

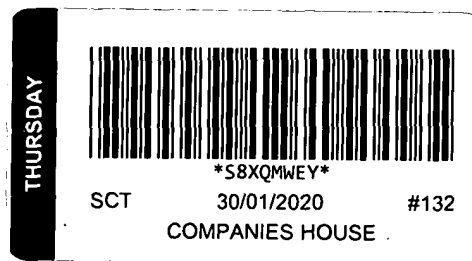
# **Cyberhawk Innovations Limited**

**Consolidated Report and Financial Statements**

**Year Ended**

**31 March 2019**

**Company Number SC340484**



**COMPANIES HOUSE  
EDINBURGH**

**30 JAN 2020**

**FRONT DESK**

# Cyberhawk Innovations Limited

## Company Information

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<b>Directors</b>	Christopher Jervis Fleming Phillip Alexander Buchan David Stephen McIntyre (resigned 20 September 2019) Richard Calvin Round Andrew David John Carnwath Ian Martin Lloyd Jones Mats Ake Lundgren John Comiskey (appointed 20 September 2019)
<b>Registered number</b>	SC340484
<b>Registered office</b>	Kinburn Castle St Andrews Fife KY16 9DR
<b>Trading Address</b>	EICA Ratho South Platt Hill EH28 8AA
<b>Independent auditor</b>	BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
<b>Bankers</b>	Clydesdale Bank 30 St Vincent Street Glasgow G1 2HL  Royal Bank of Scotland St Andrew Square Edinburgh EH2 2AD
<b>Solicitors</b>	Thomtons Law LLP Whitehall House 33 Yeaman Shore Dundee DD1 4BJ

# Cyberhawk Innovations Limited

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# **Cyberhawk Innovations Limited**

## **Directors' Report For the Year Ended 31 March 2019**

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The Directors present their report and the financial statements for the year ended 31 March 2019.

### **Directors' responsibilities statement**

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for that period.

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

- select suitable accounting policies for the Group's financial statements and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group will continue in business.

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

# Cyberhawk Innovations Limited

## Directors' Report (continued) For the Year Ended 31 March 2019

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### Business review

Founded in 2008, Cyberhawk Innovations Limited ('Company') is a global leader in unmanned aerial vehicle ('UAV') inspection and survey solutions. Delivering inspection results to clients through the company's proprietary cloud based visual asset management and maintenance software 'iHawk' which converts the significant quantity of data captured by UAVs and other data sources into powerful, intuitive and actionable management information.

Cyberhawk has logged more than 35,000 flights, completed successful projects in more than 30 countries around the world and recorded more than 30 world firsts since inception. The Company has an unrivalled reputation with leading oil & gas, utilities, renewables and infrastructure companies and is proud to be able to list Exxon Mobil, Conoco Phillips, BP, Shell, Chevron, Total, SSE, Scottish Power, Siemens Gamesa and National Grid USA among its blue-chip client list.

The Company's growth continued during the year to 31 March 2019, with year-on-year revenue growth of +12%. It was also another year of strong EBITDA which before exceptional costs was £544,376, even after absorbing significant investment in the year geared towards future growth. The main drivers of this growth were iHawk software (+82%), Renewables (+41%) and Oil & gas (+12%). The other particularly encouraging trend was the almost fivefold increase in revenues in the fast-growing US market. As at the end of the financial year almost 25% of the overall Group revenue was generated from the US market. This trend is expected to continue for both our software solutions and UAV inspection services.

The Company has continued to invest in our SaaS software product, iHawk. This provides clients with an intuitive asset management product, to manage assets and projects in an intelligent manner. This investment has been rewarded, with significant contracts with global and international clients in the US and UK and a number of other global clients keen to deploy the SaaS-based software system.

This is an exciting area of potential growth for the company, with iHawk software helping customers drive significant efficiencies within their businesses. The US continues to be a high growth market as the FAA acceptance and support of UAVs for commercial purposes ensures a high level of demand for our services. The increasing focus on digitalisation, and the efficiencies that it can bring, within the energy sector also provides an encouraging backdrop for further growth of the company's software services.

We have received many approaches from companies around the world to collaborate. This is an encouraging trend and confirms the strong reputation the Cyberhawk and iHawk brands have around the world.

During the year, the Company's institutional shareholders (including Scottish Equity Partners (SEP) and Scottish Investment Bank) sold their shareholdings to Cyberhawk Holdings Limited, backed by Bank of Montreal Global Asset Management and advised by Magnesium Capital LLP. The sale concluded on 22 March 2019. The new investors share the management vision and are keen to support the Company in its plans for growth both organically and by acquisition.

### Directors

The Directors who served during the year were:

Christopher Jervis Fleming  
Philip Alexander Buchan  
David Stephen McIntyre (resigned 20 September 2019)  
Richard Calvin Round  
Andrew David John Carnwath (appointed 21 March 2019)  
Ian Martin Lloyd Jones (appointed 21 March 2019)  
Mats Ake Lundgren (appointed 21 March 2019)  
Malcolm Connolly (resigned 21 March 2019)

# Cyberhawk Innovations Limited

## Directors' Report (continued) For the Year Ended 31 March 2019

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### Disclosure of information to auditor

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

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

### Auditor

The auditors, BDO LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

### Small companies note

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

This report was approved by the board on

24/4/19

and signed on its behalf.



**C Fleming**  
Director

# Cyberhawk Innovations Limited

## Independent Auditors' Report to the Members of Cyberhawk Innovations Limited

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### Opinion

We have audited the financial statements of Cyberhawk Innovations Limited ("the Parent Company") and its subsidiary ("the Group") for the year ended 31 March 2019 which comprise the Consolidated Statement of Comprehensive Income, Consolidated Balance Sheet, Company Balance Sheet, Consolidated Statement of Changes in Equity, Company Statement of Changes in Equity and the notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Group and the Parent Company's affairs as at 31 March 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Basis for opinion

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

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

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

We have nothing to report in this regard.

# Cyberhawk Innovations Limited

## Independent Auditors' Report to the Members of Cyberhawk Innovations Limited (continued)

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### Opinions on other matters prescribed by the Companies Act 2006

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

- the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' Report has 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 Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Director's 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, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the Directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemptions in preparing the Directors' Report and from the requirement to prepare a Strategic Report.

### Responsibilities of Directors

As explained more fully in the Statement of Directors' Responsibilities, 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 at the Financial Reporting Council's website at:

<https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



# Cyberhawk Innovations Limited

## Independent Auditors' Report to the Members of Cyberhawk Innovations Limited (continued)

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### Use of our report

This report is made solely to the Parent 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 Parent 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 Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Alastair Rae (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Edinburgh  
United Kingdom

26 September 2019

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Cyberhawk Innovations Limited

## Consolidated Statement of Comprehensive Income For the Year Ended 31 March 2019

	Note	2019 £	2018 £
Turnover	4	4,713,557	4,194,098
Cost of sales		(2,356,740)	(2,113,945)
<b>Gross profit</b>		<b>2,356,817</b>	<b>2,080,153</b>
Administrative expenses		(1,962,414)	(1,674,323)
Exceptional administrative expenses	5	(294,239)	(89,866)
Other operating income	6	31,833	140,051
<b>Operating profit</b>	7	<b>131,997</b>	<b>456,015</b>
Interest receivable and similar income		-	44
Interest payable and similar charges	10	(186,176)	(113,987)
<b>(Loss)/profit before taxation</b>		<b>(64,179)</b>	<b>342,072</b>
Tax on (loss)/profit	11	-	126,501
<b>(Loss)/profit for the financial year</b>		<b>(54,179)</b>	<b>468,573</b>
Currency translation differences		2,889	14,783
<b>Other comprehensive income for the year</b>		<b>2,889</b>	<b>14,783</b>
<b>Total comprehensive income for the year</b>		<b>(51,290)</b>	<b>483,356</b>
<b>(Loss)/profit for the year attributable to:</b>			
Owners of the Parent Company		(54,179)	468,573
		<b>(54,179)</b>	<b>468,573</b>
<b>Total comprehensive (loss)/income for the year attributable to:</b>			
Owners of the Parent Company		(51,290)	483,356
		<b>(51,290)</b>	<b>483,356</b>

The notes on pages 12 to 24 form part of these financial statements.

# Cyberhawk Innovations Limited

Registered number: SC340484

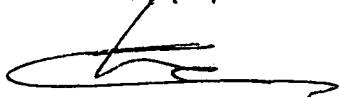
## Consolidated Balance Sheet As at 31 March 2019

	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	12	213,434	216,671
		<u>213,434</u>	<u>216,671</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	1,199,611	932,285
Cash at bank and in hand	15	607,021	346,529
		<u>1,806,632</u>	<u>1,278,814</u>
Creditors: amounts falling due within one year	16	(566,148)	(908,284)
<b>Net current assets</b>		<u>1,240,484</u>	<u>370,530</u>
<b>Total assets less current liabilities</b>		<u>1,453,918</u>	<u>587,201</u>
Creditors: amounts falling due after more than one year	17	(1,519,236)	(601,230)
<b>Net liabilities</b>		<u>(65,318)</u>	<u>(14,029)</u>
<b>Capital and reserves</b>			
Called up share capital	20	9	8
Share premium account	21	2,132,842	2,132,842
Foreign exchange reserve	21	24,066	21,177
Profit and loss account	21	(2,222,235)	(2,168,056)
		<u>(65,318)</u>	<u>(14,029)</u>

The Group's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

24/3/19



**C Fleming**  
Director

The notes on pages 12 to 24 form part of these financial statements.

# Cyberhawk Innovations Limited

Registered number: SC340484

## Company Balance Sheet As at 31 March 2019

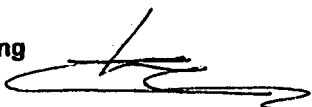
	Note	2019 £	2018 £
<b>Fixed assets</b>			
Tangible assets	12	213,434	216,671
Investments	13	696	696
		<u>214,130</u>	<u>217,367</u>
<b>Current assets</b>			
Debtors: amounts falling due within one year	14	1,191,048	1,281,855
Cash at bank and in hand	15	589,950	336,335
		<u>1,780,998</u>	<u>1,618,190</u>
Creditors: amounts falling due within one year	16	(562,804)	(901,888)
<b>Net current assets</b>		<u>1,218,194</u>	<u>716,302</u>
<b>Total assets less current liabilities</b>		<u>1,432,324</u>	<u>933,669</u>
Creditors: amounts falling due after more than one year	17	(1,519,236)	(601,230)
<b>Net (liabilities)/assets</b>		<u>(86,912)</u>	<u>332,439</u>
<b>Capital and reserves</b>			
Called up share capital	20	9	8
Share premium account	21	2,132,842	2,132,842
Profit and loss account brought forward		(1,800,411)	(2,476,301)
(Loss)/profit for the year		(419,352)	675,890
Profit and loss account carried forward	21	(2,219,763)	(1,800,411)
		<u>(86,912)</u>	<u>332,439</u>

The Company's financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

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

24/9/19

C Fleming  
Director



The notes on pages 12 to 24 form part of these financial statements.

# Cyberhawk Innovations Limited

## Consolidated Statement of Changes in Equity For the Year Ended 31 March 2019

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2018	8	2,132,842	21,177	(2,168,056)	(14,029)
Loss for the year	-	-	-	(54,179)	(54,179)
Currency translation differences	-	-	2,889	-	2,889
Shares issued during the year	1	-	-	-	1
<b>At 31 March 2019</b>	<b>9</b>	<b>2,132,842</b>	<b>24,066</b>	<b>(2,222,235)</b>	<b>(65,318)</b>

The notes on pages 12 to 24 form part of these financial statements.

## Consolidated Statement of Changes in Equity For the Year Ended 31 March 2018

	Called up share capital	Share premium account	Foreign exchange reserve	Profit and loss account	Total equity
	£	£	£	£	£
At 1 April 2017	8	2,132,842	6,394	(2,636,629)	(497,385)
Profit for the year	-	-	-	468,573	468,573
Currency translation differences	-	-	14,783	-	14,783
<b>At 31 March 2018</b>	<b>8</b>	<b>2,132,842</b>	<b>21,177</b>	<b>(2,168,056)</b>	<b>(14,029)</b>

The notes on pages 12 to 24 form part of these financial statements.

# Cyberhawk Innovations Limited

## Company Statement of Changes in Equity For the Year Ended 31 March 2019

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2018	8	2,132,842	(1,800,411)	332,439
Loss for the year	-	-	(419,352)	(419,352)
Shares issued during the year	1	-	-	1
<b>At 31 March 2019</b>	<b>9</b>	<b>2,132,842</b>	<b>(2,219,763)</b>	<b>(86,912)</b>

The notes on pages 12 to 24 form part of these financial statements.

## Company Statement of Changes in Equity For the Year Ended 31 March 2018

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2017	8	2,132,842	(2,476,301)	(343,451)
Profit for the year	-	-	675,890	675,890
<b>At 31 March 2018</b>	<b>8</b>	<b>2,132,842</b>	<b>(1,800,411)</b>	<b>332,439</b>

The notes on pages 12 to 24 form part of these financial statements.

# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

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### 1. General information

Cyberhawk Innovations Limited is a private company limited by shares incorporated in Scotland, UK. The registered office is Kinburn Castle, St Andrews, Fife, KY16 9DR. Its company registration number is SC340484.

The principal activity of the company is the manufacture of special-purpose software.

### 2. Accounting policies

#### 2.1 Basis of preparation of financial statements

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

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

The Company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own Statement of Comprehensive Income in these financial statements.

The following principal accounting policies have been applied:

#### 2.2 Basis of consolidation

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

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

#### 2.3 Going concern

The Group made a loss for the year of £54,179 (2018 - profit of £468,573). At the balance sheet date, the Group had net current assets of £1,240,484 (2018 - £370,530) and net liabilities of £65,318 (2018 - £14,029).

The Directors have prepared forecasts for at least 12 months from the date of signing of these financial statements. The Directors have identified no conditions which suggest the Group cannot continue to operate as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

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### 2. Accounting policies (continued)

#### 2.4 Foreign currency translation

##### Functional and presentation currency

The Group's functional and presentational currency is GBP.

##### Transactions and balances

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

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

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

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

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

#### 2.5 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

##### Rendering of services

Revenue from a contract to provide services is recognised in the period in which the services are provided in accordance with the stage of completion of the contract when all of the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the Group will receive the consideration due under the contract;
- the stage of completion of the contract at the end of the reporting period can be measured reliably; and
- the costs incurred and the costs to complete the contract can be measured reliably.



# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

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### 2. Accounting policies (continued)

#### 2.6 Operating leases: the Group as lessee

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

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

The Group has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the Standard (01 April 2017) to continue to be charged over the period to the first market rent review rather than the term of the lease.

#### 2.7 Leased assets: the Group as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the Group. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the Consolidated Statement of Comprehensive Income so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

#### 2.8 Finance costs

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

#### 2.9 Borrowing costs

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

#### 2.10 Pensions

##### Defined contribution pension plan

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

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

# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 2. Accounting policies (continued)

#### 2.11 Taxation

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

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

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

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits; and
- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met.

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

#### 2.12 Exceptional Items

Exceptional items are transactions that fall within the ordinary activities of the Group but are presented separately due to their size or incidence.

#### 2.13 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Plant and machinery	-	25% straight line
Motor vehicles	-	25% straight line
Office equipment	-	50% straight line

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

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

# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

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### 2. Accounting policies (continued)

#### 2.14 Valuation of Investments

Investments in subsidiaries are measured at cost less accumulated impairment.

#### 2.15 Debtors

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

#### 2.16 Cash and cash equivalents

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

#### 2.17 Creditors

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

#### 2.18 Financial instruments

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

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received.

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

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

# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

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

The following judgements have been made in the preparation of the financial statements:

#### Revenue recognition

Where revenue is recognised in relation to a project that spans the year end, management use professional judgement to assess the percentage of completion of the project and ascertain the revenue to be recognised with reference to the quoted price of the project and time charged to date on the project.

#### Tangible fixed assets

Management assess tangible fixed assets for indicators of impairment by assessing the condition of the assets and the expected future financial inflows to the Group from use of the asset.

### 4. Turnover

Turnover is attributable to drone inspection and surveying activities and the provision of iHawk software.

### 5. Exceptional Items

	2019 £	2018 £
Exceptional costs	294,239	89,866
	<u>294,239</u>	<u>89,866</u>

Exceptional costs of £294,239 (2018 - £89,866) were incurred in relation to the Cyberhawk Holdings Limited acquisition of the Company and in securing employment of a key member of staff.

### 6. Other operating Income

	2019 £	2018 £
Grant income	31,833	140,051
	<u>31,833</u>	<u>140,051</u>

# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 7. Operating profit

The operating profit is stated after charging:

	2019 £	2018 £
Research & development charged as an expense	136,471	22,252
Exchange differences	742	18,752
Depreciation of tangible fixed assets	118,140	166,138
Profit on sale of tangible fixed assets	-	(30,871)
Fees payable to the company's auditor for the audit of the financial statements	10,400	6,400
Fees payable to the company's auditor for tax compliance services	2,200	1,950
Other operating lease rentals	143,470	95,971
Contributions to defined contribution pension scheme	36,753	7,684
	<u>36,753</u>	<u>7,684</u>

### 8. Employees

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

	2019 No.	2018 No.
Employees	56	45
	<u>56</u>	<u>45</u>

### 9. Directors' remuneration

	2019 £	2018 £
Directors' emoluments	361,229	340,486
Directors' pension costs	12,564	12,270
	<u>373,793</u>	<u>352,756</u>

The highest paid Director received remuneration of £93,750 (2018 - £84,258).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £4,093 (2018 - £3,880).

Compensation for loss of office of £30,000 (£NIL) was paid to 1 director in the year and is included exceptional costs (see note 5).

# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 10. Interest payable and similar charges

	2019 £	2018 £
Bank interest payable	181,584	104,129
Finance leases and hire purchase contracts	4,592	9,858
	<u>186,176</u>	<u>113,987</u>

### 11. Taxation

	2019 £	2018 £
<b>Corporation tax</b>		
Current tax on profits for the year	-	(126,501)
	<u>-</u>	<u>(126,501)</u>
<b>Total current tax</b>	<u>-</u>	<u>(126,501)</u>
<b>Deferred tax</b>		
<b>Total deferred tax</b>	<u>-</u>	<u>-</u>
<b>Taxation on profit/(loss) on ordinary activities</b>	<u>-</u>	<u>(126,501)</u>

#### Factors affecting tax charge for the year

There were no factors that affected the tax charge for the year which has been calculated on the profits on ordinary activities before tax at the standard rate of corporation tax in the UK of 19% (2018 - 19%).

#### Factors that may affect future tax charges

The Group and Company has a potential deferred tax asset of £316,619 (2018 - £280,395) relating to timing differences and accumulated losses. In line with accounting policies, this amount is unrecognised due to uncertainty over the timing of future taxable profits.

# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 12. Tangible fixed assets

#### Group and Company

	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
<b>Cost or valuation</b>				
At 1 April 2018	549,741	95,724	244,515	889,980
Additions	73,767	19,160	21,976	114,903
At 31 March 2019	623,508	114,884	266,491	1,004,883
<b>Depreciation</b>				
At 1 April 2018	398,253	82,066	192,990	673,309
Charge for the year	68,130	9,325	40,685	118,140
At 31 March 2019	466,383	91,391	233,675	791,449
<b>Net book value</b>				
At 31 March 2019	157,125	23,493	32,816	213,434
At 31 March 2018	151,488	13,658	51,525	216,671

At 31 March 2019, the net book value of assets held under finance leases or hire purchase agreements was £48,339 (2018 - £58,543).

### 13. Fixed asset investments

#### Company

	Investments in subsidiary company £
<b>Cost or valuation</b>	
At 1 April 2018	696
At 31 March 2019	696

# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 13. Fixed asset investments (continued)

#### Subsidiary undertaking

The following was a subsidiary undertaking of the Company:

Name	Registered office	Class of shares	Holding
Cyberhawk Inc.	11111 Katy Fwy 910, Houston, TX 77043	Ordinary	100%

The aggregate of the share capital and reserves as at 31 March 2019 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of share capital and reserves	Profit/(loss)
Cyberhawk Inc.	160,927	206,718

### 14. Debtors

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Trade debtors	639,272	671,667	410,062	630,248
Amounts owed by group undertakings	-	-	435,704	393,490
Other debtors	11,149	38,892	11,149	38,892
Prepayments and accrued income	549,190	221,726	334,133	219,225
	<u>1,199,611</u>	<u>932,285</u>	<u>1,191,048</u>	<u>1,281,855</u>

### 15. Cash and cash equivalents

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Cash at bank and in hand	607,021	346,529	589,950	336,335
Less: bank overdrafts	(3,231)	(282)	(3,231)	(282)
	<u>603,790</u>	<u>346,247</u>	<u>586,719</u>	<u>336,053</u>



# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 16. Creditors: Amounts falling due within one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank overdrafts	3,231	282	3,231	282
Bank loans	-	369,200	-	369,200
Trade creditors	130,253	85,398	128,808	79,206
Other taxation and social security	135,190	114,956	135,190	114,956
Obligations under finance lease and hire purchase contracts	34,690	56,319	34,690	56,319
Other creditors	11,467	204	9,568	-
Accruals and deferred income	251,317	281,925	251,317	281,925
	<u>566,148</u>	<u>908,284</u>	<u>562,804</u>	<u>901,888</u>

Obligations under finance leases and hire purchase contracts are secured against the assets concerned.

### 17. Creditors: Amounts falling due after more than one year

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Bank loans	-	569,300	-	569,300
Net obligations under finance leases and hire purchase contracts	18,518	31,930	18,518	31,930
Amounts owed to group undertakings	1,500,718	-	1,500,718	-
	<u>1,519,236</u>	<u>601,230</u>	<u>1,519,236</u>	<u>601,230</u>

### 18. Loans

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
<b>Amounts falling due within one year</b>				
Bank loans	-	369,200	-	369,200
<b>Amounts falling due 1-2 years</b>				
Bank loans	-	569,300	-	569,300
	<u>-</u>	<u>938,500</u>	<u>-</u>	<u>938,500</u>

# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 19. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	Group 2019 £	Group 2018 £	Company 2019 £	Company 2018 £
Within one year	34,690	56,319	34,690	56,319
Between 1-5 years	18,518	31,930	18,518	31,930
	<u>53,208</u>	<u>88,249</u>	<u>53,208</u>	<u>88,249</u>

### 20. Share capital

	2019 £	2018 £
<b>Allotted, called up and fully paid</b>		
3,817 (2018 - 3,817) A Preferred shares of £0.001 each	4	4
4,311 (2018 - 4,311) Ordinary A shares of £0.001 each	4	4
171 (2018 - 171) Ordinary B shares of £0.001 each	-	-
1,292 (2018 - Nil) Ordinary shares of £0.001 each	1	-
	<u>9</u>	<u>8</u>

All preferred and ordinary shares are prescribed equal voting and dividend rights.

The company issued 1,292 Ordinary shares of £0.001 at par on 22 March 2019.

### 21. Reserves

#### Share premium account

The share premium account represents the consideration received from the issue of share capital which is in excess of the nominal value of shares issued.

#### Foreign exchange reserve

The foreign exchange reserve represents the currency translation differences arising on consolidation of foreign subsidiaries.

#### Profit and loss account

The profit and loss account represents the accumulated profits and losses from the activities of the Company.

# Cyberhawk Innovations Limited

## Notes to the Financial Statements For the Year Ended 31 March 2019

### 22. Commitments under operating leases

At 31 March 2019 the Group and Company had future minimum lease payments under non-cancellable operating leases as follows:

	2019 £	2018 £
<b>Group and company</b>		
Not later than 1 year	16,167	6,426
Later than 1 year and not later than 5 years	14,489	4,438
Later than 5 years	-	3,699
	<u>30,656</u>	<u>14,563</u>

### 23. Related party transactions

The Group and Company has taken advantage of the exemption contained within FRS 102 not to disclose transactions within the Group.

### 24. Controlling party

The Company's immediate parent undertaking is Cyberhawk Holdings Limited. Due to the fragmented nature of the ownership of the ultimate parent company, the Directors are of the view that there is no ultimate controlling party.