Company Registration No. 10796111 (England and Wales)

CYBERFORT GROUP LIMITED

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED
31 DECEMBER 2020

CYBERFORT GROUP LIMITED

COMPANY INFORMATION

Directors	A Dickin A D M Hague A J Strickland M I 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

STRATEGIC REPORT

FOR THE YEAR ENDED 31 DECEMBER 2020

The directors present the strategic report and the financial statements of Cyberfort Group Limited for the year ended 31 December 2020.

Fair review of the business

Previous reports have covered the strategic origins of Cyberfort Group and outlined the various elements of the "Buy and Build" strategy that was embarked upon in July of 2017.

2020 saw the first full trading year for the group with no M&A activity taking place and all growth being organic and driven by the overarching strategy of bringing together a unique set of data security related capabilities.

With M&A activity completed, the group launched its first commercial website in March of 2020, segmenting its products offerings into three core categories of Cloud, Compliance and Cybersecurity and began to leverage the complimentary products, services, client bases and employee bases that had been built over the previous three years to drive organic growth. The final capability to be developed was that of a Managed Detect and Response service ("MDR") operated out of the companies' purposes-built Security Operations Centre ("SOC") – the internal build of this was carried out throughout 2020 with a view to a commercial launch in mid-2021.

The uniqueness of the Cyberfort proposition has seen success achieved in both cross selling to existing clients but also in winning new contracts that involve the delivery of historically segmented offerings.

Despite the clear and obvious challenges brought on by the global pandemic the group has continued to invest in its expanding product base, its people, and its facilities and to build on the organic growth this has produced.

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 £9.2m (2019: £9.3m). Concentration risk across the RAR portfolio is low: the top 10 clients make up only 40% (2019: 37%) of the group's RAR with the largest client accounting for just 6% (2019: 6%) 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 8% increase in revenues from £13.2m to £14.3m, all organic, and all in the backdrop of the global Covid pandemic.

With all planned acquisition activity complete, the group focus has been on the creation, integration and automation of a single entity with centralised support functions which is now all but complete. Additionally, the business took the decision to push on with its internal investment plans despite the external factors and uncertainty and is now the seeing the benefit of that decision in current trading and future projected trading.

Future developments
The business growth will continue to be derived primarily from the Compliance and Cybersecurity capabilities that are now established in the market. Our internally developed MDR solution will be central to this growth, alongside our continually expanding consultant-led operations.

Investment in the Cloud capability has seen the business become both an AWS (Amazon Web Services) and Azure partner and we will also be imminently releasing our latest private and hybrid cloud platform and well as continuing to grow our secure suite colocation base which best utilises the unique physical facilities that we hold title to.

With an established set of capabilities, accreditations and a wide-ranging approved presence on relevant frameworks, a highly professional bid and tender capability that has been developed internally over the past 12 months is also expected to expand the client base across all our product areas.

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 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.

During the year the company invested in the organic build of its own Security Operations Centre and Managed Detect and Response service with the expectation and intent of this becoming a commercial offering during 2021.

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 2020 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 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.

During 2020 the company created a bid and tender function that saw the business expand its footprint on HMG frameworks resulting in some material commercial awards that will drive growth through 2021.

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.

During 2020 Cyberfort achieved ISO 27001 at the group level giving a single consolidated view of risk and compliance.

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. 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 to the financial statements.

The group balance sheet at 31 December 2020 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 £1.0m at 31 December 2020, 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

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A D M Hague

Director

Date: 22 December 2021

The directors present their annual report and financial statements for the year ended 31 December 2020.

Accounting reference date
The company has drawn up these accounts for the year ended 31 December 2020, 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:

A Dickin	
A D M Hague	
A J Strickland	
D E Jay	(Resigned 5 February 2020)
M I Howling	

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.

Qualifying third party indemnity provisions
The company has made qualifying third party indemnity provisions for the benefit of its directors during the year. These provisions remain in force at the reporting date.

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.

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

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A D M Hague
Director

Date: 22 December 2021

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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.

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

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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 2020 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 of the parent company's affairs as at 31 December 2020 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.

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.

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 6, 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 framework that the group and parent company operates in and how the group and parent company are complying with the legal and regulatory framework;
- 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.

The extent to which the audit was considered capable of detecting irregularities, including fraud (continued)
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 judgments 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: https://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
Leicestershire, LE19 1SD

Date: 22 December 2021

CYBERFORT GROUP LIMITED

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2019 £
Turnover	3	14,303,729	13,236,358
Cost of sales		(8,321,716)	(7,807,542)
Gross profit		5,982,013	5,428,816
Administrative expenses		(9,722,319)	(9,122,009)
Other operating income	3	179,879	-
Operating profit before depreciation, amortisation and exceptional items		1,909,260	1,960,349
Included in administrative expenses:			
Depreciation	7	(1,764,997)	(1,596,674)
Amortisation	7	(3,209,303)	(3,046,803)
Share based payment charge		(186,149)	(186,149)
Exceptional items	7	(309,238)	(823,916)
Operating loss	7	(3,560,427)	(3,693,193)
Interest receivable and similar income	9	13	106
Interest payable and similar charges	10	(4,248,931)	(3,888,018)
Loss before taxation		(7,809,345)	(7,581,105)
Tax on loss	11	(1,509,796)	1,119,642
Loss for the financial year/period		(9,319,141)	(6,461,463)

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

CYBERFORT GROUP LIMITED

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Goodwill	12		16,405,893		18,710,031
Other intangible assets	12		5,362,603		6,071,029
Total intangible assets			21,768,496		24,781,060
Tangible assets	13		*7,705,661*		*6,864,689*
Investment properties	14		-		590,000
			29,474,157		32,235,749
Current assets					
Debtors	17	3,009,975		3,148,783	
Cash at bank and in hand		659,226		114,452	
			3,669,201		3,263,235
			33,143,358		35,498,984
Capital and reserves					
Called up share capital	24	1,000		998	
Share premium account	25	379,001		375,253	
Share based payment reserve	25	583,859		397,710	
Profit and loss reserves	25	(22,172,719)		(12,853,578)	
			(21,208,859)		(12,079,617)
Creditors: amounts falling due within one year	18	23,633,661		20,849,133	
Creditors: amounts falling due after more than one year	19	29,805,827		26,729,468	
Provisions for liabilities	22	912,729		-	
			54,352,217		47,578,601
			33,143,358		35,498,984

The financial statements were approved by the board of directors and authorised for issue on . 22 December 2021 and are signed on its behalf by:

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A D M Hague

Director

Company Registration No. 10796111

CYBERFORT GROUP LIMITED

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Notes	2020 £	2020 £	2019 £	2019 £
Fixed assets					
Intangible assets	**12**		32,041		5,214
Tangible assets	**13**		3,866		18,042
Investments	**15**		279,156		216,331
			315,063		239,587
Current assets					
Debtors falling due after more than one year	**17**	63,750		63,750	
Debtors falling due within one year	**17**	839,093		631,722	
Cash at bank and in hand		960		7,800	
		903,803		703,272	
Creditors: amounts falling due within one year	**18**	(2,042,974)		(1,781,777)	
Net current liabilities			(1,139,171)		(1,078,505)
Total assets less current liabilities			(824,108)		(838,918)
Capital and reserves					
Called up share capital	**24**		1,000		998
Share premium account	**25**		379,001		375,253
Share based payment reserve	**25**		583,859		397,710
Profit and loss reserves	**25**		(1,787,968)		(1,612,879)
Total equity			(824,108)		(838,918)

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 £175,089 (2019: £880,540 loss).

The financial statements were approved by the board of directors and authorised for issue on 22 December 2021 and are signed on its behalf by:

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A D M Hague
Director

CYBERFORT GROUP LIMITED

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital	Share premium account	Share based payment reserve	Profit and loss reserves	Total
		£	£	£	£	£
Balance at 1 January 2019		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)
Transactions with owners:						
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)
Year ended 31 December 2020:						
Loss and total comprehensive income for the year		-	-	-	(9,319,141)	(9,319,141)
Transactions with owners:						
Issue of share capital	**24**	2	3,748	-	-	3,750
Credit to equity for equity settled share-based payments		-	-	186,149	-	186,149
Balance at 31 December 2020		1,000	379,001	583,859	(22,172,719)	(21,208,859)

CYBERFORT GROUP LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	Share capital	Share premium account	Share based payment reserve	Profit and loss reserves	Total
		£	£	£	£	£
Balance at 1 January 2019		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)
Transactions with owners:						
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)
Year ended 31 December 2020:						
Loss and total comprehensive income for the year		-	-	-	(175,089)	(175,089)
Transactions with owners:						
Issue of share capital	**24**	2	3,748	-	-	3,750
Credit to equity for equity settled share-based payments		-	-	186,149	-	186,149
Balance at 31 December 2020		1,000	379,001	583,859	(1,787,968)	(824,108)

CYBERFORT GROUP LIMITED

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	Notes	2020 £	2020 £	2019 as restated £	2019 as restated £
Cash flows from operating activities					
Cash generated from operations	26		2,516,558		2,010,371
Interest paid			(3,305)		(1,430)
Income taxes refunded/(paid)			219,692		(87,175)
Net cash inflow from operating activities			2,732,945		1,921,766
Investing activities					
Purchase of business		-		(8,074,671)	
Purchase of intangible assets		(196,908)		(195,192)	
Purchase of tangible fixed assets		(906,918)		(990,956)	
Proceeds on disposal of tangible fixed assets		35,498		-	
Interest received		13		106	
Net cash used in investing activities			(1,068,315)		(9,260,713)
Financing activities					
Proceeds from issue of shares		3,750		-	
Interest paid		(1,441,593)		(1,548,559)	
Proceeds from loan notes		-		9,202,278	
Repayment of loan notes		-		(1,953,548)	
Proceeds of new bank loans		1,500,000		2,400,000	
Repayment of bank loans		-		(800,000)	
Payment of finance leases obligations		(352,562)		(345,703)	
Net cash (used in)/generated from financing activities			(290,405)		6,954,468
Net increase/(decrease) in cash and cash equivalents			1,374,225		(384,479)
Cash and cash equivalents at beginning of year			(714,999)		(330,520)
Cash and cash equivalents at end of year			659,226		(714,999)
Relating to:					
Cash at bank and in hand			659,226		114,452
Bank overdrafts included in creditors payable within one year			-		(829,451)

Prior year restatement

Interest paid in relation to bank loans in the prior year as been reclassified from cash flows from operating activities to cash flows from financial activities as the directors consider this a more appropriate allocation. The reallocation increased the net cash inflow from operating activities by £1,548,559, and there was a matching decrease in the net cash generated from financing activities. There was no change in the net decrease in cash following this reallocation.

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 the Large and Medium-Sized Companies and Group (Accounts and Reports) Regulations 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.

Reduced disclosures

This company is a qualifying entity for the purposes of FRS 102, being a member of a group where the parent company 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.

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 2020. 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)

Basis of consolidation (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.

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.

Going concern
The group made an operating profit of £1.9m before depreciation, amortisation and one-off expenses for the year ended 31 December 2020, had net current liabilities of £20.0m at 31 December 2020 and net liabilities of £21.2m, including long term shareholder held debt of £29.0m, 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 £14.2m 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 December 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 lockdowns can be managed and will not result in a major decline in turnover, operating profit 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.

Palatine Private Equity LLP has provided the company with assurance that they would be willing to support the business to ensure that there is not an event of default in respect of its minimum liquidity covenant.

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. 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.

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.

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

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	30% or 4 years on cost per annum
Customer contracts	over the life of the contract

1 Accounting policies (Continued)

Intangible fixed assets other than goodwill (continued)
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.

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 property, which is property held to earn rentals and/or for capital appreciation, is initially recognised at cost, which includes the purchase cost and any directly attributable expenditure. Subsequently it is measured at fair value at the reporting end date. 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)

Impairment of fixed assets (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 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.

Impairment of financial assets
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.

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.

1 Accounting policies (Continued)

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 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.

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.

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.

1 Accounting policies (Continued)

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.

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.

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.

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.

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 tangible and intangible fixed assets at the balance sheet date was £29,474,157 (2019: £31,645,749).

2 Judgements and key sources of estimation uncertainty (Continued)

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 £4,803,836 (2019: £5,577,166).

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 £21,768,496 (2019: £24,781,060).

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 £583,859 (2019: £397,710).

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 2020 the carrying value of development costs capitalised was £435,566 (2019: £419,255).

3 Turnover and other revenue

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:

	2020	2019
	£	£
Hosting and data centre services	9,360,200	9,659,881
Project and setup services	349,351	172,793
Product sales	231,549	211,380
Cyber software consultancy	4,362,629	3,192,304
	14,303,729	13,236,358

	2020	2019
	£	£
Other revenue		
Research and development enhanced tax credits scheme	164,226	-
UK government Coronavirus job retention scheme	15,653	-

4 Employees

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

	Group 2020 Number	2019 Number	Company 2020 Number	2019 Number
Sales and marketing	10	19	2	2
Technical and operations	89	80	1	1
Administration	16	18	6	6
	115	117	9	9

Their aggregate remuneration comprised:

	Group 2020 £	2019 £	Company 2020 £	2019 £
Wages and salaries	5,370,738	5,503,873	1,017,902	671,755
Social security costs	612,859	624,287	129,085	84,702
Pension costs	95,870	117,330	10,470	5,702
Cost of employee share schemes	186,149	186,149	123,324	127,054
	6,265,616	6,431,639	1,280,781	889,213

Further employee costs, not included in the table above of £571,443 (2019: £224,203) have been capitalised within intangible assets note 12 and tangible assets note 13.

5 Directors' remuneration

	2020 £	2019 £
Remuneration for qualifying services	259,424	504,861
Company pension contributions to defined contribution schemes	1,423	3,619
	260,847	508,480

Included within directors remuneration above are fees of £nil (2019: £18,667) paid to a director.

The number of directors for whom retirement benefits are accruing under defined contribution schemes amounted to 2 (2019: 2).

5 Directors' remuneration (Continued)

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

	2020 £	2019 £
Remuneration for qualifying services	187,757	192,324
Company pension contributions to defined contribution schemes	1,314	1,188

The number of directors who hold sweet equity shares under the share based payments are 2 (2019: 3). The allocation of the share based payment charge for the directors is £6,981 (2019: £127,054) of which £34,903 (2019: £91,597) relates to the highest paid director.

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 group charge recognised in respect of these shares in the year was £186,149 (2019: £186,149). 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.

7 Operating loss

	2020	2019
	£	£
Operating loss for the year is stated after charging/(crediting):		
Research and development costs	470,044	543,093
Government grants	(15,653)	-
Depreciation of owned tangible fixed assets	1,046,435	1,367,532
Depreciation of tangible fixed assets held under finance leases	718,562	229,142
Profit on disposal of tangible fixed assets	(22,649)	-
Amortisation of intangible assets	3,209,403	3,046,803
Loss on disposal of intangible assets	15,312	-
Share based payment charge	186,149	186,149
Operating lease charges	189,154	161,501

During the current year, included within administrative expenses, the group has incurred exceptional costs in connection with chairman fees of £67,067 (2019: £57,749), cost of settlements and gardening leave for senior employees £149,015 (2019: £685,842), recruitment and selection fees of £73,156 (2019: £80,325) and project costs of £20,000 (2019: £nil).

Details of the government grants are shown in note 3.

8 Auditor's remuneration

	2020	2019
Fees payable to the company's auditor and its associates:	£	£
For audit services		
Audit of the financial statements of the group and company	6,175	5,880
Audit of the financial statements of the company's subsidiaries	72,135	45,270
	78,310	51,150

9 Interest receivable and similar income

	2020	2019
	£	£
Interest income		
Interest on bank deposits	13	106

10 Interest payable and similar expenses

	2020	2019
	£	£
Interest on financial liabilities measured at amortised cost:		
Interest on bank overdrafts and loans	1,312,827	1,303,690
Interest on loan notes	2,613,698	2,332,067
Amortisation of debt fees	194,386	183,863
	4,120,911	3,819,620
Other finance costs:		
Interest on finance leases and hire purchase contracts	124,715	66,968
Other interest	3,305	1,430
Total finance costs	4,248,931	3,888,018

11 Taxation

	2020	2019
	£	£
Current tax		
Adjustments in respect of prior periods	2,999	(319,943)
Deferred tax		
Origination and reversal of timing differences	1,311,909	(858,855)
Adjustment in respect of prior periods	194,888	59,156
Total deferred tax	1,506,797	(799,699)
Total tax charge/(credit) for the year	1,509,796	(1,119,642)

11 Taxation (Continued)

The total tax charge/(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:

	2020 £	2019 £
Loss before taxation	(7,809,345)	(7,581,105)
Expected tax credit based on the standard rate of corporation tax in the UK of 19.00% (2019: 19.00%)	(1,483,776)	(1,440,410)
Tax effect of expenses that are not deductible in determining taxable profit	39,522	41,669
Change in unrecognised deferred tax assets	2,383,070	-
Adjustments in respect of prior years	762	(319,943)
Depreciation on assets not qualifying for tax allowances	30,767	29,281
Research and development tax credit	(31,203)	-
Other permanent differences	(17,296)	(302)
Deferred tax adjustments in respect of prior years	197,125	59,156
Change in tax rates	(46,961)	85,454
Amortisation on goodwill	437,786	425,453
Taxation charge/(credit) for the year	1,509,796	(1,119,642)

Factors that may affect future tax charges:
A change to the main UK Corporation tax rate, announced in the Budget on 11 March 2020, was substantively enacted on 17 March 2020. The rate applicable from 1 April 2020 remained at 19%, rather than the previously enacted reduction to 17%. Consequently the deferred tax balances within these financial statements have been assessed at 19%.

The group has estimated losses of £8,200,000 (2019: £6,900,000) available for carry forward against future trading profits.

12 Intangible fixed assets

Group	Goodwill	Software	Development prcjects	Customer relationships	Customer contracts	Total
	£	£	£	£	£	£
Cost						
At 1 January 2020	23,041,374	117,974	502,861	7,376,524	77,520	31,116,253
Additions - separately acquired	-	90,369	106,539	-	-	196,908
Disposals	-	(21,000)	(25,107)	-	-	(46,107)
Transfers	-	30,175	-	-	-	30,175
At 31 December 2020	23,041,374	217,518	584,293	7,376,524	77,520	31,297,229
Amortisation and impairment						
At 1 January 2020	4,331,343	43,336	83,636	1,835,036	41,842	6,335,193
Amortisation charged for the year	2,304,138	41,736	90,199	737,652	35,678	3,209,403
Disposals	-	(5,688)	(25,107)	-	-	(30,795)
Transfers	-	14,932	-	-	-	14,932
At 31 December 2020	6,635,481	94,316	148,728	2,572,688	77,520	9,528,733
Carrying amount						
At 31 December 2020	16,405,893	123,202	435,565	4,803,836	-	21,768,496
At 31 December 2019	18,710,031	74,638	419,225	5,541,488	35,678	24,781,060

12 Intangible fixed assets (Continued)

Company	Software
	£
Cost	
At 1 January 2020	5,500
Additions - separately acquired	23,740
Transfer to group company	29,175
At 31 December 2020	58,415
Amortisation and impairment	
At 1 January 2020	286
Amortisation charged for the year	11,635
Transfer to group company	14,453
At 31 December 2020	26,374
Carrying amount	
At 31 December 2020	32,041
At 31 December 2019	5,214

Group
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 6.5 years remaining.

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

Development projects includes £292,533 (2019: £274,725) of assets under development which have not been amortised during the year.

13 Tangible fixed assets

Group	Freehold & leasehold property	Plant and machinery	Total
	£	£	£
Cost			
At 1 January 2020	2,200,997	8,794,706	10,995,703
Additions	3,413	2,040,648	2,044,061
Disposals	-	(1,633,517)	(1,633,517)
Transfers	-	(30,175)	(30,175)
Transfer from investment property	590,000	-	590,000
At 31 December 2020	2,794,410	9,171,662	11,966,072
Depreciation and impairment			
At 1 January 2020	134,166	3,996,848	4,131,014
Depreciation charged in the year	54,256	1,710,741	1,764,997
Eliminated in respect of disposals	-	(1,620,668)	(1,620,668)
Transfers	-	(14,932)	(14,932)
At 31 December 2020	188,422	4,071,989	4,260,411
Carrying amount			
At 31 December 2020	2,605,988	5,099,673	7,705,661
At 31 December 2019	2,066,831	4,797,858	6,864,689

Company	Plant and machinery
	£
Cost	
At 1 January 2020	33,647
Additions	1,919
Transfer to group company	(29,175)
At 31 December 2020	6,391
Depreciation and impairment	
At 1 January 2020	15,605
Depreciation charged in the year	1,373
Transfer to group company	(14,453)
At 31 December 2020	2,525
Carrying amount	
At 31 December 2020	3,866
At 31 December 2019	18,042

13 Tangible fixed assets (Continued)

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

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Plant and machinery	2,006,948	1,035,755	-	-

At 31 December 2020, included in the net book value of freehold and leasehold property is £2,005,536 (2019: £2,056,933) relating to freehold land and buildings, £10,452 (2019: £9,898) relating to short leasehold land and buildings and £590,000 (2019: £nil) relating to undeveloped land.

The company has transferred the undeveloped land from investment property to tangible fixed assets under 16.9a of FRS 102, at its fair value at the date of transfer of £590,000. The undeveloped land transferred had an associated historical cost of £668,287.

14 Investment property

	Group	Company
	2020	2020
	£	£
Fair value		
At 1 January 2020 and 31 December 2020	590,000	-
Transfers to tangible assets	(590,000)	-
At 31 December 2020	-	-

Investment property comprised 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 date the undeveloped land was transferred to tangible fixed assets.

The historical cost of the investment property at 31 December 2020 is £nil (2019: £668,287).

15 Fixed asset investments

	Notes	Company 2020 £	2019 £
Investments in subsidiaries	16	279,156	216,331

Movements in fixed asset investments
Company

	Shares in group undertakings £
Cost or valuation	
At 1 January 2020	216,331
Share based payment charge	62,825
At 31 December 2020	279,156
Carrying amount	
At 31 December 2020	279,156
At 31 December 2019	216,331

16 Subsidiaries

Details of the company's subsidiaries at 31 December 2020 are as follows:

Name of undertaking	Registered office	Nature of business	Class of shares held	% Held Direct	Indirect
Cyberfort Bidco Limited	Venture West, Greenham Business Park, Greenham, Thatcham RG19 6HX	Holding company	Ordinary shares	100.00	
Cyberfort Limited (formerly 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
The Bunker Secure Hosting Limited (formerly The Bunker Nominees Limited)	As above	Dormant company	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	As above	Consultancy	Ordinary shares		100.00
Auriga Group Solutions Limited	As above	Holding company	Ordinary		100.00
Auriga Consulting Ltd	As above	System security services	Ordinary		100.00

Cyberfort Limited (formerly The Bunker Secure Hosting Limited), Agenci Limited, Arcturus Security Limited and Auriga Group Solutions Limited are wholly owned by Cyberfort Bidco Limited. The Bunker Secure Hostings Limited (formerly The Bunker Nominees 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 28.

17 Debtors

	Group 2020	2019	Company 2020	2019
Amounts falling due within one year:	£	£	£	£
Trade debtors	1,995,654	1,690,514	-	-
Corporation tax recoverable	-	320,403	-	-
Amounts owed by group undertakings	-	-	474,824	310,798
Other debtors	287,024	87,236	41,250	22,646
Prepayments and accrued income	727,297	456,570	-	22,633
	3,009,975	2,554,723	516,074	356,077
Deferred tax asset (note 22)	-	594,060	323,019	275,645
	3,009,975	3,148,783	839,093	631,722
Amounts falling due after more than one year:				
Amounts owed by group undertakings	-	-	63,750	63,750
Total debtors	3,009,975	3,148,783	902,843	695,472

18 Creditors: amounts falling due within one year

	Notes	Group 2020	2019	Company 2020	2019
		£	£	£	£
Bank loans and overdrafts	20	16,360,511	15,499,627	-	-
Obligations under finance leases and hire purchase contracts	21	750,130	428,211	-	-
Trade creditors		1,005,330	937,196	-	163,289
Amounts due to group undertakings		-	-	2,039,224	1,533,560
Corporation tax payable		-	97,704	-	-
Other taxation and social security		2,231,656	725,162	-	-
Other creditors		100,585	280,727	3,750	-
Accruals		1,031,003	647,461	-	14,106
Deferred income		2,154,446	2,233,045	-	70,822
		23,633,661	20,849,133	2,042,974	1,781,777

The group has resolved with its bank certain technical breaches in its covenants relating to the financial years ended 31 December 2020 and 31 December 2019. However, as this agreement was reached after the balance sheet date it was required this year and last year, 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.

19 Creditors: amounts falling due after more than one year

		Group		Company	
		2020	2019	2020	2019
	Notes	£	£	£	£
Obligations under finance leases and hire purchase contracts	21	840,236	377,574	-	-
Other borrowings	20	28,965,591	26,351,894	-	-
		29,805,827	26,729,468	-	-

20 Borrowings

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Bank loans	16,360,511	14,670,176	-	-
Bank overdrafts	-	829,451	-	-
Loans from related parties	28,965,591	26,351,894	-	-
	45,326,102	41,851,521	-	-
Payable within one year	16,360,511	15,499,627	-	-
Payable after one year	28,965,591	26,351,894	-	-

20 Borrowings (Continued)

Bank loans
At the year end, the amount outstanding on a bank loan was £14,360,511 (2019: £14,170,176), which is made up of a £13,000,000 loan facility which was fully drawn down on 7 July 2017 and £1,900,000 drawn down on 29 March 2019. The interest on the bank loan is repayable in quarterly instalments and the loan is repayable in full on 1 August 2024. 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 £650,525 (2019: £844,911) will be amortised in future years. Also included in the amount owed at 31 December 2020 is accrued interest of £111,036 (2019: £115,087). Of the bank loan £16,360,511 (2019: £14,670,176) is repayable within one year and £nil (2019: £nil) is repayable after one year.

Also included within bank loans is a Revolving loan facility of £3 million. During the year amounts of £1,500,000 (2019: £500,000) was drawn down and repayments of £nil (2019: £800,000) were repaid, leaving a balance of £2,000,000 (2019: £500,000). The loan is repayable on demand and is shown within amounts payable within one year.

Loan notes
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 £1,953,548 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 August 2024.

Included in the amount owed at 31 December 2020 is accrued interest of £7,107,228 (2019: £4,493,531) *which is repayable at the same time as the capital amount. No interest is charged on the accrued interest.*

Bank overdraft
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 loan notes are fully secured by a fixed and floating charge over the current and future property and other assets of the group. The bank overdraft is secured by a floating charge over all the assets of the group and a charge over the shares in Cyberfort Limited (formerly The Bunker Secure Hosting Limited) held by Cyberfort Bidco Limited.

21 Finance lease and hire purchase obligations

	Group 2020	2019	Company 2020	2019
	£	£	£	£
Future minimum lease payments due under finance leases and hire purchase contracts:				
Less than one year	873,073	468,278	-	-
Between one and five years	922,968	392,294	-	-
	1,796,041	860,572	-	-
Less: future finance charges	(205,675)	(54,787)	-	-
	1,590,366	805,785	-	-

21 Finance lease and hire purchase obligations (Continued)

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.

22 Deferred taxation

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

Group	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Accelerated capital allowances	487,492	-	-	(344,133)
Tax losses	(551,163)	-	-	1,179,159
Revaluations	69,957	-	-	(62,592)
Assets measured at fair value on acquisition	912,729	-	-	(948,118)
Short term timing differences	(6,286)	-	-	769,744
	912,729	-	-	594,060

Company	Liabilities 2020 £	Liabilities 2019 £	Assets 2020 £	Assets 2019 £
Accelerated capital allowances	-	-	(3,585)	(379)
Tax losses	-	-	326,604	276,024
	-	-	323,019	275,645

Movements in the year:	Group 2020 £	Company 2020 £
Asset at 1 January 2020	(594,060)	(275,645)
Charge/(credit) to profit or loss	1,506,789	(47,374)
Liability/(Asset) at 31 December 2020	912,729	(323,019)

23 Retirement benefit schemes

Defined contribution schemes	2020 £	2019 £
Charge to profit or loss in respect of defined contribution schemes	95,870	116,773

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 £33,085 (2019: £19,642) was due with respect to pension contributions.

24 Share capital

	Group and Company			
Ordinary share capital	**2020 Number**	**2019 Number**	**2020 £**	**2019 £**
Issued and fully paid				
Ordinary A voting of 1p each	20,000	19,750	200	198
Preferred Ordinary voting of 1p each	80,000	80,000	800	800
	100,000	99,750	1,000	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.

During the year 250 ordinary A voting shares of 1p each were issued £15 each.

25 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.

26 Cash generated from group operations

	2020	2019
	£	£
Loss for the year after tax	(9,319,141)	(6,461,463)
Adjustments for:		
Taxation charged/(credited)	1,509,796	(1,119,642)
Finance costs	4,248,931	3,888,018
Investment income	(13)	(106)
Gain on disposal of tangible fixed assets	(22,649)	-
Loss on disposal of intangible assets	15,312	-
Amortisation and impairment of intangible assets	3,209,403	3,046,803
Depreciation and impairment of tangible fixed assets	1,764,997	1,596,674
Equity settled share based payment charge	186,149	186,149
Movements in working capital:		
(Increase)/decrease in debtors	(775,655)	327,837
Increase in creditors	1,699,428	546,101
Cash generated from operations	2,516,558	2,010,371

27 Analysis of changes in net debt - group

	1 January 2020	Cash flows	New finance leases	Other non-cash changes	31 December 2020
	£	£	£	£	£
Cash at bank and in hand	114,452	544,774	-	-	659,226
Bank overdrafts	(829,451)	829,451	-	-	-
	(714,999)	1,374,225	-	-	659,226
Borrowings excluding overdrafts	(41,022,070)	(1,500,000)	-	(2,804,032)	(45,326,102)
Obligations under finance leases	(805,785)	352,562	(1,137,143)	-	(1,590,366)
	(42,542,854)	226,787	(1,137,143)	(2,804,032)	(46,257,242)

28 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 2020 until these liabilities are settled in full.

29 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		Company	
	2020	2019	2020	2019
	£	£	£	£
Within one year	126,241	189,154	-	-
Between one and five years	410,000	435,274	-	-
In over five years	589,164	691,945	-	-
	1,125,405	1,316,373	-	-

30 Capital commitments

Amounts contracted for but not provided in the financial statements:

	Group		Company	
	2020	2019	2020	2019
	£	£	£	£
Acquisition of tangible fixed assets	26,664	331,494	-	-

31 Related party transactions

Remuneration of key management personnel

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

	2020	2019
	£	£
Aggregate compensation	837,120	675,971

31 Related party transactions (Continued)

Company and Group
During the year the company made further advances to a director of £30,000 (2019: £nil) in respect of his director's loan. At the year end the company was owed £41,250 (2019: £11,250) by a director of the company. The maximum amount outstanding during the year was £41,250. 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 paid monitoring fees of £109,085 (2019: £147,782) and also made sales of £49,125 (2019: £7,000) to Palatine Private Equity Fund III LLP, who are a significant shareholder of the company. At 31 December 2020, Palatine Private Equity Fund III LLP owed £11,250 to the group (2019: was owed £27,565 by the group).

During the prior year, the group made sales to Active Life. S P Jones, a director of a subsidiary undertaking, was the treasurer of Active Life but no longer holds this position and is a member of the board of trustees of Active Life. The sales made by the group were 2019 : £21,499. No such sales were made in the current year. At 31 December 2020, Active Life owed the group £nil (2019: £nil).

During the prior 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 in 2019 were £3,875. At 31 December 2020, the group owed Bean Marketing £nil (2019: £nil). No such purchases were made in the current year.

32 Controlling party

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