Parent for: 4705868

Company Registration No. 10796111 (England and Wales)

CYBERFORT GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2019

CYBERFORT GROUP LIMITED

COMPANY INFORMATION

Directors	A Dickin A D M Hague A J Strickland M Howling
Company number	10796111
Registered office	Venture West Greenham Business Park Greenham Thatcham RG19 6HX
Auditor	RSM UK Audit LLP Chartered Accountants Rivermead House 7 Lewis Court Grove Park Leicester Leicestershire LE19 1SD

CYBERFORT GROUP LIMITED

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present the strategic report and the financial statements of Cyberfort Group Limited for the year ended 31 December 2019.

Fair review of the business
As stated in previous reports, 2017 saw the incorporation of the company to act as the overarching vehicle for a private equity backed "buy and build" enterprise and this strategy remains in place.

The initial strategic plan was first drafted in late 2016 in conjunction with Palatine Private Equity, who ultimately provided the financial backing for the maiden acquisition of The Bunker Secure Hosting Limited in July 2017.

The Cyberfort brand was decided upon in August 2017 to reflect the strategic plan to put together a set of very distinct operational capabilities and operating companies with the common aim of protecting sensitive data from electronic or physical attack.

With cyber security and data privacy increasingly appearing on the Board agenda for every company, from the sole trader to FTSE 100 companies, our updated mission statement, as reiterated on our Group website, is clear.

- Combining technology, people, and expertise to create a cybersecurity capability that is second to none, Cyberfort is making the world safer, one business at a time.

Following on from the purchase of The Bunker in July 2017, we took the strategic decision in October 2017 to organically build the second pillar of data security: a penetration testing business which subsequently launched in early 2018 under the brand Arcturus Security.

In June 2018, the Group bolstered its ranks with the acquisition of cyber security consultancy Agenci Limited. The transaction added our third pillar. Agenci is a consultancy that specialises in IT security, particularly ISO 27001 and GDPR. The company works with a range of clients across the UK to help them meet legal and regulatory requirements.

In March 2019, the Group further strengthened its end-to-end data security proposition with the acquisition of Auriga Consulting Ltd. As a centre of excellence in cyber security, assurance and monitoring services, Auriga offers bespoke solutions in risk and compliance management, cyber design and implementation and cyber monitoring and intelligence. With a track record of supporting high profile international government departments, it also added considerable experience in working with public sector organisations to the Cyberfort Group.

Auriga also brought with it an internally developed Security Incident and Event Management (SIEM) solution that has since been taken to full development and launched under the Cybergator Brand. The group has taken the decision to organically build a Security Operations Centre (SOC) having made the decision that there were no suitable companies available to acquire in the cybersecurity market and also building on the success of its organically built penetration testing business, Arcturus.

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 Recurring Annual Revenue (RAR) and adjusted EBITDA (operating profit before amortisation, depreciation, share-based payment and exceptional items).

The group's year-end Recurring Annual Revenue (RAR) stood at £9.5m (£9.3m 2018). Concentration risk across the RAR portfolio is low: the top 10 clients make up only 37% of the Company's RAR with the largest client accounting for just 6% of the total RAR

Non-financial measures include:
- Number of contracted customers
- Number of fee earning consultants and their utilisation

Financial performance of the group in the period remained steady despite the highly distracting and time-consuming process of the "buy and build" activity, revenue increased primarily as a result of the Auriga acquisition to £13.2m with EBITDA of £2.0m. The completion of all planned acquisition activity has subsequently allowed the Group to move on to the implementation of its various integration plans and to look at synergy cost savings as a Buy and Build strategy inevitably produces duplicated costs in the short term.

In addition, with all acquisition activity complete, the business assessed its 'go to market' strategy and has subsequently moved to a sales and marketing approach that centred around a single Cyberfort proposition under the three key delivery streams of Cloud, Cybersecurity and Compliance thus enabling a much wider range of conversations be had both with existing and potential new clients.

Future developments
Moving forwards the group will increasingly move into consultant-led operations and thus will become increasingly reliant on its ability to both recruit and retain high quality consultants across the desired product and service set. This will be against the backdrop of a widely acknowledged skills shortage in these areas and thus a very competitive market. We believe that our strategic plan, management and people strategy will make us an attractive employer.

The business is taking the important step to obtain all the required technical knowledge and accreditations to be able to operate in the public cloud space, notably with Microsoft Azure and Amazon Web Services (AWS). Whilst this capability is not expected to be core to business operations it is vital that the business is able to demonstrate strong capability in this area so that it can successfully apply its security centric suite of products and services to any client solution that has a public cloud element.

As the group both expands and grows there will be increasing opportunities to build and deploy more comprehensive solutions for clients noting that in the short term there is an amount of operational integration work that needs to be planned and executed.

Principal risks and uncertainities 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 were 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.

Cyber Security remains at the heart of the business and we continue to invest in governance, risk and compliance. In 2019 there was 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 has been a successful endeavour seeing core accreditations such as ISO/IEC 27001:2013, G-Cloud listing, PCI-DSS, Data Security and Protection Toolkit being fully managed and maintained internally whilst enhancing security, policy and process.

Budgets have been prepared for the period to 31 December 2026 and audits have been scheduled for the re-certifications for ISO/IEC 27001:2013 and PCI DSS v3.2.1. The Group added an additional ten services to the G-Cloud framework in 2019 and increased our accreditations by adding Cyber Essentials Plus to our portfolio. It is also the intention to invest in the Ash datacentre to achieve LISTX accreditation.

The group's risk register is managed and reported formally to the ISO Management team on a monthly basis.

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.

All group operating companies have obtained ISO 27001 and operate to the same high standards of risk management as are currently demonstrated in the managed hosting operation.

Going concern and Covid 19

In addition to the normal risks and uncertainties impacting the business, the COVID-19 pandemic has given rise to additional risks and uncertainties, predominantly in respect of the potential impact on the group's future trading and cashflows. In addition to these financial matters, the health and wellbeing of staff is of paramount importance to the group and the board has taken a number of steps to ensure their ongoing welfare, alongside being able to continue to operate effectively.

As was expected, once the severity of the pandemic was understood, the group saw a reduction in new business opportunities in the short-term and restrictions on staff attending client premises. Both factors directly impacted the group's revenues and indirectly impacted cashflows. However, the overall impact was mitigated to a large extent by the high proportion of contracted revenues, cost management and through renegotiating payment terms with key suppliers and stakeholders. And during the second half of 2020 demand has steadily increased and revenues returned to growth.

Based upon the experience to date, most functions of the business have been able to continue to operate whilst lockdown was in force, with in most cases limited financial impact. This is expected to continue to be the case as the group's business model is well positioned to operate effectively on a remote basis, which should ensure that the group is able to continue to trade through this challenging period.

The main uncertainty remains customer demand for the Group's services. The directors have prepared various forecasts, utilising various revenue assumptions, to assess the ability of the group to continue as a going concern in a variety of scenarios. The revised forecasts show that the group is expecting to be able to meet its liabilities as they fall due and the directors have concluded that the going concern basis of preparation of these financial statements remains appropriate. More details of the considerations made, and the options available to the group, are presented in Note 1.

The group balance sheet at 31 December 2019 has an excess of liabilities over assets. The directors have prepared the accounts on a going concern basis which they believe to be appropriate given that the group is cash-generative and is forecast to remain so, had an undrawn committed debt facility of £2.5m at 31 December 2019, and has no material loan repayments due until 2024

The directors note that the pandemic is not an adjusting event for these financial statements, and accordingly the carrying value of intangible or any other assets has not been adjusted.

On behalf of the board

A D M Hague
Director

23 March 2021

CYBERFORT GROUP LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

The directors present their annual report and financial statements for the year ended 31 December 2019.

Accounting reference date
The company has drawn up these accounts for the year ended 31 December 2019, 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 company during the year was that of a holding company. The principal activity of the group during the year was the provision of ultra secure hosting and IT services.

Directors
The directors who held office during the year and up to the date of signature of the financial statements were as follows:

P Bindley	(Resigned 18 April 2019)
A Dickin	
A D M Hague	
A M Howarth	(Resigned 5 November 2019)
A J Strickland	
D E Jay	(Resigned 5 February 2020)
M Howling	(Appointed 23 December 2019)

Results and dividends
The results for the year are set out on page 10.

No ordinary dividends were paid. The directors do not recommend payment of a final dividend.

Research and development
The group continues to invest heavily in research and development activities in order to maintain the high quality of IT services and products.

Post reporting date events
The company has evaluated subsequent events through to the date from which the financial statements were available to be issued. There are no material events, other than the following matters that have occurred subsequent to 31 December 2019.

On 30 January 2020, the World Health Organisation declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on 10 March 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of COVID-19 include restrictions on travel, and quarantine in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the United Kingdom. Following the year-end, the group's activities have been impacted by the global coronavirus pandemic. Whilst the precise impact of the pandemic is still uncertain and its impact on the business cannot be definitively quantified, the directors have re-forecasted cash flows for the foreseeable future to take into account a number of reasonably expected outcomes. As discussed in detail in the strategic report and in Note 1, the directors are confident that the group has the ability to navigate such challenges as may arise and continue to meet its liabilities as they fall due.

Auditor
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.

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.

Statement of disclosure to auditor

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information of which the company's auditor is unaware. Additionally, each director has taken all the necessary steps that they ought to have taken as a director in order to make themselves aware of all relevant audit information and to establish that the company's auditor is aware of that information.

On behalf of the board

A D M Hague
Director

23 March 2021

CYBERFORT GROUP LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2019

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). 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 group and company, 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 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 group and company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the group's and company's transactions and disclose with reasonable accuracy at any time the financial position of the group and 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 group and company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYBERFORT GROUP LIMITED

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 2019 which comprise the consolidated statement of comprehensive income, the consolidated and company statements 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 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 the parent company's affairs as at 31 December 2019 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 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
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.

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. 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.

Opinions on other matters prescribed by the Companies Act 2006
In our opinion, based on the work undertaken in the course of our 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF CYBERFORT GROUP LIMITED (CONTINUED)

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 and 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 7, 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: 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.

RSM UK Audit LLP

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
Leicestershire, LE19 1SD
25 March 2021

CYBERFORT GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2018 £
Turnover	3	13,236,358	10,449,959
Cost of sales		(7,807,542)	(5,541,778)
Gross profit		5,428,816	4,908,181
Administrative expenses		(9,122,009)	(7,559,398)
Trading profit before depreciation, amortisation and one-off expenses		1,960,349	1,732,559
Included in administrative expenses:			
Depreciation		(1,596,674)	(1,686,042)
Amortisation		(3,046,803)	(2,268,424)
Share based payments cost		(186,149)	(211,561)
Exceptional items	7	(823,916)	(217,749)
Operating loss	7	(3,693,193)	(2,651,217)
Interest receivable and similar income	9	106	173
Interest payable and similar charges	10	(3,888,018)	(2,750,500)
Loss before taxation		(7,581,105)	(5,401,544)
Tax on loss	11	1,119,642	597,083
Loss for the financial year/period		(6,461,463)	(4,804,461)

Total comprehensive income for the period is all attributable to the owners of the parent company.

The notes on pages 16 to 44 form part of these financial statements.

CYBERFORT GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Goodwill	**12**		18,710,031		13,312,160
Other intangible assets	**12**		6,071,029		6,353,775
Total intangible assets			24,781,060		19,665,935
Tangible assets	**13**		6,864,689		6,862,587
Investment properties	**14**		590,000		590,000
			32,235,749		27,118,522
Current assets					
Debtors	**18**	3,148,783		2,001,558	
Cash at bank and in hand		114,452		114,352	
			3,263,235		2,115,910
			35,498,984		29,234,432
Capital and reserves					
Called up share capital	**25**	998		998	
Share premium account	**26**	375,253		375,253	
Share based payment reserve	**26**	397,710		211,561	
Profit and loss reserves	**26**	(12,853,578)		(6,392,115)	
			(12,079,617)		(5,804,303)
Creditors: amounts falling due within one year	**19**	20,849,133		5,468,021	
Creditors: amounts falling due after more than one year	**20**	26,729,468		29,378,253	
Provisions for liabilities	**23**	-		192,461	
			47,578,601		35,038,735
			35,498,984		29,234,432

The financial statements were approved by the board of directors and authorised for issue on 23 March 2021 and are signed on its behalf by:

A D M Hague
Director

Company Registration No. 10796111

CYBERFORT GROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Fixed assets					
Intangible assets	12		5,214		-
Tangible assets	13		18,042		24,470
Investments	15		216,331		157,236
			239,587		181,706
Current assets					
Debtors falling due after more than one year	18	63,750		63,750	
Debtors falling due within one year	18	631,722		326,764	
Cash at bank and in hand		7,800		36,974	
		703,272		427,488	
Creditors: amounts falling due within one year	19	(1,781,777)		(753,721)	
Net current liabilities			(1,078,505)		(326,233)
Total assets less current liabilities			(838,918)		(144,527)
Capital and reserves					
Called up share capital	25		998		998
Share premium account	26		375,253		375,253
Share based payment reserve	26		397,710		211,561
Profit and loss reserves	26		(1,612,879)		(732,339)
Total equity			(838,918)		(144,527)

As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income and related notes as it prepares group accounts. The company's loss for the period was £880,540 (2018 - £579,074 loss).

The financial statements were approved by the board of directors and authorised for issue on 23 March 2021 and are signed on its behalf by:

A D M Hague
Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital	Share premium account	Share based payment reserve	Profit and loss reserves	Total
		£	£	£	£	£
Balance at 1 January 2018		958	315,293	-	(1,587,654)	(1,271,403)
Year ended 31 December 2018:						
Loss and total comprehensive income for the year		-	-	-	(4,804,461)	(4,804,461)
Transactions with owners:						
Issue of share capital	**25**	40	59,960	-	-	60,000
Credit to equity for equity settled share-based payments		-	-	211,561	-	211,561
Balance at 31 December 2018		998	375,253	211,561	(6,392,115)	(5,804,303)
Year ended 31 December 2019:						
Loss and total comprehensive income for the year		-	-	-	(6,461,463)	(6,461,463)
Credit to equity for equity settled share-based payments		-	-	186,149	-	186,149
Balance at 31 December 2019		998	375,253	397,710	(12,853,578)	(12,079,617)

CYBERFORT GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	Share capital	Share premium account	Share based payment reserve	Profit and loss reserves	Total
		£	£	£	£	£
Balance at 1 January 2018		958	315,293	-	(153,265)	162,986
Year ended 31 December 2018:						
Loss and total comprehensive income for the year		-	-	-	(579,074)	(579,074)
Transactions with owners:						
Issue of share capital	**25**	40	59,960	-	-	60,000
Credit to equity for equity settled share-based payments		-	-	211,561	-	211,561
Balance at 31 December 2018		998	375,253	211,561	(732,339)	(144,527)
Year ended 31 December 2019:						
Loss and total comprehensive income for the year		-	-	-	(880,540)	(880,540)
Credit to equity for equity settled share-based payments		-	-	186,149	-	186,149
Balance at 31 December 2019		998	375,253	397,710	(1,612,879)	(838,918)

CYBERFORT GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £	2019 £	2018 £	2018 £
Cash flows from operating activities					
Cash generated from operations	**27**		2,010,371		1,706,358
Interest paid			(1,549,989)		(1,135,969)
Income taxes refunded			(87,175)		427
Net cash inflow from operating activities			373,207		570,816
Investing activities					
Purchase of business		(8,074,671)		(668,800)	
Purchase of intangible assets		(195,192)		(63,266)	
Purchase of tangible fixed assets		(990,956)		(645,621)	
Interest received		106		173	
Net cash used in investing activities			(9,260,713)		(1,377,514)
Financing activities					
Proceeds from issue of shares		-		60,000	
Proceeds from loan notes		9,202,278		-	
Repayment of loan notes		(1,953,548)		-	
Proceeds of new bank loans		2,400,000		800,000	
Repayment of bank loans		(800,000)		(750,000)	
Payment of finance leases obligations		(345,703)		(22,590)	
Net cash generated from financing activities			8,503,027		87,410
Net decrease in cash and cash equivalents			(384,479)		(719,288)
Cash and cash equivalents at beginning of year			(330,520)		388,768
Cash and cash equivalents at end of year			(714,999)		(330,520)
Relating to:					
Cash at bank and in hand			114,452		114,352
Bank overdrafts included in creditors payable within one year			(829,451)		(444,872)

1 Accounting policies

Company 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 Venture West, Greenham Business Park, Greenham, Thatcham, RG19 6HX.

The group consists of Cyberfort Group Limited and all of its subsidiaries.

The company's and the group's principal activities and nature of its operations are disclosed in the Directors' Report.

Accounting convention
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 large and medium sized companies and Group (Accounts and Reports) regulation 2008.

The consolidated financial statements are prepared in sterling, which is the functional currency of the group. Monetary amounts in these financial statements are rounded to the nearest £.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

In accordance with FRS 102, the company has 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.

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 2019. 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.

1 Accounting policies (Continued)

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.

Company's statement of comprehensive income
As permitted by s408 Companies Act 2006, the company has not presented its own statement of comprehensive income as it prepares group accounts and the company's individual statement of financial position shows the company's profit or loss and comprehensive income for the financial period.

Going concern
The group made an operating profit of £2.0m before goodwill amortisation for the period ended 31 December 2019, had net current liabilities of £17.6m at 31 December 2019 and net liabilities of £12.1m, including long term shareholder held debt of £26.4m, 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 of £3m also available. The bank debt facilities include a £14.9m loan repayable in full at maturity in August 2024 with interest paid quarterly. Interest can be rolled up by the Group on all shareholder debt.

In evaluating the going concern assumption, the directors have prepared cash flow forecasts for the period to 31 March 2022 and compared these, together with a range of sensitivities, to the available bank facilities and the related covenant requirements.

One of the banking covenants was not met at 30 June 2020 and 30 September 2020 because of the impact of reduced trading in the period from March to June 2020, which will continue to affect annualised financial measures included in the covenant calculations. The group's banks waived compliance with the missed covenant tests, and have agreed revised covenants from December 2020. Improved trading is anticipated to enable compliance with all covenants in the forecasts for future testing periods.

The group's businesses were able to substantially continue operating during the full lockdown, with continuing demand for hosting and cybersecurity consulting services. The businesses have seen continued increasing demand for its services once measures were eased, which gives the directors confidence that a significant degree of fluctuation and further lock downs can be managed and will not result in a major decline in turnover, EBITDA or cash. In addition, a significant proportion of the Group's revenues are contracted into 2022. The sensitivities applied to the forecasts demonstrate sufficient covenant headroom and a number of actions are within the control of directors, including deferral of capital expenditure, which can further increase the headroom or mitigate any declines. In addition, the directors are confident the bank will continue to support the Group, noting that the 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 conclude the level of uncertainty connected with the ongoing Covid-19 pandemic is not significant. As a result, the directors have a reasonable expectation 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.

Reporting period
The company has drawn up the accounts for current period for the year ended 31 December 2019, in line with company law allowing accounts to be drawn up to within 7 days of the accounting reference date.

1 Accounting policies (Continued)

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.

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.

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:
a) The technical feasibility of completing the development so the intangible asset will be available for use or sale.
b) The intention to complete the development and to use or sell the intangible asset.
c) The ability to use or sell the intangible asset.
d) How the intangible asset will generate probable future economic benefits.
e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
f) 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.

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	3 or 4 years on cost per annum
Customer relationships	10 years on cost per annum
Development costs	over 25% to 30% on cost per annum
Customer contracts	over the life of the contract

1 Accounting policies (Continued)

For the ongoing projects which are still being developed the period which the costs are to be amortised over has not yet been determined by the directors. The directors will carry out a full impairment review at the end of each accounting period to ascertain whether there is any indication that the circumstances which have justified the deferral of the expenditure no longer apply, or are considered doubtful. The expenditure which is considered to be irrecoverable are recognised as impairment losses and recognised in profit or loss.

All research expenditure and other development expenditure that does not meet the above conditions is expensed as incurred.

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

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 & leasehold property	50 years on cost per annum and over the term of the lease
Plant and machinery	2 - 20 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.

Investment properties
Investment properties are initially measured at cost and subsequently measured at fair value whilst a reliable measure of fair value is available without undue cost or effort. Changes in fair value are recognised in the statement of comprehensive income.

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.

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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

1 Accounting policies (Continued)

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.

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.

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.

Basic financial assets

Basic financial assets, which include trade and other debtors, amounts due from 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.

Other financial assets

Other financial assets, including trade investments, are initially measured at fair value, which is normally the transaction price. Such assets are subsequently carried at fair value and the changes in fair value are recognised in profit or loss, except that investments in equity instruments that are not publicly traded and whose fair values cannot be measured reliably are measured at cost less impairment.

Impairment of financial assets

Financial assets, other than those held at fair value through profit and loss, 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.

1 Accounting policies (Continued)

Derecognition of financial assets
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.

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.

Basic financial liabilities
Basic financial liabilities, including trade and other creditors, bank loans and overdrafts, loan notes and loans from fellow group companies 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.

Derecognition of financial liabilities
Financial liabilities are derecognised when, and only when, the group's contractual obligations are discharged, cancelled, or they expire.

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.

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.

1 Accounting policies (Continued)

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.

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 stock or 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.

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.

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.

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 in the period, so as to facilitate comparison with prior years and other companies.

1 Accounting policies (Continued)

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.

2 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.

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 company 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.

2 Judgements and key sources of estimation uncertainty (Continued)

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 company expects to consume the future economic benefits embodied in the assets. The carrying value of fixed assets at the balance sheet date was £32,235,749 (2018: £27,118,522).

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 intangible assets at the balance sheet date was £24,781,060 (2018: £19,665,935).

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 intangible assets at the balance sheet date was £24,781,060 (2018: £19,665,935).

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 £397,710 (2018: £211,561).

3 Turnover and other revenue

An analysis of the group's turnover is as follows:

	2019	2018
	£	£
Turnover analysed by class of business		
Hosting and data centre services	9,659,881	9,452,667
Project and setup services	172,793	295,989
Product sales	211,380	234,119
Cyber software consultancy	3,192,304	467,184
	13,236,358	10,449,959

	2019	2018
	£	£
Other revenue		
Interest income	106	173

	2019	2018
	£	£
Turnover analysed by geographical market		
United Kingdom	13,236,358	10,449,959

4 Employees

The average monthly number of persons (including directors) employed during the year was:

	Group 2019 Number	2018 Number	Company 2019 Number	2018 Number
Sales and marketing	19	13	2	1
Technical and operations	80	59	1	-
Administration	18	8	6	6
	117	80	9	7

Their aggregate remuneration comprised:

	Group 2019 £	2018 £	Company 2019 £	2018 £
Wages and salaries	5,503,873	3,923,910	671,755	465,154
Social security costs	624,287	441,313	84,702	59,338
Pension costs	117,330	37,839	5,702	1,173
Cost of employee share schemes	186,149	211,561	127,054	134,325
	6,431,639	4,614,623	889,213	659,990

In the current year staff costs above, includes capitalised costs in the sum of £224,203.

5 Directors' remuneration

	2019 £	2018 £
Remuneration for qualifying services	504,861	483,644
Company pension contributions to defined contribution schemes	3,619	1,406
Compensation for loss of office	-	70,000
	508,480	555,050

Included within directors remuneration above are fees of £18,667 (2018: £nil) paid to a director.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2018 - 2).

5 Directors' remuneration (Continued)

Remuneration disclosed above includes the following amounts paid to the highest paid director:

	2019	2018
	£	£
Remuneration for qualifying services	192,324	162,563
Company pension contributions to defined contribution schemes	1,188	703

The number of directors who have hold sweet equity shares under the share based payments are 3 (2018: 4).

6 Share-based payment transactions

On the 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 charge recognised in respect of these shares in the year was £186,149 (2018: £211,561). This charge was determined using the Black Scholes model and the following inputs:

	Shares Issued 2018	Shares Issued 2017
Stock price on issue	£17,159,063	£14,989,633
Hurdle price (note 1)	£16,842,813	£14,673,383
Expected volatility	32.79%	31.05%
Expected life	3.5 years	5 years
Risk free rate	1.00%	1.00%

Note 1 - Loan notes of £14,673,383 (2017: £14,673,383) and accrued interest of £2,169,430 (2017: £nil) 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.

6 Share-based payment transactions (Continued)

	Group 2019 £	2018 £	Company 2019 £	2018 £
Expenses recognised in the year				
Arising from equity settled share based payment transactions	186,149	211,561	127,054	134,325

7 Operating loss

	2019 £	2018 £
Operating loss for the year is stated after charging:		
Depreciation of owned tangible fixed assets	1,367,532	1,602,108
Depreciation of tangible fixed assets held under finance leases	229,142	83,934
Amortisation of intangible assets	3,046,803	2,268,424
Share-based payments	186,149	211,561
Operating lease charges	161,501	92,900

During the current year, included within administrative expenses, the group has incurred exceptional costs in connection with recruitment fees for the establishment of the new group management and board functions of £nil (2018: £67,907), chairman fees of £57,749 (2018: £30,305), cost of settlements and gardening leave for senior employees £685,842 (2018: £119,537) and recruitment and selection fees of £80,325 (2018: £nil).

8 Auditor's remuneration

	2019 £	2018 £
Fees payable to the company's auditor and its associates:		
For audit services		
Audit of the financial statements of the group and company	5,880	5,600
Audit of the financial statements of the company's subsidiaries	45,270	37,400
	51,150	43,000

9 Interest receivable and similar income

	2019 £	2018 £
Interest income		
Interest on bank deposits	106	17
Other interest income	-	156
Total income	106	173

10 Interest payable and similar expenses

	2019	2018
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	1,487,553	1,270,847
Interest on loan notes	2,332,067	1,460,963
	3,819,620	2,731,810
Other finance costs:		
Interest on finance leases and hire purchase contracts	66,968	15,808
Other interest	1,430	2,882
Total finance costs	3,888,018	2,750,500

11 Taxation

	2019	2018
	£	£
Current tax		
UK corporation tax on profits for the current period	-	528
Adjustments in respect of prior periods	(319,943)	(521)
Total current tax	(319,943)	7
Deferred tax		
Origination and reversal of timing differences	(858,855)	(597,559)
Adjustment in respect of prior periods	59,156	469
Total deferred tax	(799,699)	(597,090)
Total tax credit for the year	(1,119,642)	(597,083)

11 Taxation (Continued)

The total tax credit for the year included in the income statement can be reconciled to the loss before tax multiplied by the standard rate of tax as follows:

	2019	2018
	£	£
Loss before taxation	(7,581,105)	(5,401,544)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2018: 19.00%)	(1,440,410)	(1,026,293)
Tax effect of expenses that are not deductible in determining taxable profit	41,669	1,276
Adjustments in respect of prior years	(319,943)	-
Depreciation on assets not qualifying for tax allowances	29,281	28,586
Other permanent differences	(302)	40,196
Under/(over) provided in prior years	-	(521)
Deferred tax adjustments in respect of prior years	59,156	469
Change in tax rates	85,454	56,066
Amortisation on goodwill	425,453	303,138
Taxation credit for the year	(1,119,642)	(597,083)

Factors that may affect future tax charges:
Following the March 2020 budget, legislation is being put in place for the main rate of corporation tax to remain at 19% from 1 April 2020 instead of reducing to 17%. As this legislation was not Substantively enacted at the year-end, deferred tax balances within the financial statements have been assessed at 17%.

The group has estimated losses of £6,900,000 (2018: £4,600,000) available for carry forward against future trading profits.

12 Intangible fixed assets

Group	Goodwill	Software	Development projects	Customer relationships	Customer contracts	Total
	£	£	£	£	£	£
Cost						
At 1 January 2019	15,486,327	91,474	-	7,376,524	-	22,954,325
Additions - separately acquired	-	26,500	168,692	-	-	195,192
On acquisition	7,555,047	-	334,169	-	77,520	7,966,736
At 31 December 2019	23,041,374	117,974	502,861	7,376,524	77,520	31,116,253
Amortisation and impairment						
At 1 January 2019	2,174,167	16,839	-	1,097,384	-	3,288,390
Amortisation charged for the year	2,157,176	26,497	83,636	737,652	41,842	3,046,803
At 31 December 2019	4,331,343	43,336	83,636	1,835,036	41,842	6,335,193
Carrying amount						
At 31 December 2019	18,710,031	74,638	419,225	5,541,488	35,678	24,781,060
At 31 December 2018	13,312,160	74,635	-	6,279,140	-	19,665,935

Company	Software
	£
Cost	
Additions - separately acquired	5,500
At 31 December 2019	5,500
Amortisation and impairment	
Amortisation charged for the year	286
At 31 December 2019	286
Carrying amount	
At 31 December 2019	5,214
At 31 December 2018	-

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 brought forward amount is being amortised over 10 years on cost and has 7.5 years remaining.

Customer contracts additions of £77,520 are being amoritsed over the life of each contract.

The details of the acquisition in the period are given in note 17.

13 Tangible fixed assets

Group	Freehold & leasehold property	Plant and machinery	Total
	£	£	£
Cost			
At 1 January 2019	2,200,997	7,195,930	9,396,927
Additions	-	1,585,862	1,585,862
On acquisition	-	12,914	12,914
At 31 December 2019	2,200,997	8,794,706	10,995,703
Depreciation and impairment			
At 1 January 2019	80,023	2,454,317	2,534,340
Depreciation charged in the year	54,143	1,542,531	1,596,674
At 31 December 2019	134,166	3,996,848	4,131,014
Carrying amount			
At 31 December 2019	2,066,831	4,797,858	6,864,689
At 31 December 2018	2,120,974	4,741,613	6,862,587

13 Tangible fixed assets (Continued)

Company	Plant and machinery
	£
Cost	
At 1 January 2019	31,992
Additions	1,655
At 31 December 2019	33,647
Depreciation and impairment	
At 1 January 2019	7,522
Depreciation charged in the year	8,083
At 31 December 2019	15,605
Carrying amount	
At 31 December 2019	18,042
At 31 December 2018	24,470

The net carrying value of tangible fixed assets includes the following in respect of assets held under finance leases and hire purchase contracts:

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Plant and machinery	1,035,755	557,063	-	-
Depreciation charge for the year in respect of leased assets	229,142	83,934	-	-

At 31 December 2019, included in the net book value of freehold and leasehold property is £2,056,933 (2018: £2,108,332) relating to freehold land and buildings and £9,898 (2018: £12,642) relating to short leasehold land and buildings.

14 Investment property

	Group 2019	Company 2019
	£	£
Fair value		
At 1 January 2019 and 31 December 2019	590,000	-

Investment property comprises of undeveloped land. The undeveloped land was revalued at its fair value of £590,000 from a valuation carried out by Strutt and Parker LLP, chartered surveyors, on a fair value basis, which took place during the year ending 31 December 2016 in the subsidiary. The directors are of the opinion that the fair value has not materially changed at the balance sheet date.

14 Investment property (Continued)

The historical cost of the investment property at 31 December 2019 is £668,287 (2018: £668,287).

15 Fixed asset investments

		Group		Company	
		2019	2018	2019	2018
	Notes	£	£	£	£
Investments in subsidiaries	16	-	-	216,331	157,236

Movements in fixed asset investments
Company

	Shares in group undertakings
	£
Cost or valuation	
At 1 January 2019	157,236
Share based payment expense	59,095
At 31 December 2019	216,331
Carrying amount	
At 31 December 2019	216,331
At 31 December 2018	157,236

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2019 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	% Held Indirect
Cyberfort Bidco Limited	Venture West, Greenham Business Park, Greenham, Thatcham RG19 6HX	Holding company	Ordinary shares	100.00	
The Bunker Nominees Limited	Ash Radar Station, Marshborough Road, Marshborough, Sandwich, Kent CT13 0PL	Dormant company	Ordinary shares		100.00
The Bunker Secure Hosting Limited	Ash Radar Station, Marshborough Road, Marshborough, Sandwich, Kent CT13 0PL	Provision of ultra secure hosting and IT services	Ordinary shares		100.00
Agenci Limited	Venture West, Greenham Business Park, Greenham, Thatcham RG19 6HX	Cyber software consultants	Ordinary shares		100.00
Arcturus Security Limited	Venture West, Greenham Business Park, Greenham, Thatcham RG19 6HX	Consultancy	Ordinary shares		100.00
Auriga Group Solutions Limited	Venture West, Greenham Business Park, Greenham, Thatcham RG19 6HX	Holding company	Ordinary		100.00
Auriga Consulting Ltd	Venture West, Greenham Business Park, Greenham, Thatcham RG19 6HX	System security services	Ordinary		100.00

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 (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 29.

17 Acquisitions

On 12 March 2019 the group acquired the entire issued share capital of Auriga Group Solutions Limited for consideration of £8,540,905 (including legal and professional fees and transaction costs). Auriga Group Solutions Limited has one fully owned subsidiary, Auriga Consulting Ltd which has also been acquired by the group. The financial statements of Auriga Group Solutions Limited and Auriga Consulting Ltd are consolidated within the group financial statements.

At 12 March 2019 (the 'acquisition date'), the assets and liabilities of Auriga Group Solutions Limited and Auriga Consulting Ltd were consolidated at their fair values to the group as set out below:

	Book Value	Adjustments	Fair Value
	£	£	£
Intangible assets	334,169	77,520	411,689
Property, plant and equipment	12,914	-	12,914
Trade and other receivables	423,099	137,500	560,599
Cash and cash equivalents	466,234	-	466,234
Trade and other payables	(452,400)	-	(452,400)
Deferred tax	-	(13,178)	(13,178)
Total identifiable net assets	784,016	201,842	985,858
Goodwill			7,555,047
Total consideration			8,540,905

The consideration was satisfied by:	£
Cash	8,540,905

The adjustments arising on acquisition were in respect of separate intangible assets for customer contracts and the associated deferred tax recognised on acquisition. The trade and other receivables adjustment on acquisition relates to the correction of an incorrect provision made in the prior period accounts.

Contribution by the acquired business for the reporting period included in the consolidated statement of comprehensive income since acquisition:	£
Turnover	2,284,086
Profit after tax	118,459

18 Debtors

	Group 2019	2018	Company 2019	2018
Amounts falling due within one year:	**£**	**£**	**£**	**£**
Trade debtors	1,690,514	1,488,743	-	-
Corporation tax recoverable	320,403	-	-	-
Amounts owed by group undertakings	-	-	310,798	187,280
Other debtors	87,236	11,379	22,646	6,529
Prepayments and accrued income	456,570	501,436	22,633	11,046
	2,554,723	2,001,558	356,077	204,855
Deferred tax asset (note 23)	594,060	-	275,645	121,909
	3,148,783	2,001,558	631,722	326,764
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	63,750	63,750
Total debtors	3,148,783	2,001,558	695,472	390,514

19 Creditors: amounts falling due within one year

	Notes	Group 2019	2018	Company 2019	2018
		£	**£**	**£**	**£**
Bank loans and overdrafts	21	15,499,627	1,244,872	-	-
Obligations under finance leases and hire purchase contracts	22	428,211	213,640	-	-
Trade creditors		937,196	678,101	163,289	71,312
Amounts due to group undertakings		-	-	1,533,560	657,845
Corporation tax payable		97,704	86,715	-	-
Other taxation and social security		725,162	527,619	-	-
Other creditors		280,727	9,311	-	-
Accruals		647,461	524,448	14,106	24,564
Deferred income		2,233,045	2,183,315	70,822	-
		20,849,133	5,468,021	1,781,777	753,721

The group has resolved with its bank certain technical breaches in its covenants relating to the financial year ended 31 December 2019. However, as this agreement was reached after the balance sheet date it is required this year that the entire liability with respect to these bank loans, are classified as due within one year. However, having resolved these retrospective issues the term of the loans remain unaltered.

20 Creditors: amounts falling due after more than one year

		Group		Company	
		2019	2018	2019	2018
	Notes	£	£	£	£
Bank loans and overdrafts	21	-	12,256,248	-	-
Obligations under finance leases and hire purchase contracts	22	377,574	342,942	-	-
Other borrowings	21	26,351,894	16,779,063	-	-
		26,729,468	29,378,253	-	-

Amounts included above which fall due after five years are as follows:

Payable other than by instalments	-	29,035,311	-	-

21 Borrowings

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Bank loans	14,670,176	13,056,248	-	-
Bank overdrafts	829,451	444,872	-	-
Loans from related parties	26,351,894	16,779,063	-	-
	41,851,521	30,280,183	-	-
Payable within one year	15,499,627	1,244,872	-	-
Payable after one year	26,351,894	29,035,311	-	-

21 Borrowings (Continued)

At the year end, the amount outstanding on a bank loan was £14,170,176 (2018: £12,256,248), which is made up of a £13,000,000 loan facility which was fully drawn down on 7 July 2017. The interest on the bank loan is repayable in quarterly instalments and the loan is repayable in full on 1 August 2024. An additional amount of £1,900,000 was drawn down on 12 March 2019. The loan facility attracts a rate of interest of 7.25% plus LIBOR. If LIBOR falls below 0.75%, the rate will not fall below 7.25% plus 0.75%. The loan includes an off-set of debt issue costs which have been capitalised, of which at the year end £844,911 (2018: £804,304) will be amortised in future years. Also included in the amount owed at 31 December 2019 is accrued interest of £115,087 (2018: 60,552).

Also included within bank loans is a Revolving loan facility of £3 million. During the year amounts of £500,000 (2018: £800,000) was drawn down and repayments of £800,000 (2018: £750,000) were repaid, leaving a balance of £500,000 (2018: £800,000).

On 7 July 2017 loan notes were issued of £14,609,633. On 11 March 2019 loan notes of £9,147,278 were issued, of which £1,900,000 were redeemed on 29 March 2019 leaving a net increase of £7,247,278. 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 August 2024.

During the year loan notes of £53,548 were repaid in full.

Included in the amount owed at 31 December 2019 is accrued interest of £4,493,531 (2018: £2,169,430).

The group has an agreed overdraft facility of £1,000,000, with an interest rate charge of 3% per annum above the bank's base lending rate.

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

22 Finance lease and hire purchase obligations

	Group		Company	
	2019	2018	2019	2018
	£	£	£	£
Future minimum lease payments due under finance leases and hire purchase contracts:				
Less than one year	428,211	213,640	-	-
Between one and five years	377,574	342,942	-	-
	805,785	556,582	-	-

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.

23 Deferred taxation

The major deferred tax liabilities and assets recognised by the group and company are:

Group	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Accelerated capital allowances	344,133	216,054	-	-
Tax losses	(1,179,159)	(781,214)	-	-
Revaluations	62,592	62,593	-	-
Assets measured at fair value on acquisition	948,118	1,067,454	-	-
Short term timing differences	(769,744)	(372,426)	-	-
	(594,060)	192,461	-	-

Company	Liabilities 2019 £	Liabilities 2018 £	Assets 2019 £	Assets 2018 £
Accelerated capital allowances	-	-	(379)	147
Tax losses	-	-	276,024	121,762
	-	-	275,645	121,909

The company has no deferred tax assets or liabilities.

Movements in the year:	Group 2019 £	Company 2019 £
Liability/(asset) at 1 January 2019	192,461	(121,909)
Credit to profit or loss	(786,521)	(153,736)
Liability/(asset) at 31 December 2019	(594,060)	(275,645)

24 Retirement benefit schemes

Defined contribution schemes	2019 £	2018 £
Charge to profit or loss in respect of defined contribution schemes	116,773	37,839

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 £19,642 (2018: £2,913) was due with respect to pension contributions.

25 Share capital

	Group and company	
	2019	**2018**
Ordinary share capital	**£**	**£**
Issued and fully paid		
19,750 Ordinary A voting of 1p each	198	198
80,000 Preferred Ordinary voting of 1p each	800	800
	998	998

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.

26 Reserves

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

Profit and loss reserves
Cumulative profit and loss net of distribution to owners.

Share based payment reserve
The reserve represents the cumulative share based payment costs.

27 Cash generated from group operations

	2019	2018
	£	£
Loss for the year after tax	(6,461,463)	(4,804,461)
Adjustments for:		
Taxation credited	(1,119,642)	(597,083)
Finance costs	3,888,018	2,750,500
Investment income	(106)	(173)
Amortisation and impairment of intangible assets	3,046,803	2,268,424
Depreciation and impairment of tangible fixed assets	1,596,674	1,686,042
Equity settled share based payment expense	186,149	211,561
Movements in working capital:		
Decrease in debtors	327,837	66,873
Increase in creditors	546,101	124,675
Cash generated from operations	2,010,371	1,706,358

28 Analysis of changes in net debt - group

	1 January 2019	Cash flows	Acquisitions *and disposals of subsidiaries*	New finance *leases*	Other non-cash changes	31 December 2019
	£	£	£	£	£	£
Cash at bank and in hand	114,352	(466,134)	466,234	-	-	114,452
Bank overdrafts	(444,872)	(384,579)	-	-	-	(829,451)
	(330,520)	(850,713)	466,234	-	-	(714,999)
Borrowings excluding overdrafts	(29,835,311)	(8,848,730)	-	-	(2,338,029)	(41,022,070)
Obligations under finance leases	(556,582)	345,703	-	(594,906)	-	(805,785)
	(30,722,413)	(9,353,740)	466,234	(594,906)	(2,338,029)	(42,542,854)

29 Contingent liability

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 2019 until these liabilities are settled in full.

30 Operating lease commitments

Lessee

At the reporting end date the group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Within one year	189,154	92,900	-	-
Between one and five years	435,274	371,600	-	-
In over five years	691,945	719,975	-	-
	1,316,373	1,184,475	-	-

31 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group 2019	2018	Company 2019	2018
	£	£	£	£
Acquisition of tangible fixed assets	331,494	77,362	-	-

32 Events after the reporting date

The COVID-19 outbreak that has occurred since the financial year end has the potential to impact on the financial position of the company during 2020/2021. Notwithstanding the uncertainties that exist around the outbreak, the current level of cash reserves held by the company has satisfied the Directors that it has adequate resources to deal with the impact of the outbreak as it unfolds. The COVID-19 pandemic has been treated as a non-adjusting post balance sheet event.

33 Related party transactions

Remuneration of key management personnel
The remuneration of key management personnel of the group, who are also directors, is as follows.

	Year ended 31 December 2019 £	Period ended 31 December 2018 £
Aggregate compensation	675,971	697,343

Company
During the year, the company paid monitoring fees of £nil (2018: £15,000) to Palatine Private Equity Fund III LLP, who are significant shareholders of the company.

At the year end the company was owed £11,250 (2018: £nil) by a director of the company. This was the maximum outstanding during the year. This amount was interest free and repayable on demand. No amounts on the loan have been repaid during the year.

Group
During the year, the group paid monitoring fees of £147,782 (2018: £124,288) and also made sales of £7,000 (2018: £18,000) to Palatine Private Equity Fund III LLP, who are a significant shareholder of the company. At 31 December 2019, Palatine Private Equity Fund III LLP was owed £27,565 by the group (2018: £21,600 owed to the group).

During the year, the group made sales to Active Life. S P Jones, a director of a subsidiary undertaking, is the treasurer and a member of the board of trustees of Active Life. The sales made by the group were £21,499 (2018: £24,703). At 31 December 2019, Active Life owed the group £nil (2018: £7,548).

During the year, the group paid consultancy fees to Bean Marketing. B Walker, a director of a subsidiary undertaking, is the husband of the owner of the company. The purchases made by the group were £3,875 (2018: £nil). At 31 December 2019, the group owed Bean Marketing £nil (2018: £nil).

At the year end directors of subsidiary undertakings who resigned during the year, were owed £1,279 (2018: £1,081).

34 Controlling party

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