-	(130,773)
Adjustments in respect of previous periods	-	(106,711)
Foreign tax		
Foreign tax on income for the year	63,632	314,519
	<u>63,632</u>	<u>314,519</u>
Total current tax	<u>63,632</u>	<u>77,035</u>
Deferred tax		
Origination and reversal of timing differences	67,778	(221,565)
Changes to tax rates	13,856	-
Adjustments in respect of prior periods	(335)	52,651
	<u>81,299</u>	<u>(168,914)</u>
Taxation on profit/(loss) on ordinary activities	<u>144,931</u>	<u>(91,879)</u>

MWR Infosecurity Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is higher than (2016 - higher than) the standard rate of corporation tax in the UK of 19.75% (2016 - 20%). The differences are explained below:

	2017 £	2016 £
Loss on ordinary activities before tax	<u>(513,975)</u>	<u>(679,584)</u>
Loss on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.75% (2016 - 20%)	(101,510)	(135,917)
Effects of:		
Expenses not deductible for tax purposes	62,494	54,220
Capital allowances for year in excess of depreciation	16,640	(33,425)
Difference in tax rate on overseas earnings	48,203	-
Adjustments to tax charge in respect of prior periods	-	(106,711)
Fixed assets differences	-	2,968
Adjustment in research and development tax credit leading to a change in the tax charge	(165,088)	-
Dividends from UK companies	-	(56,646)
Deferred tax rate changes	40,652	1,187
Unrelieved loss on foreign subsidiaries	231,801	-
Income not taxable for tax purposes	(140,348)	96,369
Deferred taxation and other timing differences	152,087	86,076
Total tax charge for the year	<u>144,931</u>	<u>(91,879)</u>

Factors that may affect future tax charges

Finance Act No2 2015, which was substantively enacted on 26 October 2015, included provisions to reduce the rate of corporation tax to 19% with effect from 1 April 2017. In addition the Finance Act 2016 include provisions to reduce the rate of corporation tax to 17% with effect from 1 April 2020.

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

14. Intangible assets

Group

	Development £	Other intangibles £	Goodwill £	Total £
Cost				
At 1 July 2016	61,837	75,626	45	137,508
Additions	71,855	66,185	-	138,040
Disposals	-	-	(45)	(45)
Exchange adjustments	1,371	-	-	1,371
At 30 June 2017	<u>135,063</u>	<u>141,811</u>	<u>-</u>	<u>276,874</u>
Amortisation				
At 1 July 2016	23,356	51,893	-	75,249
Charge for the year	24,541	26,396	-	50,937
Exchange adjustments	166	-	-	166
At 30 June 2017	<u>48,063</u>	<u>78,289</u>	<u>-</u>	<u>126,352</u>
Net book value				
At 30 June 2017	<u>87,000</u>	<u>63,522</u>	<u>-</u>	<u>150,522</u>
At 30 June 2016	<u>38,481</u>	<u>23,733</u>	<u>45</u>	<u>62,259</u>

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

14. Intangible assets (continued)

Company

	Development £	Other intangibles £	Total £
Cost			
At 1 July 2016	54,578	75,626	130,204
Additions	66,994	14,048	81,042
At 30 June 2017	<u>121,572</u>	<u>89,674</u>	<u>211,246</u>
Amortisation			
At 1 July 2016	22,477	51,893	74,370
Charge for the year	17,994	19,710	37,704
At 30 June 2017	<u>40,471</u>	<u>71,603</u>	<u>112,074</u>
Net book value			
At 30 June 2017	<u>81,101</u>	<u>18,071</u>	<u>99,172</u>
At 30 June 2016	<u>32,101</u>	<u>23,733</u>	<u>55,834</u>

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

15. Tangible fixed assets

Group

	Leasehold Property £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation				
At 1 July 2016	347,907	209,500	1,187,227	1,744,634
Additions	28,494	263,998	548,351	840,843
Disposals	-	-	(149,948)	(149,948)
Exchange adjustments	15,011	(5,437)	20,861	30,435
At 30 June 2017	<u>391,412</u>	<u>468,061</u>	<u>1,606,491</u>	<u>2,465,964</u>
Depreciation				
At 1 July 2016	217,051	113,871	543,080	874,002
Charge for the year	87,880	78,561	405,326	571,767
Disposals	-	-	(148,839)	(148,839)
Exchange adjustments	4,201	(5,934)	(4,118)	(5,851)
At 30 June 2017	<u>309,132</u>	<u>186,498</u>	<u>795,449</u>	<u>1,291,079</u>
Net book value				
At 30 June 2017	<u>82,280</u>	<u>281,563</u>	<u>811,042</u>	<u>1,174,885</u>
At 30 June 2016	<u>130,856</u>	<u>95,629</u>	<u>644,147</u>	<u>870,632</u>

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

15. Tangible fixed assets (continued)

Company

	Leasehold Property £	Fixtures & fittings £	Office equipment £	Total £
Cost or valuation				
At 1 July 2016	248,592	128,292	849,097	1,225,981
Additions	630	221,307	325,063	547,000
Disposals	-	-	(149,948)	(149,948)
At 30 June 2017	<u>249,222</u>	<u>349,599</u>	<u>1,024,212</u>	<u>1,623,033</u>
Depreciation				
At 1 July 2016	166,959	73,108	440,429	680,496
Charge for the year	59,527	63,288	269,673	392,488
Disposals	-	-	(148,839)	(148,839)
At 30 June 2017	<u>226,486</u>	<u>136,396</u>	<u>561,263</u>	<u>924,145</u>
Net book value				
At 30 June 2017	<u><u>22,736</u></u>	<u><u>213,203</u></u>	<u><u>462,949</u></u>	<u><u>698,888</u></u>
At 30 June 2016	<u><u>81,633</u></u>	<u><u>55,184</u></u>	<u><u>408,668</u></u>	<u><u>545,485</u></u>

MWR Infosecurity Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

16. Fixed asset investments

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding	Country of Incorporation
bytegeist GmbH	Ordinary	100 %	Germany
MWR InfoSecurity (Middle East) Limited	Ordinary	100 %	UAE
MWR InfoSecurity (PTE) Limited	Ordinary	100 %	Singapore
MWR InfoSecurity Sp. z o.o.	Ordinary	100 %	Poland
MWR InfoSecurity Inc	Ordinary	100 %	US
MWR InfoSecurity (PTY) Limited	Ordinary	100 %	South Africa

The subsidiaries have been included in the consolidation.

The principal activities of all the subsidiary undertakings is the same as the parent Company principal activity as described on page 4 of these accounts.

In November 2016, a resolution was passed by the directors of MWR InfoSecurity (Middle East) Limited (the "Company") to formally terminate the operations of the Company.

MWR Infosecurity Limited

Notes to the Financial Statements
For the Year Ended 30 June 2017

16. Fixed asset investments (continued)

Company	Investments in subsidiary companies £
Cost or valuation	
At 1 July 2016	2,334,019
Additions	550,000
At 30 June 2017	<u>2,884,019</u>
Impairment	
At 1 July 2016	32,491
At 30 June 2017	<u>32,491</u>
Net book value	
At 30 June 2017	<u>2,851,528</u>
At 30 June 2016	<u>2,301,528</u>

The directors have reviewed the carrying value of each of the parent company's investments at 30 June 2017, and do not deem there to be any need to recognise any additional impairment against the investments at the date of signing these financial statements.

During the year MWR Infosecurity Pte Limited capitalised GBP 550,000 (SGD 984,000) of the inter-company loan balance owed to MWR Infosecurity Limited.

MWR Infosecurity Limited

Notes to the Financial Statements
For the Year Ended 30 June 2017

17. Debtors

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due after more than one year				
Amounts owed by group undertakings	-	-	1,487,918	831,219
Other debtors	187,120	115,232	187,120	115,232
Deferred taxation	249,073	-	249,073	-
	<u>436,193</u>	<u>115,232</u>	<u>1,924,111</u>	<u>946,451</u>
	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Due within one year				
Trade debtors	3,278,871	3,275,523	2,158,932	2,529,610
Amounts owed by group undertakings	-	-	1,186,719	524,031
Other debtors	295,600	139,873	194,619	17,986
Prepayments and accrued income	1,951,006	1,612,464	1,012,034	1,073,146
Tax recoverable	200,889	184,103	130,772	237,484
Deferred taxation	241,586	525,982	-	249,073
	<u>5,967,952</u>	<u>5,737,945</u>	<u>4,683,076</u>	<u>4,631,330</u>

18. Creditors: Amounts falling due within one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank overdrafts	36,157	4,294	36,157	4,294
Bank loans	177,828	177,828	177,828	177,828
Trade creditors	753,906	714,903	750,880	722,919
Amounts owed to group undertakings	-	-	698,872	289,306
Other taxation and social security	878,927	949,189	746,362	788,344
Other creditors	48,603	82,205	48,606	40,056
Accruals and deferred income	4,161,581	3,641,554	2,419,648	2,155,938
	<u>6,057,002</u>	<u>5,569,973</u>	<u>4,878,353</u>	<u>4,178,685</u>

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

19. Creditors: Amounts falling due after more than one year

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Bank loans	175,933	353,761	175,933	353,761
Other creditors	50,936	-	-	-
	<u>226,869</u>	<u>353,761</u>	<u>175,933</u>	<u>353,761</u>

The bank loans have been secured against the Group's leasehold property, computer equipment and fixtures and fittings. Interest has been charged during the year at 4.45% above base rate as published by The Bank of England.

20. Loans

The bank loans have been secured against the Group's leasehold property, computer equipment and fixtures and fittings. Interest has been charged during the year at 4.45% above base rate as published by The Bank of England.

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Amounts falling due within one year				
Bank loans	177,828	177,828	177,828	177,828
Amounts falling due 1-2 years				
Bank loans	175,933	353,761	175,933	353,761
	<u>353,761</u>	<u>531,589</u>	<u>353,761</u>	<u>531,589</u>

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

21. Financial instruments

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Financial assets				
Cash at bank	2,441,074	2,602,020	1,331,385	1,525,341
Financial assets that are debt instruments measured at amortised cost	4,954,370	4,513,641	3,916,266	3,851,915
Financial assets that are measured at fair value through profit or loss	-	-	1,952,918	831,219
	<u>7,395,444</u>	<u>7,115,661</u>	<u>7,200,569</u>	<u>6,208,475</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(2,311,216)</u>	<u>(2,302,024)</u>	<u>(2,517,000)</u>	<u>(2,324,130)</u>

Financial assets measured at fair value through profit or loss comprise amounts by group undertakings due in more than one year.

Financial assets measured at amortised cost comprise trade debtors, accrued income, other debtors and amounts owed by group undertakings due in less than one year.

Financial liabilities measured at amortised cost comprise bank overdrafts and loans, trade and other creditors, accruals and amounts owed to group undertakings.

22. Deferred taxation

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
At beginning of year	525,982	341,004	249,073	291,037
Charged to profit or loss	(35,323)	184,978	-	(41,964)
At end of year	<u>490,659</u>	<u>525,982</u>	<u>249,073</u>	<u>249,073</u>

The deferred tax asset is made up as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Accelerated capital allowances	3,529	33,425	-	33,425
Tax losses carried forward	249,073	208,438	249,073	208,438
Short term timing differences	238,057	284,119	-	7,210
	<u>490,659</u>	<u>525,982</u>	<u>249,073</u>	<u>249,073</u>

MWR Infosecurity Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

23. Share capital

	2017	2016
	£	£
Shares classified as equity		
Allotted, called up and fully paid		
37,429,000 (2016: 37,324,000) Ordinary shares of £0.001 each	37,429	37,324
12,000,000 (2016: 12,000,000) Ordinary A shares of £0.001 each	12,000	12,000
6,260,130 (2016: 6,260,130) Ordinary B shares of £0.001 each	6,260	6,260
845,399 (2016: 0) Ordinary C shares of £0.001 each	845	-
	<u>56,534</u>	<u>55,584</u>

In October 2016 MWR Infosecurity Limited approved the issue and allotment of 45,000 Ordinary Shares of £0.001 nominal value for a total cash consideration of £241.50 as a result of a share option exercise.

In March 2017 MWR Infosecurity Limited approved the issue and allotment of 60,000 Ordinary Shares of £0.001 nominal value for a total cash consideration of £258 as a result of a share option exercise.

In June 2017 MWR Infosecurity Limited approved an additional investment by Environmental Technologies Fund, and thereby approved the issue and allotment of 845,399 Series C Shares of £0.001 nominal value for a total cash consideration of £1 million.

All share classes carry equal voting rights. In the event of a distribution of assets on a liquidation or a return of capital, the priority order of the shares is C class, B class, A class, Ordinary. The C class shares carry a preference amount as defined in the Articles of Association.

MWR Infosecurity Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

24. Reserves

Share capital

Share capital represents the nominal value of shares that have been issued.

Share premium

Proceeds received in addition to the nominal value of the shares issued have been included in share premium.

Profit & loss account

The profit and loss account includes all current and prior period retained profits and losses.

Other reserve

The other reserve represents the elimination of the additional investment in MWR Infosecurity (PTY) Limited, adjusted for the minority interest, made by MWR Infosecurity Limited in February 2016. The use of an 'Other reserve' gives more transparency regarding the nature of this reserve in the future since this reserve is not distributable. Please see further relevant details below.

Merger relief reserve

MWR Infosecurity Limited's purchase of the remaining 25% ordinary shares in MWR Infosecurity (PTY) Limited in February 2016 was partially settled through an issue of shares in MWR Infosecurity Limited. The merger relief represents a proportion of the fair value of these shares issued allowed to be recognised in a separate merger relief.

Purchase of the remaining share capital of MWR InfoSecurity (PTY) Limited

In February 2016 MWR Infosecurity Limited purchased the remaining 25% ordinary shares of MWR InfoSecurity (PTY) Limited, previously owned by minority interests, for a total consideration of 2,438,875 ordinary shares of nominal value of £0.001 each in MWR Infosecurity Limited and £308,448 cash.

The nominal value of the shares issued has been recognised in share capital. The excess consideration paid has been allocated on a pro-rata basis to share premium (excess cash consideration) and merger relief reserve (excess share consideration).

The carrying amount of the minority interest was adjusted in the group accounts of MWR Infosecurity Limited to reflect that MWR Infosecurity Limited now own 100% of the share capital. The difference between the amount by which the minority interest was adjusted and the fair value of the consideration paid has been recognised directly in equity. This has led to the creation of an 'Other reserve' on consolidation of £1.156m debit balance.

25. Capital commitments

There were no capital commitments at 30 June 2017 or 30 June 2016.

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

26. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £288,701 (2016: £171,870). Contributions totalling £48,501 (2016: £40,054) were payable to the fund at the reporting date.

27. Commitments under operating leases

At 30 June 2017 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Land and buildings				
Not later than 1 year	666,266	644,669	372,847	324,866
Later than 1 year and not later than 5 years	1,737,828	1,143,127	1,475,647	587,527
	<u>2,404,094</u>	<u>1,787,796</u>	<u>1,848,494</u>	<u>912,393</u>

	Group 2017 £	Group 2016 £	Company 2017 £	Company 2016 £
Other commitments				
Not later than 1 year	13,004	13,987	13,004	13,987
Later than 1 year and not later than 5 years	12,226	25,230	12,226	25,230
	<u>25,230</u>	<u>39,217</u>	<u>25,230</u>	<u>39,217</u>

MWR Infosecurity Limited

Notes to the Financial Statements For the Year Ended 30 June 2017

28. Related party transactions

	2017	2016
	£	£
Key Management personnel remuneration	<u>1,593,814</u>	<u>1,166,577</u>

Key management personnel remuneration represents aggregate remuneration payable to the directors and others employed by the company deemed to have significant influence or control over the company's operations.

The company has taken advantage of Financial Reporting Standard 102 section 33 "Related Party Disclosures" and has not disclosed transactions with group members on the basis that the results of MWR InfoSecurity Limited are included within consolidated financial statements that are publicly available.

During the year the Company paid £25,548 (2016: £23,588) for services rendered by non-executive directors. The balance owed to non-executive directors at 30 June 2017 was £12,000 (2016: £Nil).

During the year the company made purchases of £47,928 (2016: £38,698) from VulnDev Limited, a company controlled by M Ruks. The balance owed to VulnDev at 30 June 2017 was £43,620 (2016: £15,365).

During the year the company made purchases of £25,200 (2016: £Nil) from Chronyko Limited, a company controlled by M Ruks. The balance owed to Chronyko at 30 June 2017 was £15,120 (2016: £Nil).

During the year the company made purchases of £173,658 (2016: £119,019) from JSEC Properties Limited, a company controlled by James Moore, an employee of MWR Infosecurity Limited. The balance owed to JSEC Properties Limited at 30 June 2017 was £Nil (2016: £Nil).

29. Director's personal guarantees

The following limited guarantee has been given by the directors in relation to the entity's bank loans:

- limited guarantee given by Mr Alexander Patrick Fidgen and Mr Ian Thomas Shaw for GBP 125,000 dated 25 January 2013;
- limited guarantee given by DTI for GBP 507,500 dated 28 December 2012;
- limited guarantee given by Mr Alexander Patrick Fidgen and Mr Ian Thomas Shaw for GBP 117,000 dated 29 October 2013;
- limited guarantee given by DTI for GBP 477,050 dated 03 October 2013.

The following personal guarantee has been given by the directors in relation to the entity's debt purchase agreement:

- personal guarantee given by Mr Alexander Patrick Fidgen and Mr Ian Thomas Shaw for GBP 175,000 dated 24 March 2017

MWR Infosecurity Limited

**Notes to the Financial Statements
For the Year Ended 30 June 2017**

30. Post balance sheet events

In July 2017 MWR Infosecurity Limited approved additional investment by existing shareholders (253,620 Series C Shares of £0.001 nominal value for a total consideration of £300,000).

31. Controlling party

The group is controlled by Mr I Shaw, Mr A Fidgen and Environmental Technologies Fund by virtue of their shareholdings.