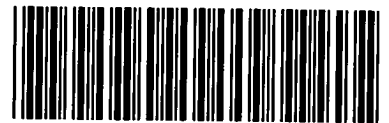


CYBERFORT GROUP LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS
for the year ended 31 December 2023

Registration number: 10796111 (England and Wales)

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The Directors present the strategic report on Cyberfort Group Limited (the "Company") and its subsidiaries (together the "Group") for the year ended 31 December 2023.

Review of the business and position of the Company at the year end

The Group's results are set out in the Statement of Comprehensive Income on page 7.

Revenue for the year ended 31 December 2023 was £23,856,000 (2022: £21,139,000).

Operating loss increased to £1,707,000 (2022: loss £1,355,000)

The Statement of Financial Position of the Group at 31 December 2023 is set out on page 8. The Group has continued to develop, enhance and capitalise, its software developments, particularly in relation to the private and hybrid cloud platform.

The Group strategy continues to be to build a unique proposition in offering all encompassing Cyber Security services across our four main services - Consultancy, Identify & Protect, Detect & Respond and Secure & Recover. The Group has always looked to internally build and develop certain capabilities where possible believing that this ultimately makes for better investment returns but also ensures that any products and services thus developed are both fully as desired and that the Group can ensure that any adaptations required to meet specific clients' needs can be accommodated.

2023 saw continued double digit percentage revenue growth and the first revenues delivered from the internally developed Security Operations Centre.

The uniqueness of the Cyberfort proposition means that growth is achieved in both cross selling to existing clients but also in winning new contracts across our four of the main services Cyberfort provides. Cyberfort's market leading accreditations and technical expertise enable Cyberfort to operate both in the private sector and public sector, protecting national infrastructure and enabling all organisations to meet regulatory standards.

Whilst churn in our Secure & Recover cloud and datacentre offerings continued to be impacted in the year by a turbulent energy market, the customers kept in Secure & Recover will perform at more maintainable margins with pricing that reflects current market conditions.

Key performance indicators

The Group considers a wide range of financial, non-financial measures and operational performance indicators throughout each year. The key financial performance indicators are contracted revenue and adjusted EBITDA (operating profit before amortisation, depreciation, share-based payments, and exceptional items).

The Group's year-end Recurring Annual Revenue ("RAR") stood at £8.9m (2022: £9.5m). Concentration risk across the RAR portfolio is low: the top 10 clients make up 40% (2022: 40%) of the Group's RAR with the largest client accounting for just 6% (2022: 7%) of the total RAR.

Non-financial measures include:

- Number of contracted customers
- Number of fee earning consultants and their utilisation

The financial performance of the Group showed a solid 13% increase in revenues from £21,139,000 to £23,856,000, all organic.

Future developments

The business growth will continue to be driven from both the public and private sector across all four services, with particular focus on its Consulting and Detect & Respond services, with the latter's MDR solution continuing to see strong opportunities. Consultancy's growth and expansion into the private sector will help to deliver strong revenue and margins.

The internally developed, private and hybrid cloud platform, the Managed Service proposition, continued to see good performance with migration of customers from the secure colocation base to this platform to offset energy market conditions, meaning a more price sensitive offering.

Demand for our unique secure suite colocation offering, which best utilises the unique physical facilities that we hold title to, still remains a strong offering for customers who wish to have physical datacentre locations within the UK. For these clients, colocation remains their preferred option and security is a more material driving factor than price.

All growth since 2019 has been fully organic and over the course of that time the reputation and scale of the business has continued to grow. This has allowed us to establish key partnerships with much larger entities and system integrators, where our very specific expertise adds clear value to a joint proposition.

Principal risks and uncertainties and financial instruments

The Group makes little use of financial instruments other than operational bank accounts and loans and Investor Loan Notes. The Directors believe the Group's exposure to price risk, credit risk, liquidity risk and cash flow risk is not material for the assessment of the assets, liabilities, and profit or loss of the Group.

The primary trading activities of the Group continued to be centred around the areas of, secure managed hosting, penetration testing, IT security and compliance consulting, and cyber security risk and compliance management, implementation and monitoring.

An Information Security Management System, ISO/IEC 27001:2013, continues to be tightly managed and well engrained within the culture.

In 2023 there was again a continued commitment to invest in our people via training, aimed at both enhancing their skills but also at gaining and retaining the professional qualifications required to evolve the Group's reputation and capability. This remains a successful endeavour seeing core accreditations and frameworks retained such as ISO/IEC 27001:2013, G-Cloud listing, CREST and CHECK.

The Group's risk register is managed and reported formally to the ISO Management team on a monthly basis and reviewed at board level.

Detailed controls and any relevant action plans are prepared for the ISO team as part of the monthly process. Additionally, we have established a procedure to monitor risks, and any changes thereto, across the Group. Any relevant information arising from such monitoring is also reported to the ISO team.

The ISO team are responsible for managing and reporting risk in accordance with the Group's risk management policy and standards. The risks are entered into the Group's risk register which provides an overview of the risk profile along with their risk mitigation measures and feeds directly into the Continual Services Improvement Plan (CSIP) that is also managed by the ISO team. The ISO team are responsible for the oversight of all systems and processes that are used by the business across all of its operations.

During 2023 Cyberfort retained ISO 27001 at the Group company level giving a single consolidated view of risk and compliance.

Going concern

The Group made an operating profit of £3,624,000 before depreciation, amortisation, share-based payments, exceptional items and certain non-operating expenses for the year ended 31 December 2023, had net current liabilities of £4,718,000 at 31 December 2023 and net liabilities of £41,663,000 at the same date.

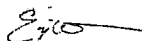
The Group meets its working capital requirements, and services bank debt, from cash flows generated from operations, with revolving banking facilities available. In October 2024, the Group entered into a new term loan, which falls due in 2028, along with a new revolving credit facility of £2.5m falling due in the same period. The bank debt facilities include a £19.5m loan which is repayable in full at maturity in October 2028, with interest paid quarterly.

In evaluating the going concern assumption, the directors have prepared cash flow forecasts for the period to 31 December 2025 and compared these, together with a range of sensitivities, to the available bank facilities and the related covenant requirements.

A significant proportion of the Group's revenues are contracted into 2025. The sensitivities applied to the forecasts to 31 December 2025 demonstrate facility and covenant headroom and there are also a number of actions within the control of Directors, including deferral of capital expenditure, and implementing efficiency measures, which can further increase headroom. In addition, the Directors are confident the banks and Palatine Private Equity LLP will continue to support the Group, noting that the loan facilities also allow for shareholders to provide additional equity injections to remedy covenant breaches, in the event that they may be required.

After consideration of the forecasts and sensitivities and the range of support available, the Directors believe that the Group will be able to continue to meet its liabilities as they fall due for the foreseeable future, and it is therefore appropriate to prepare the financial statements on a going concern basis.

On behalf of the Board



Emily Rees
Director
12 December 2024

The Directors present their report and the audited financial statements for the year ended 31 December 2023. This Directors' Report contains certain statutory, regulatory and other information and incorporates, by reference, the Strategic Report.

The Company's registered number is 10796111. The registered office is Ash Radar Station, Marshborough Road, Marshborough, Sandwich, Kent, CT13 0PL.

The Company has adopted Financial Reporting Standards 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS.102") in preparing these financial statements.

The Company has drawn up these accounts for the year ended 31 December 2023, in line with company law allowing accounts to be drawn up to within 7 days of the accounting reference date.

Principal activities

The principal activity of the Group during the year continued to be the provision of ultra secure hosting and IT services.

Results and dividends

Details of the Group's results are set out in the Consolidated Statement of Comprehensive Income on page 7. The Group's loss for the year after taxation amounted to £7,516,000 (2022: loss £6,556,000). The Directors do not propose a dividend for the year ended 31 December 2023 (2022: Nil). Details of the future developments of the Company are included in the Strategic Report.

Directors

The Directors who served during the year and up to date of signing the financial statements were as follows:

A Dickin	
A D M Hague	(resigned 26 April 2024)
A J Strickland	
M Silver	
G Williams	(appointed 26 April 2024)
E Rees	(appointed 7 July 2024)

Directors' indemnity and insurance

The Group maintained insurance cover during the year for its Directors and Officers under a Directors and Officers liability insurance policy against liabilities that may be incurred by them while carrying out their duties. Further, subject to the provisions of the Companies Act 2006, the Company's Articles of Association provide that the Directors are entitled to be indemnified against certain liabilities incurred in the execution of discharge of his or her duties.

Employees

At 31 December 2023 the Group employed 164 people.

The Group's policy is to consult and discuss with employees matters likely to affect employees' interests. The Group systematically provides employees with information on matters of concern to them, consulting them or their representatives regularly, so that their views can be taken into account when making decisions that are likely to affect their interests. Employee involvement in the Group is encouraged, as achieving a common awareness on the part of all employees of the financial and economic factors affecting the Group plays a major role in maintaining its relationship with its staff.

The Group is committed to employment policies which follow best practice, based on equal opportunities for all employees, irrespective of ethnic origin, religion, political opinion, gender, marital status, disability, age or sexual orientation.

Applications for employment by disabled persons are fully considered, bearing in mind the respective aptitudes and abilities of the applicants concerned. In the event of members of staff becoming disabled, every effort is made to ensure that their employment with the Group continues and that appropriate training is arranged. It is the policy of the Group that the training, career development and promotion of disabled employees should, as far as possible, be identical with that of other employees.

Environmental policy

The Group acknowledges the importance of environmental matters and where possible uses environmentally friendly policies in its offices, such as recycling and energy-efficient practices. The Group is ISO14001 accredited.

Health and safety

The Group aims to provide and maintain a safe working environment for all colleagues and visitors to its premises, and to comply with all relevant UK health and safety legislation. Health and safety matters are delegated to representatives within the business, who can raise any issues arising via a number of means, including the corporate risk register whose highest rated risks are reviewed periodically by the Board. The Group is ISO45001 accredited.

Research and development

The Group capitalised £457,000 (2022: £630,000) during the year on development of software products.

Strategic report

The Group has chosen in accordance with Companies Act 2006, s. 414C(11) to set out in the Group's strategic report information required by Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, Sch. 7 to be contained in the Directors' report. It has done so in respect of future developments and financial instruments.

Disclose of information to auditors

The Directors who held office at the date of approval of this Directors' report confirm that, so far as they are aware, there is no relevant audit information of which the Company's auditor is unaware; and all Directors have taken the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Statement of Directors' responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company 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 the time the financial position of the Company and 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

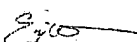
The Directors are further responsible for ensuring that the Strategic Report and Report of the Directors and other information included in the Annual Report and financial statements are prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the corporate and financial information included on the Company's website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Auditors

RSM UK Audit LLP have indicated their willingness to be reappointed for another term and appropriate arrangements have been put in place for them to be deemed reappointed as auditors in the absence of an Annual General Meeting.

On behalf of the Board



Emily Rees
Director
12 December 2024

Opinion

We have audited the financial statements of Cyberfort Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2023 which comprise the consolidated statement of comprehensive income, the consolidated statement of financial position, the company statement of financial position, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 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 31 December 2023 and of the group's loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- 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 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.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group's or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information contained within the annual report. 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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 matter 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 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 by exception

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

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 4, 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud

Irregularities are instances of non-compliance with laws and regulations. The objectives of our audit are to obtain sufficient appropriate audit evidence regarding compliance with laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements, to perform audit procedures to help identify instances of non-compliance with other laws and regulations that may have a material effect on the financial statements, and to respond appropriately to identified or suspected non-compliance with laws and regulations identified during the audit.

In relation to fraud, the objectives of our audit are to identify and assess the risk of material misstatement of the financial statements due to fraud, to obtain sufficient appropriate audit evidence regarding the assessed risks of material misstatement due to fraud through designing and implementing appropriate responses and to respond appropriately to fraud or suspected fraud identified during the audit.

However, it is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud, the group audit engagement team:

- obtained an understanding of the nature of the industry and sector, including the legal and regulatory frameworks that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory frameworks;
- inquired of management, and those charged with governance, about their own identification and assessment of the risks of irregularities, including any known actual, suspected or alleged instances of fraud;
- discussed matters about non-compliance with laws and regulations and how fraud might occur including assessment of how and where the financial statements may be susceptible to fraud.

As a result of these procedures we consider the most significant laws and regulations that have a direct impact on the financial statements are FRS 102, the Companies Act 2006 and tax compliance regulations. We performed audit procedures to detect non-compliances which may have a material impact on the financial statements which included reviewing financial statement disclosures, inspecting correspondence with local tax authorities and evaluating advice received from tax advisors.

The most significant laws and regulations that have an indirect impact are compliance with certain ISO quality standards and GDPR. We reviewed the ISO Certificates of Registration, made enquires of appropriate management, reviewed board meeting minutes, reviewed relevant correspondence, made enquires of those charged with governance, reviewed legal expenditure in the year, and also reviewed the systems and controls which are in place to capture material non-compliance with significant laws and regulations.

The audit engagement team identified the risk of management override of controls and revenue recognition as the areas where the financial statements were most susceptible to material misstatement due to fraud. Audit procedures performed included but were not limited to testing manual journal entries and other adjustments and evaluating the business rationale in relation to significant, unusual transactions and transactions entered into outside the normal course of business, challenging judgements and estimates applied in the preparation of the financial statements, and in particular with regard to revenue recognition.

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

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.

Benjamin Lawrance

Benjamin Lawrance (Senior Statutory Auditor)

For and on behalf of RSM UK Audit LLP, Statutory Auditor
Chartered Accountants
Rivermead House, 7 Lewis Court
Grove Park, Leicester
LE19 1SD
Dated: 12 December 2024

	Note	2023 £'000	2022 £'000
Revenue	4	23,856	21,139
Cost of sales		(16,675)	(13,603)
Gross profit		7,181	7,536
Administrative expenses		(9,080)	(9,067)
Other income	5	192	176
Operating loss	6	(1,707)	(1,355)
Finance costs	8	(5,917)	(5,122)
Loss before income tax		(7,624)	(6,477)
Income tax	9	108	(79)
Total comprehensive expense for the year attributable to the owners of the parent		(7,516)	(6,556)

	Note	2023 £'000	2022 £'000
Non-GAAP measure: Adjusted EBITDA			
Operating loss	6	(1,707)	(1,355)
Amortisation and depreciation	6	5,148	4,982
EBITDA		3,441	3,627
Share-based payments		-	120
Exceptional items	6	45	90
Chairman and ultimate parent company monitoring fees	6	138	166
Adjusted EBITDA¹		3,624	4,003

¹ Adjusted EBITDA is defined as operating profit or loss before exceptional items, non-operating items, depreciation, amortisation and share-based payments.

The Company has elected to take the exemption under Section 408 of the Companies Act 2006 to not present the parent company Statement of Comprehensive Income (see note 29).

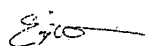
The notes on pages 13 to 30 are an integral part of these financial statements.

Cyberfort Group Limited
Consolidated Statement of Financial Position
as at 31 December 2023

8

	Note	2023 £'000	2022 £'000
Non-current assets			
Property, plant and equipment	10	5,620	6,509
Intangible assets	11	13,357	16,409
		18,977	22,918
Current assets			
Trade and other receivables	13	3,913	3,550
Current tax assets		31	-
Cash and cash equivalents	14	18	47
		3,962	3,597
Current liabilities			
Creditors: amounts falling due within one year	16	(8,649)	(8,746)
Current tax liabilities		(31)	(50)
		(8,680)	(8,796)
Net current liabilities		(4,718)	(5,199)
Non-current liabilities			
Creditors: amounts falling due after more than one year	17	(54,934)	(50,820)
Deferred tax liabilities	19	(988)	(1,046)
Net liabilities		(41,663)	(34,147)
EQUITY			
<i>Capital and reserves attributable to owners of the parent</i>			
Ordinary shares	21	-	-
Preferred shares	21	1	1
Share premium	22	379	379
Other reserves	22	895	895
Accumulated losses		(42,938)	(35,422)
Total equity		(41,663)	(34,147)

These financial statements on pages 7 to 30 were approved and authorised for issue by the Board of Directors on 12 December 2024 and were signed on its behalf by:



Emily Rees
Director

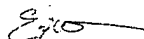
Company number: 10796111

The notes on pages 13 to 30 are an integral part of these financial statements.

	Note	2023 £'000	2022 £'000
Non-current assets			
Property, plant and equipment	10	-	-
Intangible assets	11	4	11
Investments in subsidiaries	12	334	334
Amounts due from group undertakings	13	64	64
		402	409
Current assets			
Trade and other receivables	13	1,763	1,269
Deferred tax assets	19	447	436
Cash and cash equivalents	14	-	-
		2,210	1,705
Current liabilities			
Trade and other payables	16	(3,488)	(2,959)
		(3,488)	(2,959)
Net current liabilities		(1,278)	(1,254)
Net liabilities		(876)	(845)
EQUITY			
Capital and reserves attributable to owners of the parent			
Ordinary shares	21	-	-
Preferred shares	21	1	1
Share premium	22	379	379
Other reserves	22	895	895
Accumulated losses		(2,151)	(2,120)
Total equity		(876)	(845)

The loss for the financial year of the Company was £31,000 (2022: £150,000).

These financial statements on pages 7 to 30 were approved and authorised for issue by the Board of Directors on 12 December 2024 and were signed on its behalf by:



Emily Rees
Director

Company number: 10796111

The notes on pages 13 to 30 are an integral part of these financial statements.

		Ordinary shares	Preference shares	Share premium	Share-based payment reserve	Accumulated losses	Total equity
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022		-	1	379	775	(28,866)	(27,711)
Loss for the year		-	-	-	-	(6,556)	(6,556)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive expense		-	-	-	-	(6,556)	(6,556)
Share-based payments	23	-	-	-	120	-	120
Balance at 31 December 2022		-	1	379	895	(35,422)	(34,147)
Balance at 1 January 2023		-	1	379	895	(35,422)	(34,147)
Loss for the year		-	-	-	-	(7,516)	(7,516)
Other comprehensive income		-	-	-	-	-	-
Total comprehensive expense		-	-	-	-	(7,516)	(7,516)
Share-based payments	23	-	-	-	-	-	-
Balance at 31 December 2023		-	1	379	895	(42,938)	(41,663)

The notes on pages 13 to 30 are an integral part of these financial statements.

		Ordinary shares	Preference shares	Share premium	Share-based payment reserve	Accumulated losses	Total equity
	Note	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 January 2022		-	1	379	775	(1,970)	(815)
Loss for the year and total comprehensive expense	29	-	-	-	-	(150)	(150)
Capital contribution		-	-	-	27	-	27
Share-based payments		-	-	-	93	-	93
Balance at 31 December 2022		-	1	379	895	(2,120)	(845)
Balance at 1 January 2023		-	1	379	895	(2,120)	(845)
Loss for the year and total comprehensive expense	29	-	-	-	-	(31)	(31)
Balance at 31 December 2023		-	1	379	895	(2,151)	(876)

The notes on pages 13 to 30 are an integral part of these financial statements.

	Note	Group	
		2023 £'000	2022 £'000
Cash flows from operating activities			
Cash generated by operations	25	3,501	3,097
Net income tax paid		-	-
Net cash from operating activities		3,501	3,097
Investing activities			
Purchases of property, plant and equipment		(169)	(128)
Purchase and capitalisation of intangible assets		(525)	(673)
Net cash used in investing activities		(694)	(801)
Financing activities			
Interest paid		(2,260)	(1,743)
Repayments of finance lease liabilities		(576)	(770)
Net cash used in financing activities		(2,836)	(2,513)
Net decrease in cash and cash equivalents		(29)	(217)
Cash and cash equivalents at beginning of the year		47	264
Cash and cash equivalents at end of the year	14	18	47

The notes on pages 13 to 30 are an integral part of these financial statements.

1. General information

Cyberfort Group Limited ("the Company") is a private company limited by shares and is registered, domiciled and incorporated in England and Wales. The registered office is Ash Radar Station, Marshborough Road, Marshborough, Sandwich, Kent, CT13 0PL.

The principal activity of the Company and its subsidiaries (together "the Group") is the provision of ultra secure hosting and IT services.

2. Summary of significant accounting policies

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

2.1 Basis of preparation

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", including the adoption of the amendments issued in December 2017, ("FRS 102") and the requirements of the Companies Act 2006, including the provisions of the Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 2008.

These financial statements are presented in pounds sterling, which is the functional currency. Items within the financial statements are rounded to the nearest thousand.

The financial statements have been prepared under the historical cost convention, modified to include the some tangible fixed assets at fair value. The principal accounting policies adopted are set out below.

2.2 Reduced disclosures

This Company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent of that group prepares publicly available consolidated financial statements, including this Company, which are intended to give a true and fair view of the assets, liabilities, financial position and profit or loss of the group. The Company has therefore taken advantage of the exemptions from the following disclosure requirements.

- Section 7 'Statement of Cash Flows' - Presentation of a Statement of Cash Flow and related notes and disclosures.
- Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instrument Issues' - Carrying amounts, interest income/expense and net gains/losses for each category of financial instrument; basis of determining fair values; details of collateral, loan defaults or breaches, details of hedges, hedging fair value changes recognised in profit or loss and in other comprehensive income.
- Section 26 'Share-based Payment' - Share-based payment expense charged to profit or loss, including details of the arrangement and valuation model and inputs used to determine share based payment charge.
- Section 33 'Related Party Disclosures' - Compensation for key management personnel.

2.3 Basis of consolidation

The consolidated financial statements incorporate those of Cyberfort Group Limited and all of its subsidiaries (i.e. entities that the Group controls through its power to govern the financial and operating policies so as to obtain economic benefits). Subsidiaries acquired during the period are consolidated using the purchase method. Their results are incorporated from the date that control passes.

All financial statements are made up to 31 December 2023. Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with those used by other members of the Group.

All intra-group transactions, balances and unrealised gains on transactions between group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

The cost of a business combination is the fair value at the acquisition date of the assets given, equity instruments issued and liabilities incurred or assumed, plus costs directly attributable to the business combination. The excess of the cost of a business combination over the fair value of the identifiable assets, liabilities and contingent liabilities acquired is recognised as goodwill.

Deferred tax is recognised on differences between the value of assets (other than goodwill) and liabilities recognised in a business combination accounted for using the purchase method and the amounts that can be deducted or assessed for tax, considering the manner in which the carrying amount of the asset or liability is expected to be recovered or settled. The deferred tax recognised is adjusted against goodwill.

2.4 Going concern

The Group made an operating profit of £3,624,000 before depreciation, amortisation, share-based payments, exceptional items and certain non-operating expenses for the year ended 31 December 2023, had net current liabilities of £4,718,000 at 31 December 2023 and net liabilities of £41,663,000 at the same date.

The Group meets its working capital requirements, and services bank debt, from cash flows generated from operations, with revolving banking facilities available. In October 2024, the Group entered into a new term loan, which falls due in 2028, along with a new revolving credit facility of £2.5m falling due in the same period. The bank debt facilities include a £19.5m loan which is repayable in full at maturity in October 2028, with interest paid quarterly.

In evaluating the going concern assumption, the directors have prepared cash flow forecasts for the period to 31 December 2025 and compared these, together with a range of sensitivities, to the available bank facilities and the related covenant requirements.

2. Summary of significant accounting policies (continued)

2.4 Going concern (continued)

A significant proportion of the Group's revenues are contracted into 2025. The sensitivities applied to the forecasts to 31 December 2025 demonstrate facility and covenant headroom and there are also a number of actions within the control of Directors, including deferral of capital expenditure, and implementing efficiency measures, which can further increase headroom. In addition, the Directors are confident the banks and Palatine Private Equity LLP will continue to support the Group, noting that the loan facilities also allow for shareholders to provide additional equity injections to remedy covenant breaches, in the event that they may be required.

After consideration of the forecasts and sensitivities and the range of support available, the Directors believe that the Group will be able to continue to meet its liabilities as they fall due for the foreseeable future, and it is therefore appropriate to prepare the financial statements on a going concern basis.

2.5 Reporting period

The Company and Group has drawn up the accounts for current and prior period for the year ended 31 December, in line with Company law allowing accounts to be drawn up to within 7 days of the accounting reference date.

2.6 Turnover

Turnover is recognised at the fair value of the consideration received or receivable for goods and services provided in the normal course of business, and is shown net of VAT and other sales related taxes. The fair value of consideration takes into account trade discounts, settlement discounts and volume rebates.

Turnover comprises of the provision of sales and services relating to ultra secure hosting and IT services. Turnover is recognised when the risks and rewards of services have been provided and ownership has been transferred to the customer. Turnover is adjusted for any income received in advance which is treated as deferred income within creditors.

2.7 Intangible fixed assets - goodwill

Goodwill represents the excess of the consideration for acquired undertakings compared with the fair value of net assets acquired. It is initially recognised as an asset at cost and is subsequently measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is written off evenly over 10 years as in the opinion of the Directors this represents the period over which the goodwill is expected to give rise to economic benefit.

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

2.8 Intangible fixed assets - other than goodwill

Intangible assets acquired separately from a business are recognised at cost and are subsequently measured at cost less accumulated amortisation and accumulated impairment losses.

Intangible assets acquired on business combinations are recognised separately from goodwill at the acquisition date where the fair value of the asset can be measured reliably; the intangible asset arises from contractual or other legal rights; and the intangible asset is separable from the entity.

The Group capitalises development expenditure as an intangible asset when it is able to demonstrate all of the following:

- The technical feasibility of completing the development so the intangible asset will be available for use or sale.
- The intention to complete the development and to use or sell the intangible asset.
- The ability to use or sell the intangible asset.
- How the intangible asset will generate probable future economic benefits.
- The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
- The ability to measure reliably the expenditure attributable to the intangible asset during its development.

Capitalised development expenditure is initially recognised at cost and subsequently measured at cost less accumulated amortisation and accumulated impairment losses. All research expenditure and other development expenditure that does not meet the above conditions is expensed as incurred.

2. Summary of significant accounting policies (continued)

2.8 Intangible fixed assets - other than goodwill (continued)

Amortisation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Software	4 years on cost per annum
Customer relationships	10 years on cost per annum
Development costs	4 years on cost per annum
Customer contracts	over the life of the contract

Amortisation is revised prospectively for any significant change in useful life or residual value.

Intangible assets in the course of development are not amortised.

On disposal, the difference between the net disposal proceeds and the carrying amount of the intangible asset is recognised in the statement of income.

2.9 Tangible fixed assets

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses.

Depreciation is recognised so as to write off the cost or valuation of assets less their residual values over their useful lives on the following bases:

Freehold property	50 years on cost per annum
Leasehold property	over the term of the lease
Plant and machinery	4 - 20 years on cost per annum
Computer equipment	3 - 4 years on cost per annum

The gain or loss arising on the disposal of an asset is determined as the difference between the sale proceeds and the carrying value of the asset, and is credited or charged to the statement of comprehensive income.

Residual value is calculated on the price prevailing at the reporting date, after estimated costs of disposal, for the asset as if it were at the age and in the condition expected at the end of its useful life.

2.10 Fixed asset investments

In the separate accounts of the Company, interests in subsidiaries are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in the statement of comprehensive income.

A subsidiary is an entity controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

2.11 Impairment of fixed assets

At each reporting period end date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in the statement of comprehensive income.

2.12 Cash and cash equivalents

Cash and cash equivalents are basic financial instruments and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

2.13 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102 to all of its financial instruments. Financial instruments are recognised when the Group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally 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. Summary of significant accounting policies (continued)

2.14 Financial assets

Basic financial assets, which include trade and other debtors, amounts owed by group undertakings and cash and bank balances, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the financial asset is measured at the present value of the future receipts discounted at a market rate of interest.

Financial assets are assessed for indicators of impairment at each reporting end date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in the statement of comprehensive income.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in the statement of comprehensive income.

Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

2.15 Classification of financial liabilities

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

2.16 Financial liabilities

Basic financial liabilities, including trade and other creditors, bank loans and overdrafts, loan notes and amounts due to group undertakings are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Debt instruments are subsequently carried at amortised cost, using the effective interest rate method.

Financial liabilities are derecognised when, and only when, the Group's contractual obligations are discharged, cancelled, or they expire.

2.17 Equity instruments

Equity instruments issued by the Group are recorded at the fair value of proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

2.18 Taxation

The tax expense represents the sum of the current tax expense and deferred tax expense. Current tax assets are recognised when tax paid exceeds the tax payable.

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited to other comprehensive income or equity, when the tax follows the transaction or event it relates to and is also charged or credited to other comprehensive income, or equity.

Current tax assets and current tax liabilities and deferred tax assets and deferred tax liabilities are offset, if and only if, there is a legally enforceable right to set off the amounts and the entity intends either to settle on the net basis or to realise the asset and settle the liability simultaneously.

Current tax is based on taxable profit for the year. Current tax assets and liabilities are measured using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax liabilities are recognised in respect of all timing differences that exist at the reporting date. Timing differences are differences between taxable profits and total comprehensive income that arise from the inclusion of income and expenses in tax assessments in different periods from their recognition in the financial statements. Deferred tax assets are recognised only to the extent that it is probable that they will be recovered by the reversal of deferred tax liabilities or other future taxable profits.

For non-depreciable assets measured using the revaluation model and investment properties measured at fair value (except investment property with a limited useful life held by the group to consume substantially all of its economic benefit), deferred tax is measured using the tax rates and allowances that apply to the sale of the asset or property.

2. Summary of significant accounting policies (continued)

2.19 Employee benefits

The costs of short-term employee benefits are recognised as a liability and an expense, unless those costs are required to be recognised as part of the cost of fixed assets. The cost of any unused holiday entitlement is recognised in the period in which the employee's services are received. Termination benefits are recognised immediately as an expense when the Company is demonstrably committed to terminate the employment of an employee or to provide termination benefits.

2.20 Retirement benefits

For defined contribution schemes the amount charged to the statement of comprehensive income is the contributions payable in the year. Differences between contributions payable in the year and contributions actually paid are shown as either accruals or prepayments.

2.21 Leases

Leases are classified as finance leases and hire purchase contracts whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessees. All other leases are classified as operating leases.

Assets held under finance leases and hire purchase contracts are recognised as assets at the lower of the assets fair value at the date of inception and the present value of the minimum lease payments. The related liability is included in the statement of financial position as a finance lease or hire purchase contract obligation. Lease payments are treated as consisting of capital and interest elements. The interest is charged to the statement of comprehensive income so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Rentals payable under operating leases, including any lease incentives received, are charged to profit or loss on a straight line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

2.22 Government grants

Government grants are recognised at the fair value of the asset received or receivable when there is reasonable assurance that the grant conditions will be met and the grants will be received.

A grant that specifies performance conditions is recognised in income when the performance conditions are met. Where a grant does not specify performance conditions it is recognised in income when the proceeds are received or receivable. A grant received before the recognition criteria are satisfied is recognised as a liability.

2.23 Exceptional items

The Group presents as exceptional items on the face of the Statement of Comprehensive Income those material items of income and expense which, because of the nature and expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to better understand the elements of financial performance and the underlying business performance in the period, and to facilitate comparison with prior years and other companies.

2.24 Share based payments

Equity-settled share-based payments are measured at fair value at the date of grant by reference to the fair value of the equity instruments granted using the Black-Scholes model. The fair value determined at the grant date is expensed on a straight-line basis over the vesting period, based on the estimate of shares that will eventually vest. A corresponding adjustment is made to equity.

When the terms and conditions of equity-settled share-based payments at the time they were granted are subsequently modified, the fair value of the share-based payment under the original terms and conditions and under the modified terms and conditions are both determined at the date of the modification. Any excess of the modified fair value over the original fair value is recognised over the remaining vesting period in addition to the grant date fair value of the original share-based payment. The share-based payment expense is not adjusted if the modified fair value is less than the original fair value.

Cancellations or settlements (including those resulting from employee redundancies) are treated as an acceleration of vesting and the amount that would have been recognised over the remaining vesting period is recognised immediately.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

3.1 Critical judgements

The following judgements (apart from those involving estimates) have had the most significant effect on amounts recognised in the financial statements.

Leases

In categorising leases as finance lease or operating leases, management make judgement as to whether significant risks and rewards of ownership have transferred to the Group as lessee.

Revenue recognition

The timing of revenue recognition is subject to inherent complexities, especially in relation to more complex contracts that include multiple services.

3. Critical accounting judgements and key sources of estimation uncertainty (continued)

3.2 Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows.

Depreciation and amortisation

The assessment of the useful economic lives and the method of depreciating tangible fixed assets and amortising intangible fixed assets requires judgement. Depreciation and amortisation is charged to the income statement based on the useful economic life selected, which requires an estimation of the period and profile over which the Group expects to consume the future economic benefits embodied in the assets.

The carrying value of tangible and intangible fixed assets at the balance sheet date was £18,977,000 (2022: £22,918,000).

Intangible assets

The Group initially measures the separable intangible assets acquired in a business combination at their fair value at the date of acquisition. Management judgement is required in deriving a number of assumptions which are used in assessing the fair value of each acquisition intangible and also in assessing the useful economic lives of these assets for the purposes of amortisation.

The carrying value of these intangible assets at the balance sheet date was £2,591,000 (2022: £3,329,000).

Impairment of goodwill and other intangibles

Determining whether goodwill and other intangibles are impaired requires an estimation at the higher of fair value and value in use of the asset or cash generating units to which they have been allocated or belong. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the asset or cash generating unit and a suitable discount rate in order to calculate present value.

The carrying value of these intangible assets at the balance sheet date was £13,357,000 (2022: £16,409,000).

Share based payments

Part of the remuneration of certain employees is provided through the grant of shares issued at a discount to market value in the shares by the Group. The costs of those equity settled transaction with employees is measured by reference to the fair value on the date they are granted. Judgement is required in determining the most appropriate valuation model, along with the inputs into that model, which includes the expected volatility and life of the share based payment arrangement.

The carrying value of the share based payment reserve at the balance sheet date was £895,000 (2022: £895,000).

Development cost

Management judgement is required in assessing the fair value of development costs capitalised, including the future economic benefit expected to be generated by those assets. At 31 December 2023, the carrying value of development costs capitalised was £1,144,000 (2022: £1,155,000).

4. Turnover

The Group's turnover for the year is wholly derived from within the United Kingdom.

An analysis of the Group's turnover by business class is as follows:

	2023 £'000	2022 £'000
Hosting and data centre services	9,758	9,358
Cyber security services	13,171	11,302
Compliance services	515	263
Professional and other services	412	216
Total	23,856	21,139

There is no single customer whose revenues are 10% or greater than overall Group revenues in either the current or prior financial year.

5. Other income

	2023 £'000	2022 £'000
Research and development enhanced tax credits scheme	192	176
	192	176

6. Operating loss

This is stated after charging:

	Note	2023 £'000	2022 £'000
Employee benefit expense	24	11,291	9,575
Depreciation	10	1,571	1,556
Amortisation	11	3,577	3,426
Loss on disposal of property, plant and equipment		-	1
Research and development costs expensed		188	409
Share-based payment charge	23, 24	-	120
Operating lease expense		125	108

Included in administrative expenses are the following items which are deemed to be exceptional or non-operating:

	2023 £'000	2022 £'000
Restructuring costs	45	90
Professional fees and surcharges	-	-
Total exceptional costs	45	90
Chairman and ultimate parent company monitoring fees	138	166
Total exceptional and non-operating costs	183	256

7. Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2023 £'000	2022 £'000
Fees payable to the Company's auditors and their associates for the audit of the Company's annual financial statements	9	8
Fees payable to the Company's auditors and their associates for other services to the Group:		
The audit of the Company's subsidiaries	87	80
Total audit fees	96	88
Other services		
Audit-related assurance services	6	5
Tax compliance services	21	22
Total other services	27	27
Total fees	123	115

8. Finance income and expenses

	2023 £'000	2022 £'000
<i>Interest on financial liabilities measured at amortised cost:</i>		
Interest payable on bank borrowings and loan notes	2,045	1,591
Interest payable on loan notes	3,429	3,133
Amortisation of debt arrangement fees	228	246
	5,702	4,970
<i>Other finance costs:</i>		
Interest payable on finance leases	215	152
Finance costs	5,917	5,122
Net finance costs	(5,917)	(5,122)

9. Income tax

Recognised in the Statement of Comprehensive Income

	Note	2023 £'000	2022 £'000
Current tax			
Current tax		-	(50)
Adjustments in respect of prior years		50	-
Total current tax		50	(50)
Deferred tax			
Origination and reversal of temporary differences		105	50
Adjustments in respect of prior years		(47)	(79)
Total deferred tax	19	58	(29)
Total tax credit/(charge) in the Statement of Comprehensive Income		108	(79)

Reconciliation of effective tax rate

The credit for the year is lower (2022: lower) than the standard rate of corporation tax in the UK of 23.52% (2022: 19.00%). The differences are explained below:

	2023 £'000	2022 £'000
Loss before income tax	(7,624)	(6,477)
Tax calculated at UK effective tax rate of 23.52% (2022: 19.00%)	(1,793)	(1,231)
Effects of:		
Fixed asset timing differences	32	21
Expenses not deductible for tax purposes	2	28
Research and development tax credit for prior year	-	-
Losses not utilised	1,237	1,040
Surrender of losses for R&D tax credit refund	(46)	(34)
Deferred tax adjustments in respect of prior years	47	79
Remeasurement of deferred tax for changes in tax rates	(79)	(262)
Amortisation on goodwill	542	438
Adjustments in respect of prior years	(50)	-
Total tax in the Statement of Comprehensive Income	(108)	79

Changes to the UK corporation tax rates include an increase in the main rate to from 19% to 25% from 1 April 2023. As these changes had been substantively enacted at the balance sheet date their effects are included in these financial statements.

The Group has estimated losses of £9,232,000 (2022: £9,059,000) available for carry forward against future trading profits.

10. Property, plant and equipment

Group	Freehold land and buildings £'000	Leasehold improvements £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost					
As at 1 January 2023	2,769	25	5,451	5,416	13,661
Additions	-	-	460	222	682
Disposals	(211)	(14)	(281)	(1,501)	(2,007)
As at 31 December 2023	2,558	11	5,630	4,137	12,336
Accumulated depreciation					
As at 1 January 2023	276	19	2,764	4,093	7,152
Charge	218	1	693	659	1,571
Disposals	(211)	(14)	(281)	(1,501)	(2,007)
As at 31 December 2023	283	6	3,176	3,251	6,716
Net book value					
As at 1 January 2023	2,493	6	2,687	1,323	6,509
As at 31 December 2023	2,275	5	2,454	886	5,620

Property, plant and equipment includes the following amounts where the Group is a lessee under a finance lease:

	2023			2022		
	Plant and machinery £'000	Computer equipment £'000	Total £'000	Plant and machinery £'000	Computer equipment £'000	Total £'000
Cost	1,374	854	2,228	1,311	1,433	2,744
Accumulated depreciation	(385)	(341)	(726)	(340)	(664)	(1,004)
Net book value as at 31 December	989	513	1,502	971	769	1,740

The Group leases various leasehold improvements and computer equipment under non-cancellable finance lease arrangements (see note 18).

The lease terms are between three and five years.

11. Intangible assets

Group	Goodwill £'000	Customer contracts £'000	Customer relationships £'000	Software licences £'000	Capitalised development costs £'000	Total £'000
Cost						
As at 1 January 2023	23,041	78	7,377	317	1,850	32,663
Additions	-	-	-	68	457	525
Disposals	-	-	-	(281)	(89)	(370)
As at 31 December 2023	23,041	78	7,377	104	2,218	32,818
Accumulated amortisation						
As at 1 January 2023	11,244	78	4,048	189	695	16,254
Charge	2,304	-	738	67	468	3,577
Disposals	-	-	-	(281)	(89)	(370)
As at 31 December 2023	13,548	78	4,786	(25)	1,074	19,461
Net book value						
As at 1 January 2023	11,797	-	3,329	128	1,155	16,409
As at 31 December 2023	9,493	-	2,591	129	1,144	13,357

The amortisation charge for the year is recognised within administrative expenses.

The customer relationships represents the amounts attributed to customer related intangibles arising on acquisition. The remaining amortisation period for customer relationships is 3.5 years (2022: 4.5 years).

Development projects includes £44,000 (2022: £81,000) of assets under development which have not been amortised during the year.

Company	Software licences £'000	Total £'000
Cost		
As at 1 January 2023 and 31 December 2023	58	58
Accumulated amortisation		
As at 1 January 2023	47	47
Charge	7	7
As at 31 December 2023	54	54
Net book value		
As at 1 January 2023	11	11
As at 31 December 2023	4	4

12. Investments in subsidiaries

Company	2023 £'000	2022 £'000
Cost		
As at 1 January	334	307
Capital contributions relating to share-based payments	-	27
As at 31 December	334	334
Net book amount		
As at 31 December	334	334

Investments in subsidiaries are recorded at cost, which is the fair value of the consideration paid, and this cost is tested periodically for impairment.

The capital contribution relating to share-based payments was in respect of LTIP awards granted by the Company to employees of subsidiary undertakings in the Group.

A full list of the undertakings whose results or financial position are included within the Company's annual financial statements is set out below.

Name	Country of incorporation (or registration) and operation	Registered number	Proportion of voting rights and ordinary share capital held	Nature of business
Direct subsidiary undertakings				
Cyberfort Bidco Limited	United Kingdom	10743953	100%	Intermediate holding company
Indirect subsidiary undertakings				
Cyberfort Limited	United Kingdom	05038041	100%	Provision of ultra secure hosting and IT services
Agenci Limited	United Kingdom	04705868	100%	Cyber software consultancy
Arcturus Security Limited	United Kingdom	11167673	100%	Consultancy
Auriga Group Solutions Limited	United Kingdom	07963021	100%	Intermediate holding company
Auriga Consulting Ltd	United Kingdom	06875201	100%	System security services
The Bunker Secure Hosting Limited	United Kingdom	05843717	100%	Non-trading

The registered office of all subsidiary undertakings is Ash Radar Station, Marshborough Road, Marshborough, Sandwich, Kent, CT13 0PL.

Cyberfort Limited, Agenci Limited, Arcturus Security Limited and Auriga Group Solutions Limited are wholly owned by Cyberfort Bidco Limited. The Bunker Secure Hostings Limited is wholly owned by Cyberfort Limited. Auriga Consulting Ltd is wholly owned by Auriga Group Solutions Limited.

Arcturus Security Limited, Agenci Limited, Auriga Group Solutions Limited and Auriga Consulting Ltd have taken exemption from audit under section 479A of the Companies Act 2006 (the Act) from the requirement in the Act for their individual accounts to be audited. The guarantee given by the Company under section 479A of the Act is disclosed in note 27.

13. Trade and other receivables

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Due within one year				
Trade receivables	2,878	2,784	-	-
Less: provision for impairment of trade receivables	(272)	(36)	-	-
Trade receivables - net	2,606	2,748	-	-
Other receivables	453	142	193	135
Accrued income	38	71	-	-
Prepayments	816	589	-	-
Amounts due from Group undertakings	-	-	1,570	1,134
Prepayments and other receivables	1,307	802	1,763	1,269
Total trade and other receivables due within one year	3,913	3,550	1,763	1,269
Due after one year				
Amounts due from Group undertakings	-	-	64	64
Total other receivables	-	-	64	64

Included in Other receivables at the year end are amounts owed by Directors of £91,250 (2022: £86,250). This was the maximum amount outstanding during the year and interest has not been charged these loans.

14. Cash and cash equivalents

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Cash at bank and in hand	18	47	-	-

15. Net debt

	Note	Group		Company	
		2023	2022	2023	2022
		£'000	£'000	£'000	£'000
Cash at bank and in hand	14	18	47	-	-
Bank loans and loan notes	18	(20,250)	(18,714)	-	-
Loans from related parties	18	(36,537)	(33,276)	-	-
Finance leases	18	(1,202)	(1,265)	-	-
Net debt		(57,971)	(53,208)	-	-

Analysis of changes in net debt

	At 1 January 2023	Cash flows	New finance leases	Other non cash changes	At 31 December 2023
	£'000	£'000	£'000	£'000	£'000
Cash at bank and in hand	47	(29)	-	-	18
Bank loans and loan notes	(18,714)	-	-	(1,536)	(20,250)
Loans from related parties	(33,276)	-	-	(3,261)	(36,537)
Finance leases	(1,265)	(453)	516	-	(1,202)
Net debt	(53,208)	(482)	516	(4,797)	(57,971)

16. Creditors: amounts falling due within one year

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Due within one year				
Bank loans and overdrafts	2,552	2,233	-	-
Obligations under finance leases and hire purchase contracts	503	509	-	-
Trade payables	1,382	1,157	-	4
Other taxes and social security	859	1,283	70	449
Other creditors	194	213	-	-
Accruals	1,204	1,203	-	-
Deferred income	1,955	2,148	-	-
Amounts due to Group undertakings	-	-	3,418	2,506
Total creditors falling due within one year	8,649	8,746	3,488	2,959

17. Creditors: amounts falling due after more than one year

	Group		Company	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Due after one year				
Bank loans	15,843	15,027	-	-
Loan notes	1,855	1,687	-	-
Loans from related parties	36,537	33,276	-	-
Obligations under finance leases and hire purchase contracts	699	756	-	-
Other payables	-	74	-	-
Total creditors falling due after more than one year	54,934	50,820	-	-

18. Borrowings

	Group		Company	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Due within one year				
Bank loans and overdrafts	2,552	2,233	-	-
Obligations under finance leases and hire purchase contracts	503	509	-	-
Borrowings due within one year	3,055	2,742	-	-
Due after one year				
Bank loans	15,843	15,027	-	-
Loan notes	1,855	1,687	-	-
Loans from related parties	36,537	33,276	-	-
Obligations under finance leases and hire purchase contracts	699	756	-	-
Borrowings due after one year	54,934	50,746	-	-
Total Borrowings	57,989	53,488	-	-

At the year end, the amount outstanding less debt issue costs, on a bank loan was £15,843,000 (2022: £15,027,000). The interest on the bank loan is repayable in quarterly instalments and the loan is repayable in full on 31 January 2025. The loan facility attracted a rate of interest of 7.75% plus the greater of SONIA or 0.75%. The loan includes an off-set of debt issue costs which have been capitalised. During the year debt issue costs of £152,000 (2022: £nil) were capitalised and debt issue costs of £228,000 (2022: £246,000) were amortised. At the year end £258,000 (2022: £333,000) will be amortised in future years. Also included in the amount owed at 31 December 2023 is accrued interest of £811,000 (2022: £146,000). Of the bank loan £2,552,000 (2022: £2,233,000) is repayable within one year and £15,843,000 (2022: £15,027,000) is repayable after one year.

At the year end, the Group had drawn £2,000,000 (2022: £2,000,000) of a revolving loan facility, which is repayable on demand and is shown within amounts due within one year. In addition the Group has an overdraft facility of £2,000,000 (2022: £1,000,000).

On 7 July 2017 loan notes and loan notes from related parties of £14,610,000 were issued. On 11 March 2019 loan notes of £9,147,000 were issued of which £1,954,000 were redeemed in prior periods. On 24 December 2019 a further £55,000 of loan notes were issued. The loan notes carry an interest rate of 10% and are repayable in January 2026.

Included in the amount owed at 31 December 2023 is accrued interest of £16,534,000 (2022: £13,105,000) which is repayable at the same time as the capital amount. No interest is charged on the accrued interest.

The bank loans and loan notes are fully secured by a fixed and floating charge over the current and future property and other assets of the Group.

	Future minimum lease payments		Present value of minimum lease payments	
	2023 £'000	2022 £'000	2023 £'000	2022 £'000
Less than one year	616	618	503	509
Between one and five years	794	846	699	756
	1,410	1,464	1,202	1,265
Less: future finance charges	(208)	(199)	-	-
Present value of minimum lease payments	1,202	1,265	1,202	1,265
Net amount within one year	699	756		
Net amount between one and five years	503	509		

Finance lease and hire purchase payments represent rentals payable by the Group for certain items of plant and machinery. Leases and contracts include purchase options at the end of the lease/contract period, and no restrictions are placed on the use of the assets. The average lease term is 3 years. All leases and contracts are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

Obligations under finance leases and hire purchase contracts are secured against the assets to which they relate.

19. Deferred tax

Deferred tax assets and liabilities are offset where the Group has a legally enforceable right to do so. The analysis of the deferred tax balances (after offset) for financial reporting purposes is as follows:

	Note	Group		Company	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
Liabilities/(assets):					
Accelerated capital allowances		709	724	-	-
Tax losses		(445)	(548)	(447)	(436)
Revaluations		96	96	-	-
Assets measured at fair value on acquisition		648	832	-	-
Short term timing differences		(20)	(58)	-	-
Liabilities/(assets) as at 31 December		988	1,046	(447)	(436)

The movement in the deferred income tax assets/(liabilities) during the year is as follows:

	Note	Group		Company	
		2023 £'000	2022 £'000	2023 £'000	2022 £'000
As at 1 January		(1,046)	(1,017)	436	420
Credit/(charge) to Consolidated Statement of Comprehensive Income	9	58	(29)	11	16
As at 31 December		(988)	(1,046)	447	436

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

	Group		Company	
	2023 Tax losses £'000	2022 Tax losses £'000	2023 Tax losses £'000	2022 Tax losses £'000
Deferred tax assets				
As at 1 January	-	-	436	420
Credit to Consolidated Statement of Comprehensive Income	-	-	11	16
As at 31 December	-	-	447	436

20. Financial instruments

Accounting classification of financial assets and liabilities

Group	Loans and receivables £'000	Borrowings £'000	Other financial liabilities at amortised cost £'000	Total £'000
As at 31 December 2023				
Cash and cash equivalents	18	-	-	18
Trade and other receivables excluding non-financial assets	3,059	-	-	3,059
Trade and other payables excluding non-financial liabilities	-	-	(3,639)	(3,639)
Finance lease liabilities	-	-	(1,202)	(1,202)
Loans and loan notes	-	(57,989)	-	(57,989)
Total	3,077	(57,989)	(4,841)	(59,753)
As at 31 December 2022				
Cash and cash equivalents	47	-	-	47
Trade and other receivables excluding non-financial assets	2,890	-	-	2,890
Trade and other payables excluding non-financial liabilities	-	-	(3,930)	(3,930)
Finance lease liabilities	-	-	(1,265)	(1,265)
Loans and loan notes	-	(53,488)	-	(53,488)
Total	2,937	(53,488)	(5,195)	(55,746)
Company				
As at 31 December 2023				
Cash and cash equivalents	-	-	-	-
Trade and other receivables excluding non-financial assets	1,763	-	-	1,763
Trade and other payables excluding non-financial liabilities	-	-	(3,488)	(3,488)
Total	1,763	-	(3,488)	(1,725)
As at 31 December 2022				
Cash and cash equivalents	-	-	-	-
Trade and other receivables excluding non-financial assets	1,269	-	-	1,269
Trade and other payables excluding non-financial liabilities	-	-	(2,959)	(2,959)
Total	1,269	-	(2,959)	(1,690)

21. Share capital

Group and Company	2023 Number	2022 Number	2023 £	2022 £
Ordinary A voting shares of 1p each	20,000	20,000	200	200
Preferred Ordinary voting shares of 1p each	80,000	80,000	800	800
As at 31 December 2023	100,000	100,000	1,000	1,000

The holders of the Preferred Ordinary shares are equal to 90% of the total voting rights attaching to all shares in issue at the date of any such meeting or the date of circulation of any such resolution.

No holder of shares in the Company is entitled to receive any dividends in respect of these shares until such time as the loan notes have been redeemed in full.

Return of Capital will be the repayment of the issue price of the capital held and then equal distribution between each class of shares.

22. Reserves

Share premium

Consideration received for shares issued above their nominal value net of transaction costs.

Share based payment reserve

The reserve represents the cumulative share based payment charge.

Profit and loss reserves

Cumulative profit and loss net of distribution to owners.

23. Share-based payments

On 7 July 2017, 15,750 Ordinary A voting shares of 1p each were issued at a discount to market value at £15 per share. A further 4,000 shares were issued at £15 per share under this arrangement in December 2018. These shares contain various restrictions including the requirement for them to be transferred at nominal value on cessation of employment. The value of these shares will be realised on a sale of the Company. The fair value of these shares was determined to be £156.55 on the 2018 issue and on the 2017 issue. The resulting charge is to be written off over five years for the July 2017 share issue and three and a half years for the December 2018 issue.

The share-based payment charge recognised in respect of these shares in the year was £nil (2022: £120,000). This charge was determined using the Black Scholes model and the following inputs:

Grant date	Dec 2018	Jul 2017
Stock price on issue (£'000)	17,159	14,990
Hurdle price	16,843	14,673
Risk free rate used in valuation	1.00%	1.00%
Volatility used in valuation	32.79%	31.05%
Expected life (years)	3.5	5.0

The hurdle price represents loan notes of £14,673,000 (2017 options: £14,673,000) and accrued interest of £2,170,000 (2017 options: £nil) that are required to be repaid before any return of capital in respect of these shares can be made.

The shares do not have any market based criteria that would affect whether they can be exercised, consequently the Black Scholes model was considered appropriate to be utilised to determine the grant date fair value.

24. Employee benefit expense and Directors' remuneration

Group	2023 £'000	2022 £'000
Employees (including Directors)		
Wages and salaries	9,867	8,329
Social security costs	1,099	1,009
Other pension costs	325	237
	11,291	9,575
Share-based payments	-	120
	11,291	9,695

Included in the above is an amount of £457,000 (2022: £630,000) that has been capitalised.

Monthly average number of employees (including Directors)		
Management and administration	14	15
Sales and marketing	9	10
Operational, clinical and development	138	117
	161	142

The Group operates a defined contribution pension scheme for all qualifying employees. The assets of the scheme are held separately from those of the Group in an independently administered fund. At the year end, an amount of £81,000 (2022: £63,000) was due with respect to pension contributions.

Company		
Directors' remuneration	2023 £'000	2022 £'000
Aggregate emoluments	281	344
Amounts receivable under long-term incentive schemes	-	57
Pension contributions	9	7
	290	408
Emoluments of the highest paid Director	2023 £'000	2022 £'000
Aggregate emoluments	246	292
Pension contributions	9	7
Total	255	299

The number of Directors who were accruing benefits under defined contribution schemes during the year was 1 (2022: 1).

25. Reconciliation of net loss to net cash used in operating activities

	2023 £'000	2022 £'000
Loss for the financial year	(7,516)	(6,556)
Adjustments for:		
Taxation credited/(charged)	(108)	79
Depreciation of tangible fixed assets	1,571	1,556
Amortisation of intangible assets	3,577	3,426
Share-based payments	-	120
Loss on disposal of property, plant and equipment	-	1
Finance costs - net	5,917	5,122
Operating cash flows before movements in working capital	3,441	3,748
Increase in receivables	(363)	(430)
Increase/(decrease) in payables	423	(221)
Cash generated by operations	3,501	3,097

26. Operating lease commitments

The Group leases its office premises under non-cancellable operating lease agreements. The Group had future aggregate minimum lease payments under non-cancellable operating leases as follows:

	2023 £'000	2022 £'000
Within 1 year	125	125
Between 1 and 5 years	501	501
After 5 years	345	470
Total	971	1,096

27. Commitments and contingencies

Palatine Private Equity Fund III LLP holds a fixed and floating charge over the assets of the Company and a negative pledge in respect of borrowings in the Company.

The Group had capital commitments of £50,000 at the end of the year (2022: £430,000) for capital expenditure contracted for but not provided for in the financial statements.

Guarantees

In order for Arcturus Security Limited, Agenci Limited, Auriga Group Solutions Limited and Auriga Consultancy Limited to take the audit exemption in section 479A of the Companies Act 2006, the Company has guaranteed all outstanding liabilities of the subsidiary companies at 31 December 2023 until these liabilities are settled in full.

28. Related party transactions

Key management personnel

The compensation of key management personnel, including directors, members of the Executive Management team and senior technical staff, was

	2023 £'000	2022 £'000
Short-term employee benefits	1,182	1,690
Post-employment benefits	39	39
Share-based payments	-	109
	1,221	1,838

Company and Group

During the year, the Group made further advances to a director of £5,000 (2022: £37,500) in respect of his director's loan. At the year end the Company was owed £91,250 (2022: £86,250) by a director of the Company. The maximum amount outstanding during the year was £91,250 (2022: £86,250). This amount was interest free and repayable on demand. No amounts on the loan have been repaid during the year. The amount is included within other debtors.

Group

During the year, the Group incurred monitoring fees and expenses of £100,000 (2022: £100,000) and also made sales of £6,000 (2022: £nil) to Palatine Private Equity Fund III LLP, who are a significant shareholder of the Company. At 31 December 2023, Palatine Private Equity Fund III LLP was owed £224,000 by the Group (2022: owed £177,000 by the Group).

29. Company statement of comprehensive income

As permitted by Section 408 of the Companies Act 2006, the Company has not presented its own Statement of Comprehensive Income and related notes. The loss for the financial year of the Company was £31,000 (2022: £150,000).

30. Controlling party

The ultimate controlling party is considered to be Palatine Private Equity Fund III LLP.

31. Events after the reporting date

In October 2024, the Group entered into a new term loan, which falls due in 2028, along with a new revolving credit facility of £2.5m falling due in the same period. The bank debt facilities include a £19.5m loan which is repayable in full at maturity in October 2028, with interest paid quarterly.