defenx
digital protection

Protecting privacy + security in an online world

Annual Report 2015
Defenx PLC

With more malicious computer software being created daily, Defenx provides trusted protection, aimed at keeping the world safe while online.

Financial + operational highlights

Financial

- Over 3.1 million licences sold to date with 937,000 active licensed users of Defenx software at the year end
- 70% of revenues from software for mobile devices
- 88% year-on-year revenue growth to €4.5 million
- Fourth consecutive year of profitable growth – operating profit before exceptional AIM admission costs of €979,000 (2014: €805,000)
- Successful admission to AIM raising €3.0 million (£2.1 million) in gross proceeds to fund software development and sales growth

Operational

- Launched Defenx Mobile Security Suite for iOS and Enterprise NAS antivirus software (under the Seagate Security brand)
- Key customer 3Italia (Italy's Three network) launched Defenx-branded security software, which is available online and in their '3Stores' across Italy
- Won two major channel partners, one of whom bundles Defenx Security Suite with its mobile device insurance and generated over €1.4 million in sales in the first year
- Windows 10 launch – Defenx Mobile Security Suite now addresses the top three smartphone operating systems and over 90% of the market worldwide
- Established management, reporting and systems suitable for AIM and to support future growth; appointed two Non-executive Directors, including our Chairman, significantly strengthening the Board of Directors

€4.5 million
revenue

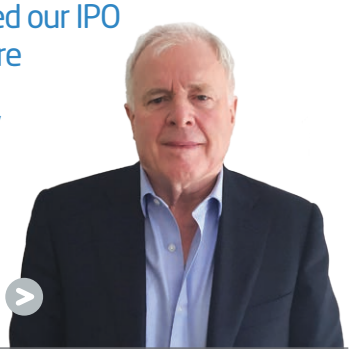
88%
year-on-year revenue growth

3.1 million
licences sold to date

"2015 has been a year of good progress for Defenx. We have continued to grow the business financially and are delighted to report that we finished the year slightly ahead of market expectations. We successfully completed our IPO on AIM in December where we raised £2.1 million to invest in our business."

– Anthony Reeves
Chairman

Chairman's Statement page 4



Who we are + what we do

Founded in 2009, Defenx is a fast-growing and profitable security software company that offers a range of products for the mobile, PC and network security markets. Defenx security software is priced competitively, fully featured and efficient (reduced use of memory, processing capacity and therefore power).

A flexible marketing strategy, focused on white label and profit-share arrangements with distributors, telecoms companies and hardware manufacturers, enables Defenx to compete with established industry incumbents. Since inception, Defenx has sold over 3.1 million security software licences, primarily in Europe, the Middle East and Africa.

Defenx's global distribution partners currently include 3Italia, the fourth largest Italian mobile network operator, and Seagate Technology, a world leader in disk drive manufacturing, amongst others including telecoms operators, systems integrators and original equipment manufacturers. Defenx was admitted to trading on AIM on 3 December 2015, raising €3.0 million to accelerate its growth through new channel partners and product development.

€1.35 million
invested in our products in 2015

€3.0 million
raised to accelerate growth

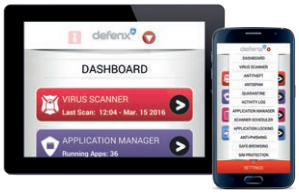
Multi-device

Our products

Total Security
Our complete solution to protect all your devices combining Defenx Mobile Security Suite for Android, iOS or Windows and Defenx Security Suite for PC.

Cloud Backup
Defenx Cloud Backup provides backup, synchronisation and sharing of your most important files, such as documents, music, video and pictures of your family. If your computer or mobile device breaks, is stolen or if the file is corrupted or removed by mistake, there will always be a copy available in the Defenx Cloud.

Mobile devices



Desktop

Mobile Security Suite

Security and privacy
Information on the device, apps behaviour and potentially malicious activity is monitored by Defenx to thwart data theft and keep your device safe.

Theft protection
Defenx theft protection features give you the tools you need to find a lost device and to help you get a stolen device back.

Utility
The Defenx dashboard provides you with a quick view of your device to manage applications, scanning schedules and activity.

Security Suite

Defenx Security Suite offers 360° protection with mail and website filtering, antivirus and a firewall ensuring the safety of your data and preventing hacker exploitation. We keep your PC protected and let you use it with full peace of mind.

Antivirus

Defenx Antivirus protects you from malware keeping your PC safe. Whether a security novice or expert, you can configure Defenx Antivirus to suit your needs.

Our technology page 8

The problem

What is malware?
Malware, which is short for malicious software, is a general term used to refer to a variety of forms of hostile or intrusive software. It is software used to disrupt computer operation, gather and distribute sensitive information, or gain access to private computer systems. Malware can also cause direct financial loss by sending premium SMS messages, consuming your data allowance, and abusing personal banking and credit card information obtained on your device.

Malware includes computer viruses, ransomware, worms, trojan horses, rootkits, key loggers, diallers, spyware, adware, malicious browser-helper objects, rogue security software and 'govware' and other malicious programs.

Malware can also take the form of code, scripts, active content and other software that exploits weaknesses in commonly used software. The most common end-point exploits in 2015 used well known software including Internet Explorer, Adobe Flash, Adobe Reader, Microsoft Silverlight and Java.

End-points, such as PC and mobile devices, are targeted because they contain specific user information that is used for gaining access to privileged or protected networks.

How do you protect yourself?
There are some simple yet effective measures anyone can take. Keeping your device up-to-date significantly cuts the chances that exploits work because vendors work hard to patch vulnerabilities.

For the security conscious, using browser add-ons that check web addresses against known lists of malicious sites, block Adobe Flash and disable scripts is also an effective way of thwarting malicious redirections although it can affect the browsing experience.

The effective solution is to adopt a layered approach: maintain a fully patched device with the latest OS update together with anti-malware protection.

Hard work + progress

"We have had a strong start to 2016, launching Windows Phone 10 and Defenx Cloud Backup products. I would like to take this opportunity to thank our staff and shareholders whose hard work and support have facilitated the growth seen in 2015, which we hope to continue."

Dear shareholder

I was delighted to be asked to join the Board of Defenx in October 2015 prior to its successful AIM IPO in December 2015. Although we have only been a listed company for a short time, I believe that we have made much progress across the business and confidence is high. It is thanks to the hard work put in by our talented management team, as well as those working across and with the business, that we have been able to make this progress and give us the foundation from which to grow our operation.

Highlights

I am pleased that in our maiden results as a listed company, Defenx has reported an 88% increase in revenue to €4.5 million and an operating profit before exceptional AIM admission costs of €979,000, making this our fourth consecutive year of profitable growth. At the turn of the year, over 900,000 Defenx users around the globe were protected by our software and security updates.

The IPO in December together with the funds raised strengthens our balance sheet and gives us the flexibility to invest in sales and technology, and consider acquisitions where they complement our strategy for growth.

As a company we have worked hard in 2015 to bring together a team that has the right combination of sector knowledge and corporate experience to enable us to deliver on our vision and strategy. We have also taken the opportunity to structure the business for growth with new employment terms, systems and procedures.

Board and management
Along with my arrival on the Board, Defenx also secured the services of Leonard Seelig as Non-executive Director. Leonard chairs the Audit Committee and sits on the Remuneration Committee, which I chair. Philipp Prince joined Defenx as our CFO in July 2015 and has many years' experience in corporate finance at BDO where he was a partner. Philipp comes to us from Enecsys, a Silicon Valley-based business.

The senior management team is led by our founder, Andrea Stecconi, CEO and includes Guido Branca, COO, highly experienced in IT and telecoms systems implementation, Mauro Celentano, Technical Director and Angelo Motti, Commercial Director.

Outlook
So far in 2016, we have launched Defenx Mobile Security Suite for Windows 10 along with updates for Android and iOS. Our strategic partnership with Memopal saw the launch of Defenx Cloud Backup, which has already generated significant interest from our channel partners. Meanwhile development continues on products aimed at families and SMEs, which are discussed in more detail in the CEO's review.

This is an exciting time to be part of Defenx as we seek to build on the momentum from 2015. As a profitable and fast-growing mobile security solutions company, I am confident Defenx will have an exciting 2016. The whole Board looks forward to meeting shareholders at the AGM on Wednesday 22 June 2016.

Anthony Reeves
Chairman

18 April 2016

Key milestones

2009
- Defenx SA launched in Switzerland
- Defenx Security Suite launched for PC

2010
- Defenx Security Suite for Windows networks launched

2012
- Defenx Mobile Security Suite launched for Android
- Generated first profit on sales of €1.1 million

2013
- Mobile Security Suite for Android IP bought out from developer

2014
- Defenx PLC incorporated
- Private placing raising €1.3 milion after expenses
- NAS Antivirus launched for Seagate NAS drives

2015
- Defenx Mobile Security Suite launched for iOS
- AIM IPO raising €2.1 million after expenses

2016
- Defenx Mobile Security Suite launched for Windows 10 Phone
- Defenx Cloud Backup launched

The market + opportunity

The mobile security market is growing rapidly, there are now more mobile devices than people on the planet[1].

Smartphone usage is increasingly ubiquitous: at the end of 2014, there were 3.6 billion mobile subscribers worldwide, equivalent to over 50% of the world's population. A further billion unique subscribers are predicted to join the market by 2020 of which 65% will be smartphone users. Over half of the world's population will soon have access to a smartphone.

We now use our smartphones far more than a PC, but smartphones are more than a mobile computer. They are virtually always on and connected to the Internet, sending and receiving data, much of it personal, some of it private and sensitive, including:

- banking and finance;
- health and well-being;
- political views and affiliations; and
- sexual preferences and orientation.

Aside from the right to keep one's data private, key aspects of society rely on data privacy. This includes attorney-client privilege and the protection of journalistic sources. In parts of the world, data privacy can be the difference between freedom and imprisonment, and even life and death.

With the increasing acceptance in the business world of bring your own device (BYOD), corporate data is also accessed and stored on mobile devices not directly managed by the employer. The loss and theft of commercially sensitive and confidential data is now a major boardroom challenge. Then there is data we are not necessarily aware is captured by our devices. For example, call and messaging history, detailed browsing and location history.

In the wrong hands, all this data can and is being used by criminals. In 2015, there were 431 million new malware variants created, an increase of 36% from the previous year[2].

3.6 billion
Mobile subscribers

1.8 billion
PCs

$5.75 billion
Mobile security market in 2019

Market share

Mobile devices
- Android 81%
- Other 19%

1 Mobile Economy Report 2015, GSMA.
2 Internet Threat Security Report April 2016, Symantec.
3 Mobile Security Market Global Forecast to 2019, Markets and Markets.

Thanks to the growing interconnectedness of devices and increased awareness of the potential damage caused by computer infections, the mobile security market is estimated to grow from $1.5 billion in 2014 to $5.75 billion by 2019[3].

We all protect our PCs, but until now it seems few have considered mobile security to be necessary or important. We believe that 2015 may well be looked back on as 'Year Zero' for awareness of the threat.

Now is the right time to be targeting this market.

Desktop

- Windows 88%
- Other 12%

431 million

New pieces of malicious software created in 2015

An increase of

36%

Mobile security threats

Social engineering – the art of manipulating people so they give up confidential information – is increasingly common.

Phishing attacks – messages purporting to be from reputable companies to induce individuals to reveal personal information, such as passwords and credit card numbers – originally sent as emails are common now across messaging platforms (SMS, FaceTime, WhatsApp, Snapchat and Facebook Messenger).

Mobile devices are vulnerable as they switch across different networks, particularly unsecured WiFi hotspots. Cybercriminals can easily gain access to devices, steal data and install software without the user ever knowing what is happening.

Mobile security + technology

Defenx is a mobile security solutions technology business with a strategy to:

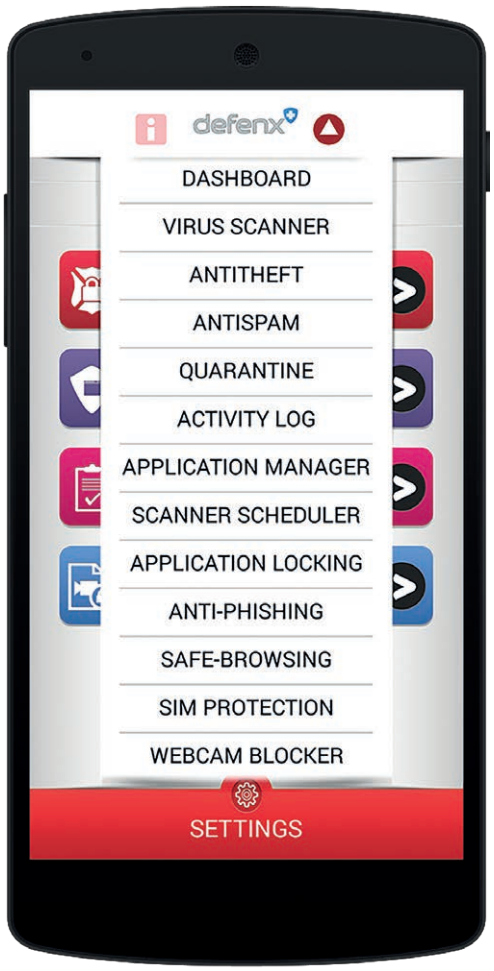
- Own and develop security solutions to protect against data loss and theft.
- Market these security solutions to individuals, families and SMEs.
- Partner with providers of complementary security solutions to broaden our product range.

Defenx is focused first on mobile devices. However, we realise that the market is constantly evolving and converging. For example, tablets like the iPad sit between the smartphone and PC, but all are now connected to the Internet. Users increasingly want a solution protecting all of their connected devices since any one device can become the weak link. Our solutions are therefore designed for mobile devices, PCs and other network connected devices such as Network Attached Storage (NAS) devices and, during 2016, smart TVs and set-top boxes. We see bundled products protecting multiple devices becoming more popular with customers.

Our product range currently comprises:

- ***Defenx Mobile Security Suite*** – protection from data loss, viruses and other malware intrusion*, phishing and other attack for Google's Android, Apple's iOS and, since April 2016, Microsoft's Windows 10 operating system.
- ***Defenx Security Suite and Defenx Antivirus*** – full 360° PC protection from data loss and hacker exploits for Windows XP, Vista, Windows 7, 8 and 10.
- NAS Antivirus currently sold as ***Seagate Antivirus*** with their 2, 4, 6 and 8-bay NAS and NAS pro drives providing antivirus protection with daily updates, email updates and event driven notification.
- Since March 2016, ***Defenx Cloud Backup*** provides backup, synchronisation and sharing of data on Windows, Apple and Linux PCs as well as Android, iOS and Windows 10 devices.

In 2015, we invested €1.35 million (2014: €1.21 million) in our products. Our design ethos is to create easy to use, effective and lightweight software that protects users with minimal impact on processor, memory and battery resources. We want users to enjoy using their devices in the knowledge they are protected but undisturbed by Defenx software.



We focus first on Android not only because it is the worldwide market leading mobile platform, but also because as an open system it has been the most attacked platform. However, our channel partners satisfy the needs of Apple and Microsoft users too. So we seek to provide solutions for the full range of devices and operating systems.

So far in 2016, we have launched Defenx Mobile Security Suite for Windows 10 and Defenx Cloud Backup. Defenx Privacy Advisor and Mobile Device Management for families and SMEs will also launch soon as we continue to broaden the Defenx product offering.

* Android only since Apple iOS and Windows 10 currently provide their own malware protection.

Defenx Mobile Security Suite for Android

Our Android solution keeps your data protected, prevents malware intrusions, provides anti-theft features and filters your messages with the following features:

Security & privacy

Virus scanner
Defenx guards your device against millions of viruses, spyware, adware and harmful applications. Information will be gathered and sent to our server for assessment.

Anti-phishing
Defenx protects your personal data when browsing through websites which are considered unsafe, blocking access to the website and taking you back to a safe landing page.

App locking
Defenx can add an extra layer of security by locking personal applications like Amazon, Facebook, or WhatsApp.

Safe browsing
This Defenx module allows the user control of the browser so that entire categories of websites can be blocked.

Theft protection

Locate
Is your device missing? Stolen? Use our web portal to locate your device, there you will be shown on Google Maps the exact location with a pin.

Lock & wipe
Log in to mdm.defenx.com from any browser to quickly lock your device or delete your personal data if it is missing or stolen.

SIM protection
In the event of a SIM change, notification will be sent via email and SMS, allowing you to respond quickly in the event of theft.

Utilities

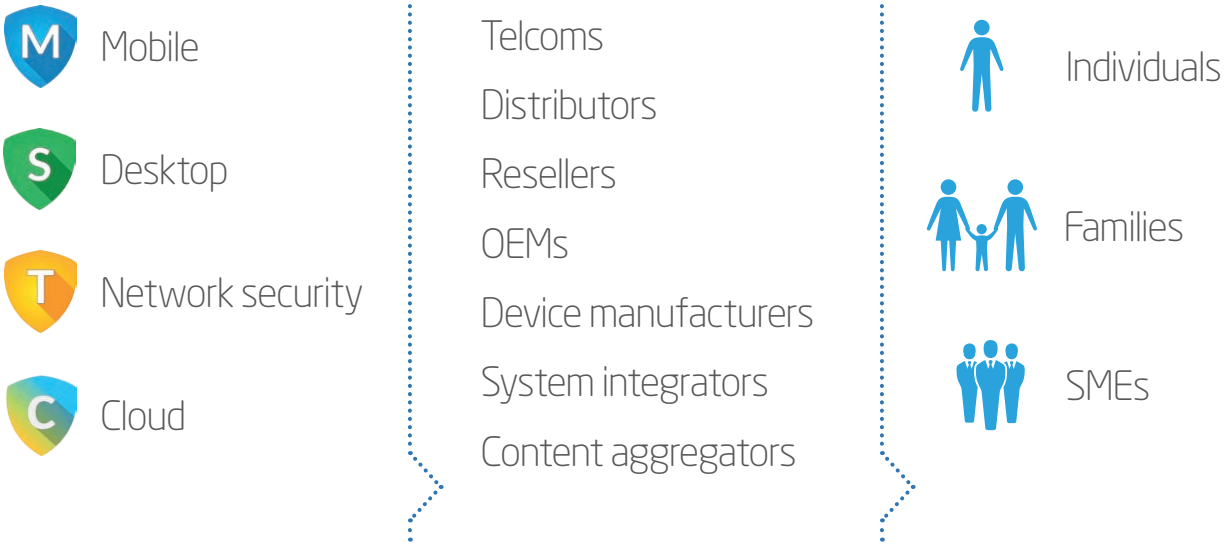
SMS/MMS filtering
Defenx offers complete control of SMS and MMS messages. The easy-to-use module will help you minimise SPAM by identifying them as either welcome (whitelist) or unwelcome (blacklist).

Scanner scheduler
To ensure your device is always malware free, with Defenx Scheduler you can plan weekly scans. Simply choose your favourite days and set the time; Defenx will do the rest.

Activity log
With the activity log, you can have a quick summary of what events the Defenx application has performed and when.

App manager
Get a view of all your installed and running applications, drill down to see specific information associated with each application.

Delivery + growth



Route to market

Defenx sells to businesses who already have customer relationships with potential end-users for our products and solutions.

This strategy is not just about cost-effective distribution. We seek also to improve our channel partners' revenues and margins by providing a value-adding proposition for their customers.

We do this by:

- Sharing revenue with channel partners not only on the initial sale, but also on subsequent renewals – we do not disintermediate our channel partners.
- White labelling to allow our channel partners to build their brands.
- Integrating with our channel partners' sales and marketing, billing and other IT systems.

In essence, we help our channel partners discuss security issues with their customers, generating more trusting relationships, incremental sales and brand loyalty. In turn, we gain valuable insight into what our end-users want in their security solutions.

We call this our business-to-business-to-consumer (B2B2C) strategy. It is not common in the industry and, we believe, provides Defenx with competitive advantages in speed to market, customer acquisition cost and retention.

Channel partners provide marketing support through sales force training, point-of-sale support, marketing activities, and display and advertising materials in order to protect and project the Defenx brand.

Addressable market

3.6bn
Mobile subscribers

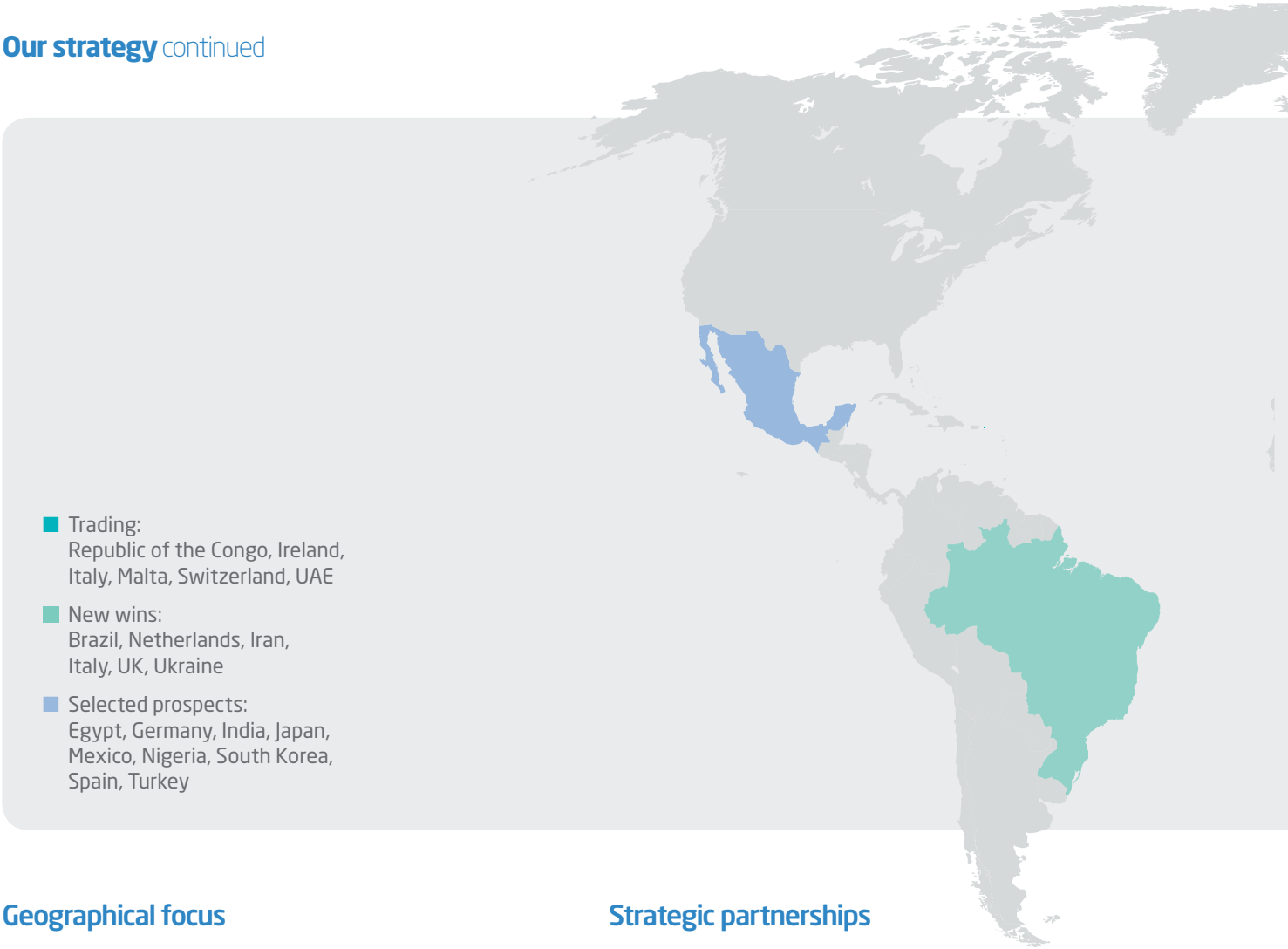
1.8bn
PCs

'Billions'
Network devices

Our channel partners include:

- Telecoms operators – mobile security is becoming a must-have that operators can promote as a value added service to increase revenues and margins.
- Distributors and resellers – many end-users buy mobile devices and PCs in-store where the addition, for example as part of a bundle, of a security solution can increase retailers' sales and margins.
- Device manufacturers – hardware is often commoditised with bundled software the key way to differentiate products in the eyes of the consumer.
- System integrators – security is now a critical component of most IT systems.
- Other vendors – many other businesses find a security solution helps to drive sales and margins.

Strategy in action page 14



Geographical focus

Our focus is Europe – our home and likely to become the region with the strongest privacy regulations – Asia, the Middle East and Africa (MEA) and Latin America. We do not directly market into North America, Russia or China since these markets are well served domestically and, more importantly, appear to be diverging from Europe in their approach to privacy.

The smartphone market in emerging markets is growing rapidly due, in part, to sales of low and mid-price smartphones. Africa is a particularly interesting market for Defenx. In 2012, there were 79 million smartphone connections in Africa; by 2018, this figure is expected to rise to 412 million[1]. Africa is already a world leader in mobile money, with the adoption of mobile banking growing exponentially and a proliferation of digital ventures and services. We expect this growth to translate into multiple opportunities to sign-up new channel partners.

Strategic partnerships

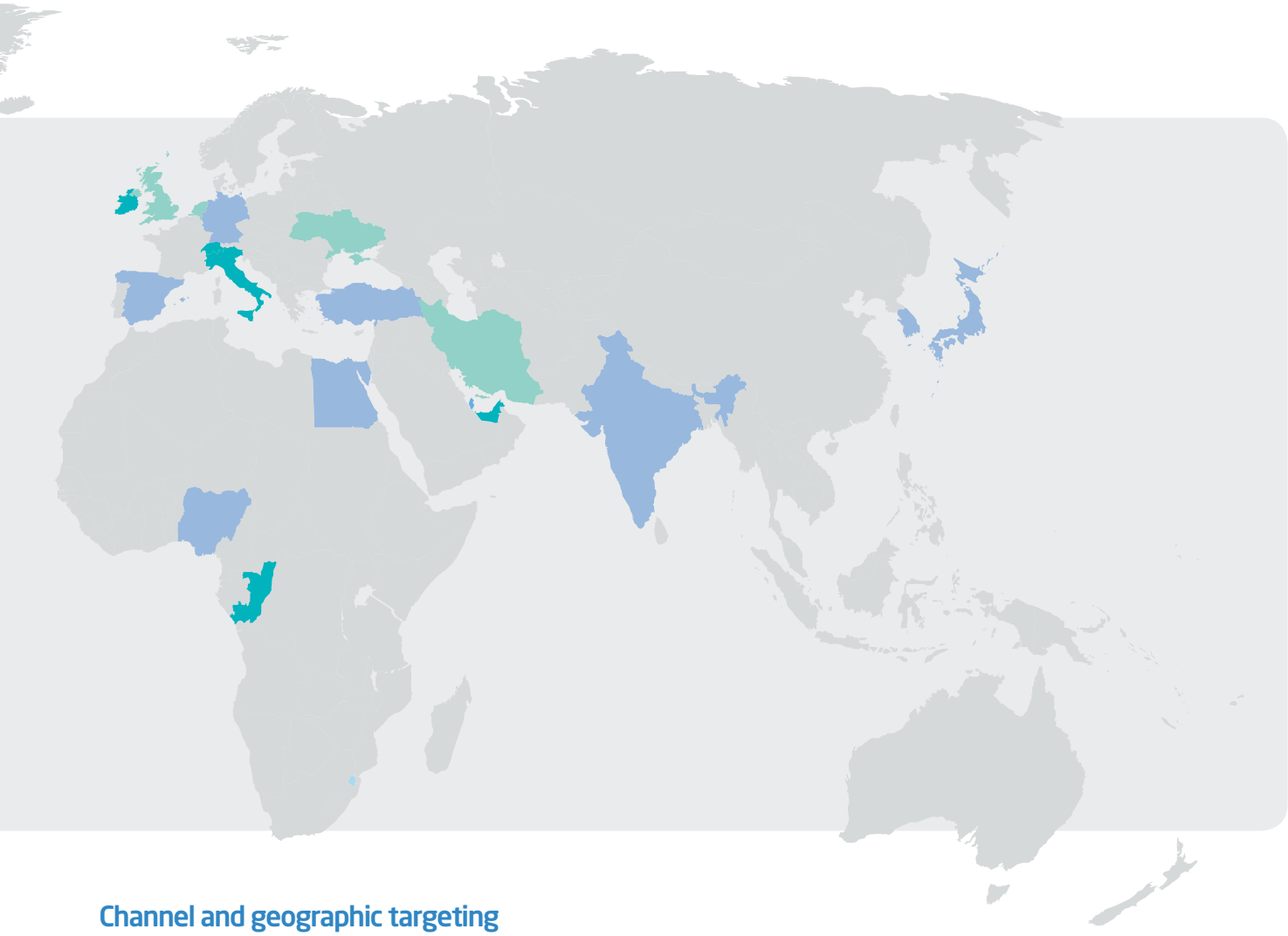
As a result of the growing number of channel partners, Defenx provides an ideal sales platform for technology businesses without their own marketing capacity and expertise. While Defenx's strategy is focused on identifying market needs, developing and owning its own software, we can sometimes move faster by partnering with other technology owners.

In January 2016, we announced a strategic partnership with Memopal Srl (see box). Memopal has developed its own multi-language Cloud backup, synchronisation and file sharing software solution for PCs and mobile devices.

We see a perfect fit between Defenx's security solutions (making devices safe) and Cloud backup (making data secure) to provide more effective device protection. Security+Backup= Protection. For example, rolling back to an earlier copy of data from an uninfected backup is currently the best way to deal with ransomware; now a rapidly growing problem.

Since March 2016, our product range has included a Defenx-branded Cloud backup and sync solution sold on a revenue sharing basis with Memopal.

Your Board will continue to seek out similar technologies to broaden Defenx's product offering. We will carefully consider the acquisition strategy – M&A, licensing or strategic partnership – subject to the availability of funding and the interests of Defenx and shareholders.



Channel and geographic targeting

The Board segments the market by channel and geography. The cost, timeframe and risk profile of investment varies significantly by market. The Board seeks to balance these attributes in growing sustainable sales and building long-term shareholder value.

Defenx currently classifies and targets channel partners as follows:

Channel	Selected partners[2]
• Telecoms operators – mobile security is becoming a must-have that operators can promote as a value added service to increase revenues and margins	3Italia (Italy), Du and Etilsat (UAE), MCI (Iran)
• Distributors and resellers – many end-users buy mobile devices and PCs in shops where the addition, for example as part of a bundle, of a security solution can increase retailers' sales and margins	Brigantia (UK), Media Web (Italy), Total Import Solutions (Ireland)
• Device manufacturers – hardware is often commoditised with bundled software being the key way to differentiate products in the eyes of the consumer	Seagate (France and US)
• System integrators and other vendors – security is now a critical component of most systems and solutions necessary to drive sales and margins	Aggregando (Brazil), Metrological (Netherlands), Memopal (Italy), Safe Active (Italy)

1 Africa Telecoms Outlook 2014, Informa Telecoms & Media.
2 Channel partners and other direct customers of the Group and their customers.

Solving challenges + getting results

3Italia

During 2015 we became 3Italia's anti-malware provider. Providing Defenx Mobile Security to their mobile customers will increase their ARPU. Since we share revenue with them month-in, month-out they also benefit from increased margins in an increasingly competitive market.

We have integrated with their systems allowing their customers to be billed monthly; something other providers are often reluctant to do. 3Italia sends text messages and emails promoting Defenx Mobile Security, which is sold online and in their 3Store retail outlets.

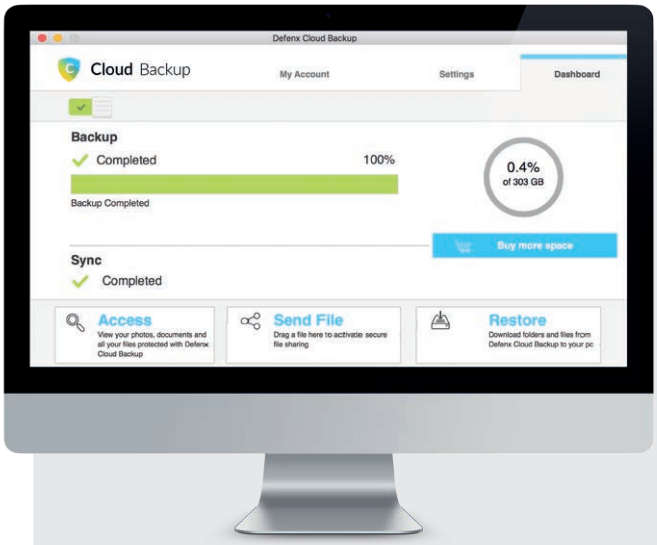
Memopal strategic partnership

In January 2016, we announced the strategic partnership with Memopal Srl. The partnership demonstrates our ability, through our channel partners, to distribute complementary security solutions to end-users.

Memopal, based on the Pi Campus in Rome (www.picampus.it), developed its own software for Cloud storage and sync.

Memopal provides users with backup, file synchronisation and sharing for an annual fee as well as licensing its technology to corporate users and channel partners who operate their own Cloud storage facilities.

Since March 2016, our product range has included a Defenx-branded Cloud backup solution sold on a revenue sharing basis with Memopal.



Seagate Technology

Seagate, a leader in hard disk technology, sought an antvirus solution for factory installation on consumer and small enterprise Network Attached Storage (NAS) drives. Defenx was one of only a few to respond to their tender for a multi-OS aware solution.

Following 12 months' development, the consumer solution was launched in 2014 followed by the enterprise solution in 2015.

Sales Resource Management (SRM) system

We launched the SRM system, a proprietary Cloud-based licence sales and tracking tool for distributors and their resellers, in late 2014. It offers significant benefits to both Defenx and its distributors:

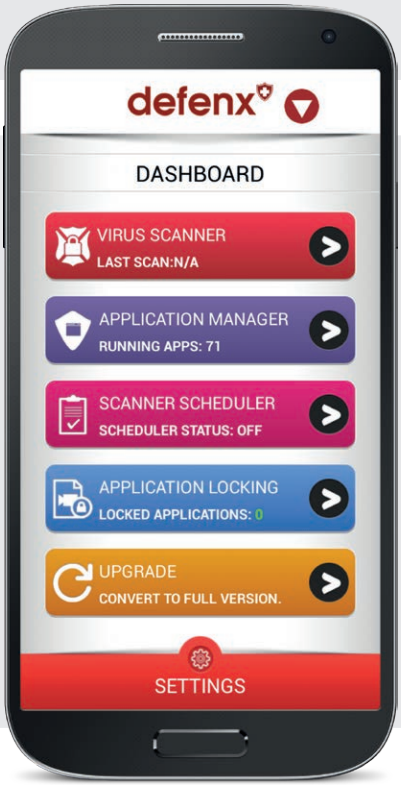
- Distributors have an easy to use inventory management platform to purchase licences, monitor their sales and track end-user licence activation on a 24/7 basis. Licence activation data allows distributors to anticipate licence expiry, make contact with customers and generate renewal revenue.
- Defenx can monitor distributor activity and licence sales in real-time on an individual, but also aggregated basis. As the use of the SRM system increases, this data will provide valuable insight in customer demand, licence usage and renewal activity by product, channel and geography.

As at the end of 2015, the SRM system was used by four distributors who, in turn, manage 120 resellers. Distributor feedback has been extremely positive and we expect the SRM system to help attract and retain distribution channel partners. Defenx's additional sales and marketing overhead for a new distributor using the SRM system is far lower than managing the customer relationship by phone and email.

Mobile device insurer

Our largest customer in 2015, an insurer of mobile devices, bundles Defenx Security Suite with its mobile device insurance.

In response to an increasingly commoditised insurance market they sought means to generate sales and improve margins. Bundling physical and digital security was the solution. In the first year, our share of revenue was over €1 million.



Transformation + development

Dear shareholder

A year of transformation
2015 was a transformative year in the development of Defenx.

We successfully joined AIM, the junior market of the London Stock Exchange, on 3 December after a year of hard work. I am pleased that the shareholders who invested in our private placing during 2014 have seen this next stage of development and an uplift in the value of their investment. I hope they and our IPO investors will continue to support us on our journey.

The IPO is also important for the Group as not only does it give us access to equity capital markets as we seek to grow the business, but it has also resulted in enhanced governance and improved disciplines which we implemented in preparation for our IPO.

You have already heard from our Chairman on the appointments to the Board. We have also improved our infrastructure across the organisation by formalising employment contracts, introducing new remuneration structures aligned with our strategy and implementing cloud-based systems that facilitate the production of, and access, to sales and financial information and reports.

Delivering the strategy
Defenx's strategy can be framed simply as technology marketing: we know how to develop security software and market solutions to meet the needs of end-users.

During the year we successfully launched Defenx Mobile Security Suite for iOS, the Enterprise NAS software for our storage partner, Seagate, and completed the systems integration with 3Italia enabling them to bill customers on a monthly basis from their webstore and over 3,000 outlets across Italy.

At the start of 2015, two new channel partners joined us. I am pleased to report that they both exceeded the annual sales targets set at the outset. We also implemented new agreements with channel partners under which Defenx provides a contribution towards their marketing activities, payable in arrears, but only if they achieve the pre-agreed sales targets. We expect this to increase the effectiveness of marketing activities undertaken by our channel partners and to improve our working capital position.

By 31 December 2015, agreements have been signed with seven major distributors who, in turn, have access to hundreds of resellers across Europe, the Middle East and Africa. In 2016, we intend to further Defenx's marketing efforts across Africa, Asia and Latin America.

Our in-house Sales Resource Management (SRM) system allows our partners to save time and costs, so they can easily manage licence inventory and reordering. The SRM control panel allows resellers to see when their customers are ready for renewal and plan marketing campaigns to renew or up-sell. The SRM can be accessed online 24 hours a day, seven days a week, 365 days a year.

Product development
Using the proceeds of the private placing from 2014, we were able to continue the development of our software. Immediately following the IPO, our software developers started work on a range of upgrades and new products at an expected cost of around €2 million. In April 2016, we announced the launch of Defenx Mobile Security Suite for Windows 10 and Defenx Cloud Backup.

Defenx Mobile Security Suite for Windows 10 Phone was the first major product release since the IPO and delivers on the commitment made at the time to complete the development of full Windows 10 and PC compatibility. Defenx Mobile Security Suite, already available for Android and iOS, now runs on over 90% of smartphone platforms.

Defenx Cloud Backup significantly expands our product portfolio. It offers online backup, synchronisation and sharing of files across multiple mobile and desktop devices. The suite of features, such as online-only access to free up memory/disk space, unlimited version history and selective backup, is commonly not available with other products. Defenx Cloud Backup is available in 16 different languages.

New feature and upgrade work continues for Android and iOS along with the development of Defenx Privacy Advisor and mobile device management solutions for families and SMEs to broaden the Defenx product offering further.

Financial
I am pleased that despite the pressures of the IPO, we were able to grow revenue during 2015 to €4.5 million, an 88% year-on-year increase on 2014. We also maintained our record of profitable growth since 2012. We report in detail on the financial performance of Defenx during 2015 on pages 18 to 20.

We continue to operate a lean team, believing that a broader range of expertise can be mobilised more rapidly and cost effectively on an outsourced basis. In addition to the three Executive Directors, there have been on average three senior staff working from our Swiss office. Other sales, marketing, development and finance resources have been engaged as needed on an outsourced basis.

Corporate and social responsibility
Our software is optimised for mobile devices running on battery power. We seek to maximise its efficiency by reducing the impact on processing capacity and memory. Our products therefore have lower power consumption reducing the frequency of battery recharging: a small, but scalable contribution to the environment.

In common with many businesses, our greatest impact on the environment comes from travel, notably air travel. We seek to use modern communications to limit air travel as far as possible.

Current trading and outlook
Trading in the first quarter is in line with expectations. Our focus continues to be delivery of new and updated products to drive sales growth through existing and new channel partners.

In light of the modest funds raised at IPO, senior management including the Executive Directors, agreed to a one third reduction of their contractual salary entitlements for 2016, a saving of around €200,000.

Since the beginning of the year, we have engaged additional sales resources based in the UK, agreed revised terms with our development partner in Romania and signed sales and distribution contracts with Brigantia (UK), Metrological (Netherlands) and Memopal (Italy).

We actively continue to seek new channel partners across Europe, the Middle East and Africa. A number of negotiations are at an advanced stage and I hope to be able to announce further progress soon. Longer term, we continue to engage with potential partners in Asia and Latin America and hope to broaden our geographic footprint during 2016.

I continue to believe that with our B2B2C strategy described above, increasingly coming into shape, Defenx is well-positioned to deliver value to shareholders in the year ahead.

The Strategic Report, which includes the Chief Executive Officer's Review, was approved by the Board of Directors and signed on its behalf.

Andrea Stecconi
Chief Executive Officer

18 April 2016

Growth + opportunity

Highlights

- Group revenues grew 88% to €4.49 million (2014: €2.38 million) with mobile revenues accounting for around 70% of our business
- Gross profit margins increased to 88.6% (2014: 85.4%)
- Operating profit before exceptional costs rose 22% to €979,000 (2014: €805,000)
- Defenx closed the year with a significantly stronger balance sheet – total equity increased to €5.81 million (2014: €2.05 million) representing a net asset value per share of €1.28 (2014: €0.64)
- Year end cash balances stood at €1.33 million (2014: €206,000)
- Earnings per share (EPS) for the year was 4.2¢ (2014: 16.7¢) undiluted and 3.9¢ (2014: 15.9¢) diluted

Revenues

Group revenues grew 88% to €4.49 million (2014: €2.38 million) driven primarily by new channel partner wins at the start of 2015. Mobile revenues continued to account for around 70% of our business with the balance from PC and Server segments. Although we see the focus on mobile device protection continuing, we are beginning to see the sale of software bundles – providing protection for Mobile, PC and, in due course, Server segments – increasing in popularity.

Margins

Gross profit margins increased to 88.6% (2014: 85.4%) due to sales growth exceeding the rise in amortisation charges to €477,000 (2014: €160,000) following the launch of Defenx Mobile Security Suite for iOS and a full year's amortisation of our NAS software. Cost of sales also includes sales commissions expensed customer integration and software maintenance costs.

With the introduction of Defenx Cloud Backup in March 2016, for which there are additional storage, connectivity and labour costs of sales, we anticipate gross margins will fall modestly during 2016 dependent on the mix of security software licence and Cloud backup service sales.

The operating profit margin (before exceptional costs) of 21.8% (2014: 33.8%) reflects the step change in the Group's cost base this year creating the platform for growth we now have. Being largely fixed costs, we anticipate operating margins improving during 2016.

Expenses

Marketing contributions and staff costs account for the majority of the Group's ongoing operating expenses. Marketing contributions towards developing the Defenx brand, which are typically paid to channel partners only upon the achievement of pre-agreed sales targets, increased to €1.45 million (2014: €0.74 million) a modest rise to 32.3% (2014: 31.2%) as a proportion of sales.

Staff costs increased to €691,000 (2014: €114,000) with the three additions to the Board and alignment of remuneration to market rates. We continue to engage most sales and development resources as contractors at an additional cost during the year of €114,000 (2014: €130,000) excluding software development costs that have been capitalised.

The Group aims to incentivise and retain key staff through the use of share options and implemented share option schemes during the year. The Group incurred a share-based payment charge of €60,343 (2014: €nil) in respect of the 465,625 share options granted to Directors and staff and 60,989 warrants granted at IPO.

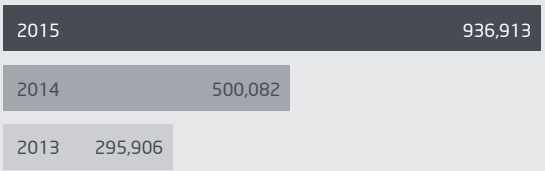
Other administrative expenses increased to €692,000 (2014: €327,000).

Key Performance Indicators

The Group reports the following key performance indicators as part of its monthly Board reporting:

Non-financial

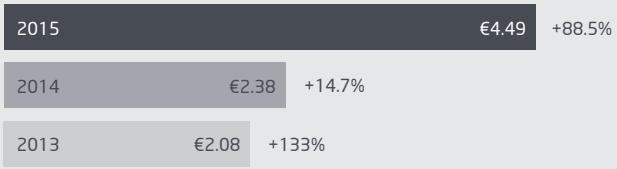
Active users



This is what the Board has always focused on. It represents the number of licences that are active at a point in time, being the number of end-users protected by Defenx software.

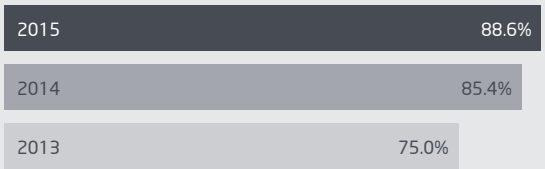
Financial

Revenue € millions



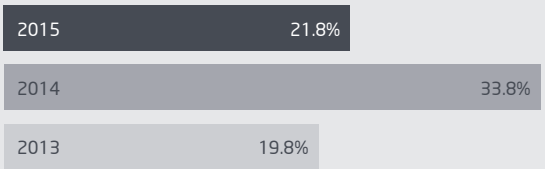
Revenue and revenue growth provides the evidence that our software is purchased and used.

Gross profit margin



Gross profit reflects revenues less direct costs of sales and the amortisation of capitalised software costs. The Board believes the gross margins trends indicate the Group's ability to grow revenues to match the full cost of developing and maintaining its software portfolio.

Operating profit margin



The Board targets growth in operating margins to ensure sales, marketing and administrative costs are controlled and to drive efficiency in the Group's operations.

Profitability
Operating profit before exceptional costs rose 22% to €979,000 (2014: €805,000). Exceptional IPO costs of €614,000 and net interest expenses resulted in profit before tax of €362,000 (2014: €761,000).

With the transition to the Euro as the Group's functional currency on 1 January 2015, reflecting the currency in which the majority of the Group's business is transacted, there are no longer any exchange differences on consolidation.

Taxation
The Group's effective tax rate for the year was 64.6% (2014: 26.9%) reflecting the loss incurred by Defenx PLC itself. Although we expect to be able to utilise the carried forward UK tax losses, there is insufficient certainty to justify recording a deferred tax asset on the balance sheet. We keep the Group's operations under review to ensure taxes are paid that fairly reflect activities in the UK and Switzerland.

Cash flow
The net cash outflow from operating activities was €1.92 million (2014: €534,000) reflecting an increase in net trade receivables to €2.17 million (2014: €561,000) and the one-off payment of IPO related fees in December. We continue to work with our channel partners to accelerate the receipt of debtors, although extended terms are common in Southern Europe, the Middle East and Africa.

The cash outflow from investing activities reflects continued investment in our software assets. During the year, capitalised software development costs were €1.35 million (2014: €1.21 million).

The net cash inflow from financing activities reflects the €2.78 million net proceeds of the IPO received in December 2015 and the final closings from the 2014 private placing of €735,000.

Balance sheet
The net book value of capitalised development costs increased to €2.61 million (2014: €1.72 million) reflecting the completion of work on Defenx Mobile Security of iOS, our Enterprise NAS product and the integration work with a number of channel partners' systems. Having assessed the sales prospects for our software products, the Board is satisfied that carrying value of these intangible assets is appropriate.

Net current assets increased to €3.21 million (2014: €326,000) including year end trade receivables of €2.83 million (2014: €1.02 million) and cash balances of €1.33 million (2014: €206,000). Credit risk is managed by regular review of outstanding and overdue balances and dialogue with customers. Collections since the year end so far exceed the amounts agreed with customers and represent a reduction in receivables as a proportion of sales. The provision for bad debts fell to €270,000 (2014: €417,000).

Cash deposits are held in Euro, Sterling, Swiss Francs and US Dollars and placed on deposit in the UK and Switzerland. Cash forecasts are updated monthly to ensure that sufficient cash is available for foreseeable requirements. The Group had no debt at 31 December 2015.

The deferred revenue provision increased to €315,000 (2014: €145,000) representing the proportion of 2015 sales attributable to the provision of virus definition updates and support over the licence period outstanding at the year end. Defenx closed the year with a significantly stronger balance sheet. Total equity attributable to equity holders increased to €5.81 million (2014: €2.05 million) representing a net asset value per share of €1.28 (2014: €0.64).

EPS and dividends
The earnings per share (EPS) for the year was 4.2¢ (2014: 16.7¢) undiluted and 3.9¢ (2014: 15.9¢) diluted.

At this stage in the Group's development, we intend to reinvest profits in future growth. The Board will review the dividend policy in light of the Group's funding requirements each year. The medium-term intention is to become a dividend paying business.

The Group is in a strong financial position to continue to grow and exploit many exciting opportunities ahead.

Philipp Prince
Chief Financial Officer

18 April 2016

Principal risks and uncertainties

The Board is responsible for developing a comprehensive risk framework and a system of internal controls. The principal risks and uncertainties presented below are those considered by the Board to have a potentially material impact on the Group's ability to achieve its key objectives. They do not include all the risks associated with the Group's activities.

Risk description	Mitigation
Technology The industry in which Defenx operates is in the process of continual change reflecting technical developments as industry and government standards and practices change and emerge. Developing new technologies entails technical and business risks and may require substantial continuing investment. Ineffective development or procurement or significant delays may place the Group at a competitive disadvantage and adversely affect the Group's prospects.	New products and features are carefully assessed against their target markets and in response to channel partner feedback prior to development. Defenx works with expert development partners who have a track record of producing high quality software quickly and at highly competitive costs.
Competition The markets in which Defenx operates are competitive and rapidly evolving. The Group's existing products may become less competitive or even obsolete as competitors introduce new products and customer behaviour changes. Certain of the Group's competitors have greater scale with significant financial, technical, sales and marketing resource and may therefore be better able to generate sales.	Defenx's products have been optimised for mobile devices, the fastest growing product category, which the Board believes reduces the likelihood of obsolescence. The Board further believes that our B2B2C strategy is more efficient with lower customer acquisition costs and higher average revenues per user (ARPU). This efficiency, which is expected to increase with scale, will become a competitive advantage for Defenx.
Retention of channel partners Our B2B2C strategy relies on the attraction and retention of channel partners. These relationships are fundamental to achievement of our business objectives. If we do not retain channel partners whether by reason of competition, mismanagement or other cause, the Group's financial performance could be significantly adversely impacted.	Defenx seeks to attract and retain high quality channel partners by: • offering a growing range of security products and solutions that meet the needs of end-users • providing tools to help partners manage renewals and generate recurring revenues rather than disintermediating them by selling direct to end-users • pricing our products competitively and sharing revenues to give partners fair margins
Recruitment and retention of staff The success of Defenx depends upon high quality staff with the relevant expertise and experience to broaden and sell the Group's products and solutions. Failure to retain these staff and attract and retain other high calibre individuals may adversely affect the Group's performance and profitability.	The Board believes that the Group's focus on the fast growing mobile security market, its recent IPO and strong leadership offers a compelling and refreshing employment proposition.
Operations overseas A rising proportion of Defenx's revenues are generated outside the European Union. The Group may be adversely affected by changes in local and regional economic, political and social conditions such as changes in law and regulation, taxation and currency restrictions. In addition, fluctuating exchange rates and the costs of conversion and exchange controls may have an unfavourable impact on profitability, particularly when reported in Sterling.	By working with channel partners, Defenx leverages their expertise of overseas markets to trade more effectively than by operating directly in such markets. The Group incurs the majority of its costs and generates most of its revenues in Euros. This natural hedging reduces the impact of fluctuations in foreign currencies.
Working capital and funding The Group has many investment choices in its fast growing markets. Growing sales, particularly in new and emerging markets, and new product development requires time and working capital. Poor investment choices may result in weaker or no sales growth, products with limited market potential and limited funding constraining our ability to grow.	The Group is profitable and invests its positive operating cash flows in sales, marketing and software development. It does not need to fund trading losses. All software development and material sales generation activity, for example into new territories, are assessed and prioritised by market potential and risk.

Board of Directors

Anthony Reeves
Chairman

Anthony is an experienced public company chairman and director, having until recently been chairman of Kellan Group plc, the AIM listed recruitment business. He remains chairman of CloudTag Inc, an AIM listed company which develops wearable devices for sports and personal monitoring. Anthony spent some 45 years in the recruitment sector; in addition to his time at Kellan, he was also chair and CEO at both hotgroup plc and at Delphi Group (before it was acquired by Adecco) and Lifetime Corporation, then a public company listed on the New York Stock Exchange. With his many years of board experience, Anthony ensures that appropriate issues are discussed and debated objectively, whilst providing a constructive challenge to the executive team.

Andrea Stecconi
Chief Executive Officer

Andrea founded Defenx in 2009, following over 20 years in retail and software distribution. This included 10 years as chief executive at Exa Media spa, a media software developer based in Italy where he successfully developed the distribution network including the introduction of Kaspersky PC security software. Previously he had been chief executive of Best Computer srl, an Italian-based PC and electronics chain, where he was responsible for market facing and operational aspects of the company. Andrea brings extensive marketing and channel development skills to the Group's operations and provides strategic direction with a particular focus on lead generation and customer engagement.

Guido Branca
Chief Operating Officer

Guido is a technology manager with over 25 years' experience in IT and systems implementation working with many IT, telecom and software companies. He has worked with technology start-ups in the USA, India, Russia, Western Europe, the Nordics and Israel. Prior to joining the Company, he was managing director at Charles Street Securities Europe LLP where he supervised portfolio investment and originated technology transactions. Guido leads on UK and Western European sales and the related operations to ensure profitable delivery of our solutions.

Philipp Prince
Chief Financial Officer

Philipp has over 20 years' experience as a chartered accountant, having qualified with Stoy Hayward (now BDO LLP) in 1995. He spent 16 years in corporate finance, becoming a partner in 2002, during which time he led over 50 capital market transactions, which raised in aggregate approximately £4 billion. Prior to joining the Company Philipp was CFO at Enecsys, a Silicon Valley based business. As CFO, Philipp brings a wealth of experience in financial management, reporting, governance and investor perspectives.

Leonard Seelig
Non-executive Director

Leonard is an experienced company director. After a successful career in finance over 25 years which included senior roles in the US and Europe with American banks, he is now involved both at an operating and board level in a number of companies including an anaerobic digestion operating and development company, a European on-shore wind developer and a solar energy development finance company active in Europe, North America and emerging markets. He is currently non-executive chair of an AIM listed technology company. Leonard provides a commercial and financial perspective to the decisions facing the Board.

Chairman's statement on governance

Dear shareholder

In this short period since Defenx joined AIM, our focus as a Board has been to establish the framework of governance. As an AIM company we are not required to comply with the UK Governance code (UK Code). We are, however, committed to following the principles set out in the Quoted Companies Alliance Corporate Governance Code (QCA Code), widely accepted as being the industry standard for growing companies to which the UK Code does not apply, together with the provisions of the Corporate Governance Code, to the extent we consider them appropriate having regard to the current size and stage of development of the Company.

The IPO was the catalyst for Defenx to establish good governance arrangements which will form the foundation for the future. Having joined the Board in preparation for IPO, the Non-executive Directors, being Leonard Seelig and myself, established two committees, namely Audit and Remuneration, with clearly defined responsibilities in their terms of reference. Summaries are available on the Company's website at www.defenx.com/company/investors.

We believe we have established a Board with a range of backgrounds that provide the right mix of sector specific and corporate knowledge and experience.

The reports from the Committee chairmen are set out on pages 26 to 30 and you will hear from them how Defenx is developing its governance framework. We see the evolution of good governance going hand in hand with the evolution of the Group. We believe that high standards of governance will make an important contribution to shareholder value in the future.

Future plans
We do not currently anticipate any succession issues but recognise that it may be necessary to recruit either replacement or additional Directors and senior management. We will therefore consider the need to create a Nominations Committee to consider the suitability of any proposed Directors and make recommendations to the Board.

Anthony Reeves
Chairman

18 April 2016

The Board

The Board comprises a balanced mix of executives and non-executives with a combination of relevant skills and experience, designed to ensure there is effective leadership of the Group. Directors' biographies appear on page 22 and 23.

Both Non-executive Directors are considered by the Board to be independent, Anthony Reeves having fulfilled the test of independence on his appointment. In determining that the two non-executives are independent the Board considered the individual's interests in the Company's shares and the share options granted to them. The Board determined that these interests aligned the Directors' interests with those of the Group and bearing in mind the small percentages held, that the non-executives remained independent.

Between IPO and the financial year end there was one Board meeting. Since the year-end and prior to the approval of the Annual Report, four regular Board meetings have been held which were attended by all the Directors.

The Board is responsible for setting strategy, performance and for the stewardship of the Group, within the framework of effective controls which enable risk to be assessed and managed. Importance is placed on maintaining a robust control environment.

Anthony Reeves is responsible for the leadership of the Board, ensuring its effective operation and setting the agenda. Andrea Stecconi as Chief Executive Officer is responsible for day-to-day operations. The Directors have access to the services of a Company Secretary through Equiniti David Venus Limited who provides advice on company legal and corporate governance matters. In addition, the Directors are able to take independent legal advice at the Company's cost if so required.

Board performance evaluation
The Board is committed to undertaking reviews of Board and committee performance and of individual Board members every year and the first review, which will include the identification of any training needs for the Board, will be conducted within 12 months of the IPO.

Risk management and internal control
The Board is responsible for determining the nature and extent of major risks which face the Group and for establishing and maintaining a risk management framework and system of internal financial controls. A summary of the principal risks identified by the Group and how these are mitigated is set out on pages page 21. The key elements of the Group's risk framework and internal control systems are:

- A schedule of matters reserved for decision by the Board
- Defined responsibilities and authority limits
- Close involvement of the Executive Directors and other members of senior management in day-to-day operations
- Monthly management reporting
- Comprehensive annual budgeting process and monitoring of performance against budget

The Board discusses all business matters having regard to the risk for the Group and to the extent that risks inherent in a particular activity are considered significant, appropriate action is taken and steps taken to mitigate the issue.

Going concern
The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the Group and Company financial statements.

Relations with shareholders
The Directors are committed to regular engagement with existing shareholders and prospective investors and will make themselves available to meet existing and potential investors in London during the weeks in which Board meetings are held.

In accordance with good governance, the Company has entered into a relationship agreement with its major shareholder, who is also our Chief Executive Officer, designed to ensure the independent operation of the Group without undue influence, requiring that all transactions between Andrea Stecconi and his associates to be conducted at arm's length and on normal commercial terms. He may also not vote on transactions involving himself and his associates. Andrea Stecconi has undertaken to the Company and to Strand Hanson, the Company's Nominated Adviser, to procure that there will be at least two independent Directors on the Board and the Board committees will comprise a majority of independent Directors. The agreement requires amongst other things that the approval of Strand Hanson is required before additional Directors are appointed.

The Directors, Angelo Motti, Mauro Celentano and Marco Moschetta, who in aggregate hold 2,344,054 (38.4% of the) Ordinary Shares, agreed not sell or otherwise dispose of any of their shares, subject to certain limited exceptions, during the 12 months to 2 December 2016. Normal orderly market provisions apply for a further 12 months.

In addition, Charles Street Securities Europe LLP, CSS Capital Managers LLP and certain principals, related or associated entities, who in aggregate hold 225,022 (3.7%) Ordinary Shares, agreed not sell or otherwise dispose of any of their shares, subject to certain limited exceptions, during the six months to 2 May 2016. Normal orderly market provisions apply for a further six months. CSS Alpha Fund Limited agreed to normal orderly market provisions until 2 May 2016 in respect of its holding of 89,532 (1.5%) Ordinary Share.

Website
Our corporate website at www.defenx.com/company/investors and relevant social media platforms provide access to Company information, public announcements, published financial reports and contact details.

AGM
The forthcoming AGM will be the first opportunity to meet with the shareholder body as a group and the Chairman and other Directors will be available to meet shareholders and to answer any questions.

Audit committee report

Dear shareholder

This is the first report of the Audit Committee following admission to AIM.

The Committee is responsible for reviewing and reporting to the Board on financial reporting, internal control and risk management, and for reviewing the performance, independence and effectiveness of the external auditors in carrying out the statutory audit. The Committee advises the Board on the statement by the Directors that the Annual Report, when read as a whole is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group's performance, business model and strategy.

In the short period since IPO, our primary focus as a Committee has been to plan for and monitor the integrity of the annual financial statements and the audit thereof.

In the coming year, in addition to our ongoing duties we will be:

- Undertaking a comprehensive review of ongoing audit and tax services.
- Considering the impact on the Group of the introduction of International Financial Reporting Standard (IFRS) 15 'Revenue from Contracts with Customers'.
- Keeping the need for an internal audit function under review, having regard to the Company's strategy and resources.

Leonard Seelig
Chairman of the Audit Committee

8 April 2016

Committee members and attendance

The Audit Committee comprises Anthony Reeves and Leonard Seelig who chairs the Committee. In the period since IPO the Committee has met twice and both members of the Committee attended on each occasion. In addition Philipp Prince, the Finance Director, attended by invitation as did representatives of haysmacintyre, the Company and Group's auditors.

The Board considers that Leonard Seelig has sufficient relevant financial experience to chair the Audit Committee given his 25-year career in banking and finance.

Key activities from IPO to the issue of the Annual Report

- Planned for the financial year-end and reviewed the audit plan
- Assessed the key risks which have a material impact on the financial statements.
- Considered the independence and objectivity of the auditors.
- Reviewed significant issues and areas of judgement with the potential to have a material impact on the financial statements, making specific recommendations to the Board thereon.
- Reviewed and monitored the integrity of the published financial information including the preliminary announcement and the Annual Report.

Financial reporting and significant financial judgements

At the first meeting with haysmacintyre the Committee discussed the nature and scope of the audit; the audit approach; the major risks likely to be encountered; the audit evidence that would be available in relation to key risks and the key accounting policies to ensure that these remained appropriate.

At its second meeting, the Committee discussed how the risk areas previously identified had been dealt with and how judgements or uncertainties underlying the financial statements had been resolved.

Revenue recognition

The Committee discussed business developments in the sector, in particular the increasing frequency with which the Group's channel partners adopt a 'bundling' strategy for selling software which gives rise to licences sold by Defenx not necessarily being activated. The Committee was satisfied that the consequential judgement taken on licences sold and not activated and therefore the timing of release of deferred revenue in the accounts was appropriate. The Committee also took into account an initial appraisal that the impact of adopting IFRS 15 in subsequent years would not make a material change to the Group's revenue recognition policy.

Recoverability of debtors
The Committee reviewed the track record of payments and after-date recoveries from slow-paying debtors. In the light of this evidence and having regard to the payment profile being considered typical for the sector and the relevant geographical regions, the Committee was satisfied that trade receivables were fairly stated.

Share-based payments
The Committee discussed the assumptions which should be adopted in accounting for share-based payments and recognising that these involve a certain amount of judgement complexity, concluded that in the absence of a track record of exercising options, the assumption that an effective life-span of five years, compared with an option period of up to 10 years, was not an unreasonable assumption. Further details of the assumptions made are contained in note 18 to the financial statements.

Going concern
The Committee reviewed the cash flow forecasts for the Group and discussed the key assumptions and risks relevant to their achievement. The Committee was satisfied that the basis for adopting the going concern basis in preparing the Group and Company financial statements, set out in note 1 on page 39, was reasonable.

Valuation of intangible assets
The Board considered the intangible value attributed to the mobile segment and was satisfied that the anticipated level of future revenues is sufficient to support the carrying value. The Committee reviewed the carrying value of the Network Attached Storage (NAS) product in conjunction with recent customer interest and pipeline activity and concluded that the carrying value of the asset was supported by potential future cash flows. The auditors concurred with the Committee's conclusions.

Risk review process
The Audit Committee is responsible for reviewing the financial risks and the internal controls relating thereto but the Board as a whole has responsibility for reviewing the overall business risks and risk management framework. The Group's principal risks and uncertainties are set out in the Strategic Report together with mitigating actions and the internal controls and risk management procedures are summarised in the Corporate Governance Report.

External auditor
The Committee reviewed the effectiveness of the audit carried out at the time of the AIM IPO and has undertaken a further such review immediately prior to publishing this report. In doing so, members of the Committee spoke to the Chief Financial Officer, Chief Executive Officer and members of senior management. The Committee continues to be satisfied that the auditors are delivering the necessary scrupulousness and robust challenge in their work. In keeping with good governance, the Committee will be undertaking a comprehensive review of ongoing audit services before the end of the calendar year which will include both technical aspects and delivery of service.

External audit and non-audit services
haysmacintyre acted as reporting accountant on the Company's IPO and has also provided tax advisory services. An analysis of the audit and non-audit fees is provided in note 6 to the financial statements. The Audit Committee considered the independence and objectivity of haysmacintyre in carrying out both tax and audit services together with the reporting accountant work on the IPO. The Committee was satisfied with the written assurances received that the work undertaken haysmacintyre did not pose a threat to their objectivity and independence.

Remuneration report

Dear shareholder

Following the Company's admission to AIM on 3 December 2015, the Remuneration Committee assumed responsibility for determining the remuneration policy for the Executive Directors and other members of senior management and for overseeing the Company's share plans. The Board as a whole are responsible for determining Non-executive Directors' remuneration.

As an AIM company, we are not required to publish a Remuneration Report and so the report that follows is disclosed voluntarily and has not been subject to audit.

In the short period since admission, the Committee has had one meeting and so the primary purpose of this report is to provide you with further information on the role of the Committee going forward and to disclose the current remuneration of the Directors.

During the current financial year, we have reviewed the bonus arrangements payable to our Executive Directors on admission to AIM and the Board acted on our recommendations. Since the year end we have also reviewed Executive Directors' salaries and increased the performance-related bonus component without altering the overall maximum total package.

In the coming months, we will be undertaking a review of future remuneration policy, including the potential introduction of a Long Term Incentive Plan and a comprehensive benefits package designed to facilitate retention and recruitment of high calibre members of staff.

Anthony Reeves
Chairman of the Remuneration Committee

18 April 2016

Remuneration Committee and attendance at meetings
The members of the Committee are Anthony Reeves (Chairman) and Leonard Seelig. One meeting has been held since admission to AIM and both the members of the Committee attended that meeting. Andrea Stecconi was in attendance for the relevant part of the meeting but this did not include that part of the meeting where his own remuneration was discussed.

Remuneration policy for Executive Directors
The aim of the remuneration policy is to attract, retain and motivate high calibre senior executives.

The Executive Directors' salaries were reviewed following admission to AIM. In setting salaries, the Committee takes into account individual performance and experience and the relative performance of the Company.

The Committee accepted the Chief Executive Officer's proposal to vary the service agreements such that one third of the Executive Directors' salaries, £120,000 in aggregate, is payable as a bonus. The bonus starts to become payable when profit before tax exceeds 90% of the 2016 budget with the full bonus entitlement being payable if profit before tax exceeds budget by approximately €250,000.

The Executive Directors' service agreements are as follows:

	With Defenx PLC		With Defenx SA		Group total
	Date of service agreement	Current salary[1]	Date of contract	Current salary[1]	
Andrea Stecconi	21 July 2015	£10,000	1 July 2015	£80,000	£90,000
Guido Branca	21 July 2015	£70,000	-	-	£70,000
Philipp Prince	21 July 2015	£80,000	-	-	£80,000

1 Amount denominated in Sterling or Swiss Francs; the amount included in the financial statements will be subject to currency fluctuation.

Andrea Stecconi's service agreement is subject to termination by either party on six months' notice while the agreements for Guido Branca and Philipp Prince specify three months by either party.

Prior to admission to AIM annual salaries were £20,000 from the Company plus CHF 60,000 from the Subsidiary for Andrea Stecconi and £60,000 from the Company for each of Guido Branca and Philipp Prince.

Bonus for the year ended 31 December 2015
Andrea Stecconi and Guido Branca were paid bonuses of €57,077 (£41,250) and €38,748 (£27,500), being 75% and 50% of the respective entitlements specified in their service agreements following admission to AIM. This variation was approved by the Board having regard to the funds raised from the placing and subscription of the Company's shares upon admission. Philipp Prince received a bonus of €35,225 (£25,000), of which €31,280 (£22,200) was re-invested in shares at the time of admission.

Benefits and allowances
Both Guido Branca and Philipp Prince are entitled to an office allowance of £4,500 per annum in the period prior to the Company opening a London-based head office in May 2016.

Remuneration policy for Non-executive Directors
The Chairman and Non-executive Director provide their services under letters of appointment. The appointments are terminable on three months' notice by either party.

The current annual fees together with the dates of the letters of appointment are:

	Date of letter	Current fee
Anthony Reeves	7 October 2015	£24,000
Leonard Seelig	7 October 2015	£24,000

On admission to AIM, Anthony Reeves and Leonard Seelig received additional fees in connection with the IPO of £19,500 and £16,000 respectively.

Terms of office for Executive and Non-executive Directors
In accordance with the Articles of Association, a third of the Directors must retire from office, by rotation, at the AGM and may be reappointed. Accordingly Messrs Reeves, Prince and Seelig will retire at the AGM and offer themselves for reappointment.

Long term incentives for Executive and Non-executive Directors
EMI Option Scheme
The Company established an EMI Option Scheme to provide incentives to employees, including Directors, to achieve the longer-term objectives of the Group, to give suitable recognition to the ability and industry of the individuals concerned and to attract and retain suitably experienced and able people, by providing them with the opportunity to acquire ownership interests in the Company.

The vesting of the existing options is not conditional on performance conditions; the only vesting condition being that the individual remains an employee of the Group.

The following share option awards were granted to Executive Directors under the EMI Option Scheme:

	Date of grant	Number of shares	Exercise price	Vesting period	Expiry date
Guido Branca	22 July 2015	83,000	£0.80	37,000 on grant; balance over following 20 months from grant	22 July 2025
Guido Branca	3 December 2015	125,000	£1.48	One third on first anniversary; balance over following 24 months from grant	2 December 2025
Philipp Prince	22 July 2015	42,000	£0.80	Over 36 months	22 July 2025
Philipp Prince	3 December 2015	125,000	£1.48	One third on first anniversary; balance over following 24 months from grant	2 December 2025

Unapproved Share Option Scheme

The Company established an Unapproved Share Option Scheme and the following options were granted under this scheme:

	Date of grant	Number of shares	Exercise price	Vesting period	Expiry date
Anthony Reeves	3 December 2015	15,625	£1.48	One third on first anniversary; balance over following 24 months from grant	2 December 2025
Leonard Seelig	3 December 2015	12,500	£1.48	One third on first anniversary; balance over following 24 months from grant	2 December 2025

Disclosure of Directors' remuneration for the year

The remuneration of the Directors who served during the year ended 31 December 2015 is set out below:

	Fees and salaries €	Benefits €	Annual bonus €	Pension €	Total €
Executive					
Andrea Stecconi	81,875	-	57,077	-	138,952
Guido Branca	87,049	3,136	38,748	-	128,933
Philipp Prince	49,255	3,136	35,225	-	87,616
Marco Moschetta	36,078	-	-	-	36,078
Joyce Bigio	14,090	-	-	-	14,090
Non-executive					
Anthony Reeves	8,454	-	27,476	-	35,930
Leonard Seelig	8,454	-	22,544		30,998

The remuneration of the Directors who served during the year ended 31 December 2014 is set out below:

	Fees and salaries €	Benefits €	Annual bonus €	Pension €	Total €
Executive					
Andrea Stecconi	28,683	-	-	-	28,683
Guido Branca	33,188	-	-	-	33,188
Marco Moschetta	10,838	-	-	-	10,838

Directors' interest in shares and share scheme interests

The Directors' beneficial interests in shares, together with their respective families, immediately following admission to AIM and as at 31 December 2015 are shown below together with their interests in share schemes.

Director	Scheme interests in shares – share options without performance conditions	Vested but unexercised options	Shares beneficially owned[1]	Total interest in shares
Andrea Stecconi	-	-	1,608,086	1,608,086
Guido Branca	208,000	27,667	25,002	233,002
Philipp Prince	167,000	5,833	40,005	207,005
Anthony Reeves	15,625	-	31,250	46,875
Leonard Seelig	12,500	-	25,000	37,500

1 Includes those held by connected persons.

Directors' report

The Directors present their report together with the audited financial statements for the year ended 31 December 2015.

Principal activity
Defenx PLC is a public limited company incorporated in England and Wales, registered number 08993398, which is listed on the Alternative Investment Market (AIM) of the London Stock Exchange. Its principal activity is to provide security solutions with a range of products for mobile devices and PCs, protecting them against hackers and data loss. Management and control is exercised from the UK and its main country of operation is Switzerland.

Review of business
The Strategic Report on pages 4 to 21 provides a review of the business, the Group's trading for the year ended 31 December 2015, key performance indicators and an indication of research and future developments as well as the principal risks and uncertainties facing the business.

Results and dividend
The results for the year ended 31 December 2015 are set out in the consolidated statement of comprehensive income on page 34. The Directors do not recommend the payment of a dividend, because the Board believes it is in the Company's interests to retain earnings to fund working capital needs and achieve capital growth.

Directors
The Directors who served during the year ended 31 December 2015 and up to the date of signing the financial statements were as follows:

A Stecconi
G Branca
J Bigio (appointed 18 February 2015, resigned 28 May 2015)
M Moschetta (resigned 19 February 2015)
P Prince (appointed 21 July 2015)
A Reeves (appointed 7 October 2015)
L Seelig (appointed 7 October 2015)

Directors' interests
Details of the Directors' interests in the shares of the Company and details of options granted under the Group's share scheme are set out in the Remuneration Report on pages 28 to 30. No Director has any beneficial interest in the share capital of the subsidiary undertaking. In accordance with the Articles of Association, Anthony Reeves, Philipp Prince and Leonard Seelig will retire by rotation at the 2016 AGM, being held on 22 June 2016 and, being eligible, will offer themselves for re-election.

Qualifying indemnity provision
The officers of the Company are indemnified in respect of proceedings which might be brought by a third party. No cover is provided in respect of fraudulent or dishonest transactions.

Financial risk management policies and objectives
A summary of the Group's key operating risks is set out on page 21. The Group's risk management policies and objectives including exposure to price risk, credit risk, liquidity and cash flow risk are contained in note 16 to the financial statements.

Share capital
On 3 December 2015, the Company's shares were admitted to trading on AIM. On admission, the Company raised £2.1 million before expenses by way of a placing of 448,276 Ordinary shares of £0.018 each and a subscription of 977,378 Ordinary Shares. Details of the movements in the Company's ordinary share capital and deferred share capital are contained in note 17 to the financial statements.

Substantial shareholdings
At 31 March 2015, the Company's significant shareholders were:

	Number of shares	Holding
Andrea Stecconi	1,608,086	26.4%
Defenx Nominees Limited	757,228	12.4%
Angelo Motti	426,890	7.0%
Safe Active srl	337,500	5.5%
Translated srl	331,910	5.4%
Chris Luty	285,000	4.7%

Shareholder agreement
As described above, on 3 December 2015 the Company entered into a relationship agreement with its major shareholder and Chief Executive Officer, Andrea Stecconi that is designed to ensure that while he and his associates have an interest in 20% or more of the voting rights of the issued share capital, any transactions and relationships with Andrea Stecconi and his associates are conducted at arm's length and on normal commercial terms.

Share option schemes
Details of share options issued during the year are contained in note 18 to the financial statements.

Political donations
During the year ended 31 December 2015 the Group made no political donations.

Events after the reporting date
Details of significant events since the balance sheet date are contained in note 22 to the financial statements.

Provision of information to the auditors
Each of the Directors who held office at the date of approval of this Directors' Report confirms that:

- so far as he is aware, there is no relevant audit information of which the Company's and Group's auditor is unaware; and
- he has taken all the steps he ought to have taken as a Director in order to make himself aware of any information needed by the Company and the Group's auditors in connection with their report and to establish that the auditors are aware of that information.

Auditor
haysmacintyre has expressed its willingness to continue in office as Auditor to the Company. A resolution to reappoint haysmacintyre will be proposed at the forthcoming AGM.

AGM
The AGM will be held on 22 June 2016. The notice of AGM and the ordinary and special resolutions to be put to the meeting are included on pages 58 to 60.

Approval
The Directors' report was approved on behalf of the Board on 18 April 2016.

Anthony Reeves
Chairman

18 April 2016

Statement of Directors' responsibilities

The Directors are responsible for preparing the Annual Report and the Group and Company financial statements in accordance with applicable UK law and those IFRSs as adopted by the European Union.

Under Company law the Directors must not approve the Group and Company financial statements unless they are satisfied that they present fairly the financial position, financial performance, and cash flows of the Group and Company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information
- provide additional disclosures when compliance with the specific requirements in IRFSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group's financial position and financial performance
- state that the Group and the Company have complied with IFRSs subject to any material departures disclosed and explained in the financial statements
- make judgements and estimates that are reasonable and prudent.

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 enable them to ensure that the financial statements comply with the Companies Act 2006 and Article 4 of the IAS regulation. 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.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the UK may differ from legislation in other jurisdictions.

Each of the Directors, whose names are listed in the Strategic Report above, confirms that, to the best of his knowledge:

- The Group financial statements which have been prepared in accordance with IFRSs as adopted by the EU, give a true and fair view of the assets, liabilities, financial position and profit of the Group
- The Strategic Report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that it faces.
- The Directors consider that the Annual Report and Accounts, taken as a whole is fair, balanced and understandable.

This responsibility statement was approved by the Board on 18 April 2016.

Andrea Stecconi
Chief Executive Officer

Philipp Prince
Chief Financial Officer

Independent Auditors' Report to the members of Defenx PLC

We have audited the financial statements of Defenx PLC for the period ended 31 December 2015 which comprise the consolidated statement of comprehensive income, the Group and parent company statements of financial position, the Group and parent company statements of changes in equity, the Group and parent company cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

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 auditors' 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.

Respective responsibilities of Directors and auditors
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. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the audit of the financial statements
A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on financial statements
In our opinion:

- the financial statements give a true and fair view of the state of the Group's and the parent company's affairs as at 31 December 2015 and of the Group's profit for the period then ended;
- the financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006
In our opinion the information given in the Strategic Report and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception
We have nothing to report in respect of the following matters where 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.

Ian Cliffe (senior statutory auditor)
For and on behalf of haysmacintyre

26 Red Lion Square
London
WC1R 4AG

18 April 2016

Consolidated statement of comprehensive income

	Note	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Revenue	2, 5	**4,489,557**	2,381,568
Cost of sales	6	**(512,168)**	(347,958)
Gross profit		**3,977,389**	2,033,610
Sales, marketing and administrative expenses	6	**(2,998,190)**	(1,229,093)
Operating profit before exceptional expenses		**979,199**	804,517
Exceptional expenses		**(614,192)**	–
Profit from operations		**365,007**	804,517
Finance income	8	**37**	74
Finance expense	8	**(2,787)**	(43,600)
Profit before tax		**362,257**	760,991
Tax expense	9	**(170,339)**	(225,196)
Profit for the year		**191,918**	535,795
Exchange gains arising on the translation of foreign subsidiaries		**–**	28,929
Total comprehensive profit for the year		**191,918**	564,724
Earnings per share			
Basic	10	**€0.042**	€0.167
Diluted	10	**€0.039**	€0.159

The profit for the year arises from the Group's continuing operations and is attributable to equity holders of the parent company, Defenx PLC.

The notes on pages 39 to 57 form part of these financial statements.

Consolidated statement of financial position

Company registration number: 08993398

	Note	31 December 2015 €	31 December 2014 (restated) €
Non-current assets			
Intangible assets	11	**2,607,400**	1,721,404
Current assets			
Trade and other receivables	13	**3,305,604**	1,039,538
Cash and cash equivalents	14	**1,333,869**	205,995
		4,639,473	1,245,533
Total assets		**7,246,873**	2,966,937
Current liabilities			
Trade and other payables	15	**(1,434,431)**	(918,728)
Total liabilities		**(1,434,431)**	(918,728)
Net assets		**5,812,442**	2,048,209
Capital and reserves			
Called up share capital	17	**145,004**	90,903
Share premium	17	**4,051,322**	580,374
Merger reserve		**695,212**	678,610
Share-based payment reserve	18	**60,343**	-
Retained earnings		**860,561**	660,144
Foreign exchange reserve		**-**	38,179
Total equity attributable to equity holders of the parent company		**5,812,442**	2,048,209

The notes on pages 39 to 57 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 18 April 2016 and signed on its behalf by:

Andrea Stecconi
Chief Executive Officer

Consolidated statement of changes in equity

	Share capital €	Share premium account €	Merger reserve €	Share-based payment reserve €	Retained earnings €	Foreign exchange reserve €	Total €
As at 1 January 2014	63,148	-	260,537	-	124,349	9,250	457,284
Profit for the year (restated)	-	-	-	-	535,795	-	535,795
Foreign exchange translation	-	-	-	-	-	28,929	28,929
Total comprehensive profit for the year (restated)	-	-	-		535,795	28,929	564,724
Defenx SA share capital issue	-	-	418,073	-	-	-	418,073
Shares issued	27,755	580,373	-	-	-	-	608,128
As at 31 December 2014 (restated)	**90,903**	**580,373**	**678,610**	**-**	**660,144**	**38,179**	**2,048,209**
Change in functional currency	**1,465**	**11,613**	**16,602**	**-**	**8,499**	**(38,179)**	**-**
Profit for the year	**-**	**-**	**-**	**-**	**191,918**	**-**	**191,918**
Shares issued	**52,636**	**3,459,336**	**-**	**-**	**-**	**-**	**3,511,972**
Share-based payments	**-**	**-**	**-**	**60,343**	**-**	**-**	**60,343**
As at 31 December 2015	**145,004**	**4,051,322**	**695,212**	**60,343**	**860,561**	**-**	**5,812,442**

The movement on the merger reserve during the year ended 31 December 2014 resulted from the issue of share capital by Defenx SA prior to the share for share exchange taking place with Defenx PLC.

Consolidated cash flow statement

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Cash flows from operating activities		
Profit for the year after taxation	**191,918**	535,795
Adjustments for:		
Income tax	**170,339**	225,196
Net interest expense	**2,750**	43,526
Amortisation of intangible assets	**476,623**	160,307
Share-based payments expense	**60,343**	-
Operating cash flows before movements in working capital	**901,973**	964,824
Increase in trade receivables	**(1,809,552)**	(263,658)
(Increase)/decrease in other receivables	**(456,513)**	450,465
Increase/(decrease) in trade and other payables	**177,521**	(719,833)
Increase/(decrease) in deferred revenue	**169,138**	(533)
	(1,919,406)	(533,559)
Interest paid	**(2,787)**	(43,526)
Tax paid	**(1,295)**	-
Net cash flow from operating activities	**(1,021,515)**	387,739
Investing activities		
Investment in intangible assets	**(1,351,000)**	(1,210,693)
Interest received	**37**	-
Net cash used in investing activities	**(1,350,963)**	(1,210,693)
Financing activities		
Net proceeds from issue of share capital	**3,511,972**	1,026,201
Net cash from financing activities	**3,511,972**	1,026,201
Net increase in cash and cash equivalents	**1,139,494**	203,247
Cash and cash equivalents at beginning of year	**205,995**	2,460
Effect of foreign exchange translation on cash and cash equivalents	**(11,620)**	288
Cash and net cash equivalents at end of year	**1,333,869**	205,995

Company statement of financial position

Company registration number: 08993398

	Note	31 December 2015 €	31 December 2014 (restated) €
Non-current assets			
Investments in subsidiary company	12	**65,603**	63,148
Current assets			
Trade and other receivables	13	**167,376**	946
Loans to subsidiary company	12	**2,130,013**	594,381
Cash and cash equivalents	14	**1,218,464**	18,599
		3,515,853	613,926
Total assets		**3,581,456**	677,074
Current liabilities			
Trade and other payables	15	**(470,558)**	(103,446)
Total liabilities		**(470,558)**	(103,446)
Net assets		**3,110,898**	573,628
Capital and reserves			
Called up share capital	17	**145,004**	90,903
Share premium	17	**4,051,322**	580,373
Share-based payment reserve	18	**60,343**	-
Retained earnings		**(1,145,771)**	(108,227)
Foreign exchange reserve		**-**	10,579
Total equity attributable to equity holders		**3,110,898**	573,628

The notes on pages 39 to 57 form part of these financial statements.

The financial statements were approved by the Board and authorised for issue on 18 April 2016 and signed on its behalf by:

Andrea Stecconi
Chief Executive Officer

Company statement of changes in equity

	Share capital €	Share premium account €	Merger reserve €	Share-based payment reserve €	Retained earnings €	Foreign exchange reserve €	Total €
On incorporation	-	-	-	-	-	-	-
Loss for the year	-	-	-	-	(108,227)	-	(108,227)
Foreign exchange translation	-	-	-	-	-	10,579	10,579
Total comprehensive loss for the year	-	-	-	-	(108,227)	10,579	(97,648)
Shares issued	90,903	580,373	-	-	-	-	671,276
As at 31 December 2014	**90,903**	**580,373**	**-**	**-**	**(108,227)**	**10,579**	**573,628**
Change in functional currency	**1,465**	**11,613**	**-**	**-**	**(2,499)**	**(10,579)**	**-**
Total comprehensive loss for the year	**-**	**-**	**-**	**-**	**(1,035,045)**	**-**	**(1,035,045)**
Shares issued	**52,636**	**3,459,336**	**-**	**-**	**-**	**-**	**3,511,972**
Share-based payments	**-**	**-**	**-**	**60,343**	**-**	**-**	**60,343**
As at 31 December 2015	**145,004**	**4,051,322**	**-**	**60,343**	**(1,145,771)**	**-**	**3,110,898**

Company cash flow statement

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Cash flows from operating activities		
Loss for the year after taxation	**(1,035,045)**	(108,227)
Adjustments for:		
Net interest income	**(25,809)**	(3,883)
Share-based payments expense	**60,343**	-
Operating cash flows before movements in working capital	**(1,000,511)**	(112,110)
(Increase) in trade receivables	**(9,503)**	-
(Increase) in other receivables	**(156,927)**	(946)
Increase in trade and other payables	**365,505**	114,024
Increase in deferred revenue	**1,605**	-
	200,680	113,078
Net cash flow from operating activities	**(799,831)**	968
Investing activities		
Investment in subsidiary	**-**	(63,148)
Loans to subsidiary	**(1,509,823)**	(590,498)
Net cash used in investing activities	**(1,509,823)**	(653,646)
Financing activities		
Net proceeds from issue of share capital	**3,511,972**	671,277
Net cash from financing activities	**3,511,972**	671,277
Net increase in cash and cash equivalents	**1,202,318**	18,599
Cash and cash equivalents at beginning of year	**18,599**	-
Effect of foreign exchange translation on cash and cash equivalents	**(2,453)**	-
Cash and net cash equivalents at end of year	**1,218,464**	18,599

Notes to the consolidated financial statements

Defenx PLC is a public limited company incorporated in the UK on 11 April 2014. The Company's Ordinary Shares are traded on AIM. The consolidated financial statements comprise Defenx PLC and its subsidiary, Defenx SA, a company incorporated in Switzerland (together referred to as the 'Group'), for the year ended 31 December 2015.

The Company has taken advantage of the exemption available under section 408 of the Companies Act 2006 and has not presented the parent company's own income statement. The parent company's loss for the period ended 31 December 2015 amounted to €1,035,047 (2014: €108,227).

1. Basis of preparation
These financial statements have been prepared in accordance with International Financial Reporting Standards and Interpretations (collectively IFRSs) issued by the International Accounting Standards Board (IASB) as adopted by the European Union (adopted IFRSs).

The preparation of the financial statements in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the accounting policies. The areas where significant judgements and estimates have been made in preparing the financial statements and their effect are disclosed in this note.

Basis of consolidation: merger accounting
The financial statements have been prepared on a consolidated basis in line with the principles laid out in IFRS 3: Business Combinations. The standard states that in instances where group reconstructions have taken place, such as in the case of a share for share exchange, guidance should be taken from the appropriate national GAAP in preparing the financial statements. The Directors have therefore considered the implications of FRS 6: Acquisitions and Mergers and consider it appropriate to adopt merger accounting. As a result, comparative information for the Group is presented using the previous results of Defenx SA as if the existing group structure had always been in place. The current and comparative capital structure of the Group disclosed is that of Defenx PLC.

Going concern
The Chief Executive Officer's Review on pages 16 and 17 outlines the activities of the Group along with factors which may affect its future development and performance. The Group's financial position is discussed in the Financial Review on pages 18 to 20 along with details of its cash flow and liquidity. Note 16 sets out the Group's financial risks and the management of those risks.

As at 31 December 2015, the Group had net assets of €5,812,442 (31 December 2014: €2,048,209) as set out in the consolidated statement of financial position on page 35. The Directors have prepared detailed forecasts of the Group's performance for the next two years. The forecasts contain certain assumptions about the level of future sales, margins and the level of cash recovery from trading.

After considering the forecasts and the risks, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the Group and Company financial statements.

2. Principal accounting policies
The principal accounting policies applied in the preparation of these financial statements are set out below. These policies are consistent with those applied in the prior financial year and are applied by both Group entities unless otherwise stated.

Revenue recognition
Revenue is recognised to the extent that it is probable that economic benefits will flow to the Group and the revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable for the sale of goods or services provided in the normal course of business, net of all related discounts and sales taxes.

The Group's revenues to date comprise sales of software licences, the majority of which are for 12 months with a limited number for two, three and five years. These term-based agreements include free upgrades and enhancements on a when-and-if-available basis. The Group recognises the software licence portion of revenue at the time of delivery while the portion attributable to upgrades and enhancements is deferred and recognised on a straight-line basis over the period of the relevant agreement. Customers have no right of return; once sold, licences are neither refundable nor returnable.

2. Principal accounting policies continued

Foreign currency

The Directors reviewed the functional currency applied by the Group and determined that, with effect from 1 January 2015, the functional currency should be the Euro. This change has arisen due to the increasing proportion of the Group's operational activities denominated in Euro such that a Sterling functional currency is no longer considered appropriate by the Directors.

Transactions in foreign currencies are initially recorded at the respective functional currency rates ruling when the transactions occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling on the reporting date. Differences arising on settlement or translation are recognised in profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The Group's presentation currency remains the Euro. As this now matches the functional currency applied by both Defenx PLC and Defenx SA, there are no longer any currency translations on consolidation.

Trade and other receivables

Trade receivables are stated at fair value being the lower of their original invoiced value and recoverable amount. A provision for impairment is made where there is objective evidence that the Group will not be able to recover balances in full. Indications of impairment include customers in financial difficulty or seriously in default against agreed payment terms. There is no material variance between carrying and fair values.

Property, plant and equipment

Property, plant and equipment are recognised initially at cost. After initial recognition, these assets are carried at cost less any accumulated depreciation and impairment losses. Cost comprises the aggregate amount paid and the fair value of any other consideration given to acquire the asset. Depreciation is computed by allocating the depreciable amount of an asset on a systematic basis over its useful life and is applied separately to each identifiable component.

The Group's property, plant and equipment assets are represented by fully depreciated IT equipment, office furniture and fixtures. The Company has no property, plant and equipment assets.

Intangible assets

Identifiable intangible assets are recognised when the Group controls the asset, it is probable that future economic benefits attributable to the asset will flow to the Group and the cost of the asset can be reliably measured. The Group's intangible assets represent investments in development costs of software. All intangible assets are amortised over their useful economic life, from the date of purchase or development on a straight-line basis.

During the year, the Directors have reviewed the estimated useful lives of intangible assets and concluded that an increase from three to four years better reflected the lifetime of mobile device software assets. The estimated useful lives of intangible assets are now:

Development costs for software

Related to anti-malware for mobile devices	4 years
For anti-malware for NAS devices	5 years
Related to integration with customer systems	3 years

Impairment of assets

At each balance sheet date, the Directors review the carrying amounts of property, plant, equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the asset, which is the higher of its fair value less costs to sell and its value in use, is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Directors estimate the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amounts are based on a calculation of expected future cash flows discounted to their present value using pre-tax discount rates that reflect market assessments of the time value of money and risks specific to the asset for which the expected future cash flows have not been adjusted.

Any impairment charge is recognised in the income statement in the period in which it occurs for assets carried at cost if the recoverable amount is less than the carrying value. Where an impairment loss subsequently reverses due to a change in the original estimate, the carrying amount of the asset is increased to the revised estimate of its recoverable amount.

Pension costs
The Group makes defined contributions to its employees' pension plans according to the laws of the country of employment. The pension costs charged in the financial statements represents the contributions payable by the Group and Company during the year.

Share-based payments
In accordance with IFRS 2 Share-based payments reflects the economic cost of awarding shares and share options to employees and Directors by recording an expense in the statement of comprehensive income equal to the fair value of the benefit awarded. The expense is recognised in the statement of comprehensive income over the vesting period of the award.

Fair value is measured by the use of a Black-Scholes model, which takes into account conditions attached to the vesting and exercise of the options. The expected life used in the model is adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

Where awards are granted to employees of the subsidiary, the fair value of the award at grant is recorded in the parent company's financial statements as an increase in the value of the investment with a corresponding increase in equity via the share-based payment reserve.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of diluted earnings per share.

Leased assets and obligations
Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards of ownership to the Group. All other leases are classified as operating leases.

Operating leases
Assets leased under operating leases are not recorded on the statement of financial position. Rental payments are charged directly to the income statement on a straight-line basis over the lease term.

Current and deferred taxation
Current tax is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustments to tax payable in respect of previous years.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profits ('temporary differences') and is accounted for using the balance sheet liability method.

Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Where there are deductible temporary differences arising in subsidiaries, deferred tax assets are recognised only where it is probable that they will reverse in the foreseeable future and taxable profits will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient tax profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to the income statement.

Cash and cash equivalents
Cash and cash equivalents includes cash in hand, deposits held with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

2. Principal accounting policies continued

Trade and other payables

Trade payables are recognised at fair value. There is no material variance between book and fair values.

Borrowings

Bank loans and overdrafts are recorded initially at their fair value, net of direct transaction costs and finance charges and are recognised in the income statement over the term of the instrument. There is no material variance between book and fair values.

3. Judgements and estimates

The Board makes judgements and assumptions concerning the future that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. The resulting accounting estimates calculated using these judgements and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. Actual results may differ from these estimates.

The judgements and key sources of estimation uncertainty that may have a significant effect on the amounts recognised in the financial statements are discussed below:

Revenue recognition

Judgement is required in the assessment of licence activation; which can be immediately upon sale, sometime after sale or not at all where our licences are sold as a bundle by channel partners. However, the revenue portion attributable to upgrades and enhancements that is deferred represents a small proportion of the total revenue from licence sales.

Impairment of assets

Judgement is required in the impairment assessment of assets, notably intangible software development costs. Recoverable amounts are based on a calculation of expected future cash flows, which require assumptions and estimates of future performance to be made. Cash flows are discounted to their present value using pre-tax discount rates based on the Directors market assessment of risks specific to the asset.

4. Changes in accounting policies and disclosures

New standards adopted during the year

The following new standards and amendments became effective as of 1 January 2015:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions
- Amendment to IAS 32 Financial Instruments: Presentation (effective date year beginning 1 January 2015)
- Amendment to IAS 36 Impairment of Assets (effective date year beginning 1 January 2015)
- IFRIC 21 Levies (effective date year beginning 1 January 2015)
- Annual Improvements Cycle – 2010–2012
- Annual Improvements Cycle – 2011–2013

In the current period, the Group and Company have adopted all of the new and revised standards and interpretations issued by the International Accountancy Standards Board (IASB) and the International Financial Reporting Interpretations Committee (the IFRIC) of the IASB that are relevant to its operations and effective for reporting dates beginning on 1 January 2014.

New standards adopted early

At the date of the authorisation of the financial statements, no standards and interpretations, that are issued but not yet effective, have been adopted early.

New standards and interpretations not yet adopted
Certain new standards, amendments and interpretations to existing standards have been published that are mandatory for the Group's accounting periods beginning on or after 1 January 2016 or later periods and which the Group has decided not to adopt early are:

- Amendments to IFRS 7 Financial Instruments Disclosures (effective for accounting periods beginning on or after 1 January 2016)
- IFRS 9 Financial Instruments (effective for accounting periods beginning or after 1 January 2018).
- Amendments to IFRS 10 Consolidated Financial Statements (effective for accounting periods beginning on or after 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (effective for accounting periods beginning on or after 1 January 2017)
- IFRS 16 Leases (effective for accounting periods beginning on or after 1 January 2019)
- Amendments to IAS 7 Statement of cash flow (effective for accounting periods beginning on or after 1 January 2017)
- Amendments to IAS 16 Property, Plant and Equipment (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IAS 34 Interim Financial Reporting (effective for accounting periods beginning on or after 1 January 2016)
- Amendments to IAS 38 Intangible Assets (effective for accounting periods beginning on or after 1 January 2016)

The Directors have considered the above new standards, interpretations and amendments to published standards that are not yet effective and concluded that, except for the amendments to IAS 1 Presentation of Financial Statements and IFRS 10 Consolidated Financial Statements, they are either not relevant or that they would not have a significant impact on the Group's and Company's financial statements.

Correction of prior period errors
In January 2014, Defenx SA entered into a loan facility that was repaid by Defenx PLC from the proceeds of the private placing later in the year. The fees and interest on this loan were not charged to profit and loss. As a consequence, interest expense was understated.

In November 2014, Defenx SA invoiced a new customer for software licences. The Group's policy is to agree to make contributions to customers' marketing efforts contingent on agreed sales targets. However, Defenx SA did not accrue for the marketing contribution in its 2014 accounts. As a consequence, expenses were understated.

These errors have been corrected by restating each of the affected financial statement items for the period as follows:

	Year ended 31 December 2014 (restated) €
Increase/(decrease) on equity	
Other payables	(196,584)
Taxation	31,230
Net impact on equity	(165,354)
Increase/(decrease) in profit	
Administrative expenses	(156,150)
Finance expense	(40,434)
Tax expense	31,230
Net impact on profit for the period	(165,354)

5. Segmental analysis

The Group currently has three reportable product segments: Mobile, PC and NAS, which reflect the three separate product categories for which software is developed and sold. The Group does not analyse costs or assets other than intangible assets by segment. The Group does not analyse costs or assets by geographical region.

Revenue by product segment and geographic market (based on customer location) for the Group is as follows:

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Revenue by product category		
Mobile	**3,197,934**	1,637,105
PC	**1,252,544**	721,557
NAS	**25,145**	6,533
Other	**13,934**	16,373
	4,489,557	2,381,568
Revenue by geographic market (customer location)		
Europe (EU including the UK)	**3,725,222**	1,245,834
Europe (Non-EU)	**739,190**	1,108,966
Other	**25,145**	26,768
	4,381,209	2,381,568

Non-current assets (capitalised development costs) by product segment for the Group are as follows:

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Non-current assets		
Mobile	**394,307**	199,002
PC	**-**	-
NAS	**1,747,258**	1,522,402
Other	**465,835**	-
Total	**2,607,400**	1,721,404

6. Profit from operations

The operating profit is stated after charging:

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Cost of sales		
Amortisation of intangible assets	**476,623**	160,307
Sales, marketing and administrative expenses		
Marketing contributions	**1,451,965**	743,166
Staff costs	**691,358**	114,319
Share-based payment expense	**60,343**	–
Bad debt expense	**69,485**	33,176
Lease payments – land and buildings	**29,588**	19,753
Net foreign exchange (gains)/losses	**34,443**	(8,677)
Auditors' remuneration (included within administrative expenses)		
Audit services		
Parent company and Group audit	**17,965**	8,500
Audit of the parent company's subsidiary	**11,272**	6,239
Non-audit services		
Reporting accountant for the AIM admission	**113,706**	–
Tax compliance and other fees	**32,003**	–
Total auditors' remuneration	**174,946**	14,739
Exceptional expenses		
Costs in respect of the AIM admission	**614,192**	–

AIM admission costs of €366,817, including auditors' remuneration of €26,579, were charged to the share premium account.

7. Staff costs

Staff costs (including Directors' emoluments) incurred in the year were as follows:

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Wages and salaries	**616,727**	104,840
Social security costs	**46,424**	4,343
Pension costs	**9,126**	5,136
Share-based payments expense	**19,081**	–
Net staff costs	**691,358**	114,319

7. Staff costs continued

The average monthly number of permanent employees during the period was as follows:

	Year ended 31 December 2015 Number	Year ended 31 December 2014 Number
Directors'	3	3
Administration, sales and support	3	1
	6	4

	€	€
Directors emoluments		
Emoluments	472,597	72,709

	€	€
Highest paid Director		
Emoluments	138,952	33,188

8. Finance income and expenses

	Year ended 31 December 2015 £	Year ended 31 December 2014 (restated) £
Finance income		
Interest income	37	74
Finance expense		
Interest expense	2,787	43,600

9. Income tax

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2015. The tax charge for both 2015 and 2014 arose in respect of operations in Switzerland as follows:

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Current tax		
Current income tax on profits for the year	233,905	204,580
Deferred tax		
Relating to origination and reversal of temporary differences	(63,566)	20,616
Total income tax expense	170,339	225,196

The reasons for the difference between the actual income tax charge for the year and the standard rate of corporation tax in the UK applied to the profit for the year are as follows:

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Profit for the year	**191,918**	535,795
Tax expense	**170,339**	225,196
Profit before tax	**362,257**	760,991
Tax charge using Defenx PLC's domestic rate of 20.25% (2014: 21.5%)	**73,357**	163,613
Effect of higher income tax rate in Switzerland	**4,049**	(8,344)
Defenx PLC loss carried forward for future offset	**85,021**	21,645
Expenses not deductible for tax purposes	**121,041**	-
Temporary timing differences	**(50,859)**	-
Overseas taxation	**1,296**	-
Timing difference arising on standards conversions	**-**	29,934
Utilisation of previously unrecognised tax losses	**-**	(2,268)
At the effective income tax rate	**233,905**	204,580

The aggregate tax rate in Switzerland was 20.4% during the year (2014: 20.4%). The corporation tax rate in the UK was reduced from 21% to 20% effective 1 April 2015.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20.4% (2014: 20.4%) being the effective rate of tax applicable in Switzerland where the deferred tax arises.

	Consolidated statement of financial position		Consolidated statement of profit or loss	
	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Timing difference arising on standards conversion	**-**	(146,452)	**146,452**	12,133
Accelerated depreciation for accounts purposes	**(85,270)**	(12,147)	**(73,123)**	12,147
Deferred revenue	**64,620**	29,681	**34,614**	108
Disallowed bad debt provision	**-**	44,377	**(44,377)**	(3,772)
Deferred tax expense/(income)	**-**	-	**(63,566)**	20,616
Net deferred tax asset/(liability)	**(20,650)**	(84,541)	**-**	**-**

The accumulated tax losses available to the Group at 31 December 2015 were €553,284 (2014: €106,620). These losses all relate to activities, and are available indefinitely for offsetting against future taxable profits, of Defenx PLC in the UK. No deferred tax asset is recognised in respect of these losses as it is not sufficiently certain that the Company will be able to utilise them in the near future. If the Group were able to recognise all unrecognised deferred tax assets, the retained profit would increase by €110,657 (2014: €21,324).

10. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares outstanding during the year.

Diluted EPS amounts are calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of Ordinary Shares outstanding during the year plus the weighted average number of Ordinary Shares that would be issued on conversion of all the dilutive deferred shares into Ordinary Shares.

The following reflects the income and share data used in the basic and diluted EPS computations:

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Profit attributable to ordinary equity holders of the Defenx PLC for basic earnings and adjusted for the effects of dilution	**191,918**	535,795
Weighted average number of Ordinary Shares for basic earnings per share	**4,549,653**	3,208,561
Effect of dilution from deferred shares	**300,000**	171,663
Effect of dilution from share options	**86,571**	-
Weighted average number of Ordinary Shares for basic earnings per share adjusted for the effect of dilution	**4,936,224**	3,380,224

The weighted average numbers of shares above reflect the eight for one Ordinary Share consolidation implemented on 16 November 2015 as further disclosed in note 17. There have been no other relevant transactions involving Ordinary Shares or potential Ordinary Shares since 31 December 2014.

11. Intangible assets

The Group's intangible assets all relate to capitalised software development costs. There were no intangible assets in the statement of financial position of the Company.

Group	Mobile €	NAS €	Other €	Total €
Cost				
At 1 January 2014	22,109	636,319	-	658,428
Additions	275,741	934,952	-	1,210,693
Foreign exchange adjustment	651	11,939	-	12,590
At 31 December 2015	**298,501**	**1,583,210**	**-**	**1,881,711**
Change in functional currency	**10,978**	**641**	**-**	**11,619**
Additions	**339,500**	**511,500**	**500,000**	**1,351,000**
At 31 December 2015	**648,979**	**2,095,351**	**500,000**	**3,244,330**
Accumulated depreciation				
At 1 January 2014	-	-	-	-
Charge for the year	99,500	60,807	-	160,307
At 1 January 2015	**99,500**	**60,807**	**-**	**160,307**
Charge for the year	**155,172**	**287,286**	**34,165**	**476,623**
At 31 December 2015	**254,672**	**348,093**	**34,165**	**636,930**
Net book value				
At 31 December 2014	199,001	1,522,403	-	1,721,404
At 31 December 2015	**394,307**	**1,747,258**	**465,835**	**2,607,400**

The intangible assets booked represent qualifying expenditure on the development of software products for resale less accumulated amortisation and impairment costs. The carrying value of these intangible assets is tested for impairment on a half yearly basis, or when there are indications that the value of the assets might be impaired.

The Directors have assessed development projects' individual net present value against forecasts of future sales of the related products, unit sales prices and costs over a five-year period. No sales beyond five years have been included in the calculations. The impairment tests are sensitive to changes in these forecasts and changes could result in impairment; however, the varying bases indicate a net present value in excess of the carrying value of the intangible assets at the balance sheet date.

The key assumptions in the value in use calculations are:

	Year ended 31 December 2015	31 December 2014 (restated)
Gross margin	**80-95%**	85%
Marketing contributions	**0-35%**	35%
Discount rate	**20%**	20%

Future events may cause these assumptions to change, which could have an adverse effect on the future results of the Group. The discount rate would need to increase to around 60% or the gross margin and marketing contribution assumptions would need to change by over 50% before affecting the carrying value of intangible assets. As a result no sensitivity analysis has been disclosed.

12. Investments in subsidiary

The Company owns 100% of the issued share capital of the following subsidiary undertakings, which have been included in the consolidated financial statements:

Subsidiary undertaking	Country of registration	Principal activity
Defenx SA	Switzerland	Development and licensing of software

The movement in investments in the parent company's statement of financial position is:

	Company	
	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Opening balance 1 January	**63,148**	–
Change in functional currency	**2,455**	–
Additions	**-**	63,148
Closing balance at 31 December	**65,603**	63,148

13. Trade and other receivables

	Group		Company	
	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Gross trade receivables	3,099,697	1,437,138	9,503	–
Provision for impairment	(270,360)	(417,354)	–	–
Net trade receivables	2,829,337	1,019,784	9,503	–
Prepayments and accrued income	162,191	19,754	157,873	946
Payments on account	314,076	–	–	–
Total receivables	3,305,604	1,039,538	167,376	946
Provisions for impairment				
Opening balance at 1 January	(417,354)	(481,319)	–	–
Utilised during the year	200,193	129,504	–	–
Net increase during the year	(53,199)	(65,539)	–	–
Closing balance at 31 December	(270,360)	(417,354)	–	–

All amounts shown under receivables are due within one year. The payments on account represent advances to an established software developer with whom the Group had agreed detailed specifications for work that had been started, but not invoiced prior the year end.

14. Cash and cash equivalents

Cash and cash equivalents comprise balances on bank accounts, cash in transit and cash floats held in the business. Finance charges are accounted for on an accruals basis and charged to the statement of comprehensive income when payable.

Cash and cash equivalents are held in Euro, Sterling, Swiss Francs and US Dollars and placed on deposit in the UK and Switzerland.

15. Trade and other payables

	Group		Company	
	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Current				
Trade payables	440,241	88,454	419,111	9,508
Other payables and accruals	215,893	389,833	49,840	93,938
Current taxation	442,690	210,406	–	–
Total payables	1,098,824	688,693	468,951	103,446
Deferred taxation	20,975	84,541	–	–
Deferred revenue	314,632	145,494	1,605	–
Total current liabilities	1,434,431	918,728	470,556	103,446

All amounts shown above are payable within one year.

16. Financial instruments and risk management

General objectives, policies and processes

The overall objective of the Board is to set policies that seek to reduce risk as far as possible without unduly affecting the Group's competitiveness and flexibility. Further details regarding these policies are set out below.

The Board receives monthly reports from the Chief Financial Officer through which it reviews the effectiveness of the processes put in place and the appropriateness of the objectives and policies it sets.

The Group does not use derivative financial instruments such as forward currency contracts, interest rate swaps or similar instruments. The Group does not issue or use financial instruments of a speculative nature.

Principal financial instruments

The principal financial instruments used by the Group, from which financial instrument risk arises, are as follows:

- trade receivables;
- cash and cash equivalents; and
- trade and other payables.

Trade and other receivables are initially measured at face value. Book values and expected cash flows are reviewed by the Board and any impairment charged to the consolidated statement of comprehensive income in the relevant period.

Trade and other payables are measured at book value. The book value of financial assets and liabilities equates to their fair value. A summary of the financial instruments held by category is provided below:

	Group		Company	
Financial assets	**Year ended 31 December 2015 €**	Year ended 31 December 2014 (restated) €	**Year ended 31 December 2015 €**	Year ended 31 December 2014 (restated) €
Trade receivables – due at reporting date	**1,215,070**	564,922	**-**	-
Trade receivables – not due at reporting date	**1,884,627**	872,216	**9,503**	-
Gross trade receivables	**3,099,697**	1,437,138	**9,503**	-
Less: provision for impairment	**(270,360)**	(417,354)	**-**	-
Net trade receivables	**2,829,337**	1,019,784	**9,503**	-
Other receivables	**476,267**	19,754	**157,873**	946
Net receivables	**3,305,604**	1,039,538	**167,376**	946
Cash and cash equivalents	**1,333,869**	205,995	**1,218,464**	18,599

Trade receivables principally comprise amounts outstanding for sales to customers and are typically payable between 90 and 120 days. The average age of debtors was 91 days (2014: 85 days). An impairment review of outstanding trade receivables is carried out at each period end and a specific amount provided for. A general provision is maintained reflecting the fact that some customers are small and do not have strong credit histories.

	Group		Company	
Financial liabilities	**Year ended 31 December 2015 €**	Year ended 31 December 2014 (restated) €	**Year ended 31 December 2015 €**	Year ended 31 December 2014 (restated) €
Trade payables	**440,241**	88,454	**419,111**	9,508
Other payables and accruals	**215,893**	389,833	**49,840**	93,938
Current taxation	**442,690**	210,406	**-**	-
Total payables	**1,098,824**	688,693	**468,951**	103,446

16. Financial instruments and risk management continued

Trade and other payables and accruals comprise amounts outstanding for trade purchases and ongoing costs and are typically payable within 90 days. The average age of trade credits was 28 days (2014: 45 days). Where there is a contractual right of set-off with a customer that is also a supplier, notably in relation to marketing contributions payable to customers, relevant receivable and payable balances are set against one another.

Cash and cash equivalents

Cash and cash equivalents comprise balances on bank accounts, cash in transit and cash floats held in the business. Finance charges are accounted for on an accruals basis and charged to the statement of comprehensive income when payable. Cash and cash equivalents are held in Euro, Swiss Francs, Sterling and US Dollars and placed on deposit in UK and Swiss banks.

The Group is exposed to the following financial risks:

- credit risk;
- foreign exchange risk;
- other market price risk; and
- liquidity risk.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Group is mainly exposed to credit risk from credit sales. At 31 December 2015, the Group has net trade receivables of €2,829,337 (2014: €1,019,784).

The Group is exposed to credit risk in respect of these balances such that, if one or more customers encounter financial difficulties, this could materially and adversely affect the Group's financial results. The Group attempts to mitigate credit risk by assessing the credit rating of new customers prior to entering into contracts and by entering contracts with customers with agreed credit terms. The analysis below shows the ageing of trade and other receivables and the movement in bad debt provision in the year:

	Group		Company	
Ageing of trade and other receivables	**Year ended 31 December 2015 €**	Year ended 31 December 2014 (restated) €	**Year ended 31 December 2015 €**	Year ended 31 December 2014 (restated) €
Up to three months	**1,675,202**	564,922	**9,503**	–
Three to six months	**943,742**	179,285	**–**	–
Above six months	**480,753**	692,931	**–**	–
Gross receivables	**3,099,697**	1,437,138	**9,503**	–
Less: allowance for receivables	**(270,360)**	(417,354)	**–**	–
Net receivables	**2,829,337**	1,019,784	**9,503**	–

Sales to three customers based in Italy amounted to approximately 65% (2014: 15%) of Group revenue. Sales to one customer based in Switzerland amounted to 16% (2014: 22%) and one customer based in Malta amounted to 14% (2014: 24%) of Group revenue. No other individual customer accounted for more than 5% of Group revenue.

Customer credit risk is managed in accordance with the Group's established policy and procedures. Customer credit quality is assessed and periodically reviewed based on available information and individual credit limits defined based on this assessment. Outstanding customer receivables are actively monitored and reviewed at least quarterly. At 31 December 2015, the Group had four customers (2014: one) that owed more than €500,000, accounting for 92% (2014: 42%) of trade receivables outstanding.

As at 31 December 2015, trade receivables of €923,853 (2014: €1,362,739) were past due but not impaired.

Liquidity risk

Liquidity risk arises from the Group's management of working capital. The risk is that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. To achieve this aim, it seeks to maintain cash balances to meet expected requirements for a period of at least 90 days. The table below analyses the Group's financial liabilities by contractual maturities. All amounts disclosed in the table are the contractual undiscounted cash flows.

	Group		Company	
Ageing of trade and other payables	**Year ended 31 December 2015 €**	Year ended 31 December 2014 (restated) €	**Year ended 31 December 2015 €**	Year ended 31 December 2014 (restated) €
Up to three months	**1,098,824**	688,693	**468,951**	103,446
Three to six months	**-**	-	**-**	-
Above six months	**-**	-	**-**	-
	1,098,824	688,693	**468,951**	103,446

Capital management

The Group's capital is made up of share capital, share premium, merger reserve, foreign currency reserve and retained profits totalling €5,812,442 at 31 December 2015 (2014: €2,048,209).

The Group's objectives when maintaining capital are:

- to safeguard the ability to continue as a going concern, so that the Group can continue to provide returns for shareholders and benefits for other stakeholders; and
- to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

The capital structure of the Company consists of shareholders' equity as set out in the consolidated statement of changes in equity on page 35. All working capital requirements are financed from existing cash resources.

Foreign exchange risk

Foreign exchange risk arises when Group entities enter into transactions denominated in a currency other than their functional currency. The Group's policy is, where possible, to allow customers to settle liabilities denominated in the customer's functional currency, being primarily Euro and Swiss Franc.

The Group is predominantly exposed to currency risk on sales and purchases made from customers and suppliers based in the Eurozone. Sales and purchases from customers and suppliers are made on a central basis and the risk is monitored centrally, but not hedged utilising any forward exchange contracts. Apart from these particular cash flows the Group aims to fund expenses in the respective currency and to manage foreign exchange risk at a local level by matching the currency in which revenue is generated and expenses are incurred. As at 31 December 2015, the Group's net exposure to foreign exchange risk was as follows for those entities with Euro representational currencies.

	Euro €	Sterling €	Swiss Franc €	US Dollar €	Total €
As at 31 December 2015					
Trade and other receivables	**3,153,671**	**148,773**	**2,957**	**203**	**3,305,604**
Cash and cash equivalents	**588,808**	**736,378**	**8,657**	**26**	**1,333,869**
Trade and other payables	**(127,545)**	**(379,984)**	**(587,994)**	**(3,301)**	**(1,098,824)**
Net current assets	**3,614,934**	**505,167**	**(576,380)**	**(3,072)**	**3,540,649**
As at 31 December 2014					
Trade and other receivables	933,038	-	25,607	80,893	1,039,538
Cash and cash equivalents	139,115	45,117	14,138	7,625	205,995
Trade and other payables	(23,493)	-	(665,200)	-	(688,693)
Net current assets	1,048,660	45,117	(625,455)	88,518	556,840

16. Financial instruments and risk management continued

The impact of a reasonably possible strengthening by 10% of Euro exchange rates, with all other variables held constant, on the Group's profit before tax due to changes in the fair value of monetary assets and liabilities is shown below:

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Sterling	**(50,517)**	4,512
Swiss Franc	**57,638**	(62,546)
US Dollar	**307**	(8,852)

17. Share capital

Ordinary Share capital

The Ordinary Shares of £0.018 carry the right to one vote per share at general meetings of the Company and the rights to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up. The shares are denominated in Pounds Sterling.

Defenx SA successfully implemented a share for share exchange whereby Defenx PLC became the holding Company of the Group. Under the scheme of arrangement, Defenx SA's shares in issue on 3 June 2015 were exchanged on a one for one basis for Defenx PLC shares. 22,816,716 newly issued Ordinary Shares were credited as fully paid. However, in accordance with the adoption of merger accounting as the basis of consolidation, the share exchange is assumed to have taken place at the beginning of the relevant period. All disclosures of shares in these financial statements reflect this change as though the exchange had always been in place.

On 12 October 2015, shareholders approved the consolidation of the Ordinary Share capital of Defenx PLC on an eight for one basis. This took effect on 16 November 2015 following which there were 4,673,258 Ordinary Shares in issue each with a nominal value of £0.018.

On 3 December 2015, a total of 1,425,654 Ordinary Shares of Defenx PLC were issued upon the admission to AIM at a price of £1.48 per share.

	Number of shares	Share capital €	Share premium €
As at 1 January 2014	22,817,160	63,148	–
Issue of new Ordinary Shares – private placing	9,204,000	27,460	580,373
As at 31 December 2014	32,021,160	90,608	580,373
Change in functional currency	–	1,453	11,613
Issue of new Ordinary Shares – private placing	5,364,904	16,068	762,325
Equity issue costs	–	–	(43,490)
	37,386,064		
Eight for one consolidation	4,673,258	–	
Issue of new Ordinary Shares – AIM placing and subscription	1,425,654	36,568	2,970,136
Equity issue costs	–	–	(229,635)
As at 31 December 2015	**6,098,912**	**144,697**	**4,051,322**

Share issue costs of €823,493 (2014: €463,952) have been charged against the share premium account.

Deferred Share capital
The Deferred Shares of £0.0001 carry no right to vote, no right to share in any distribution of profits or returns of capital and to share in any residual assets available for distribution in the event of a winding up. The shares are denominated in Pounds Sterling. Deferred shareholders have the right for five years from issue to convert their shares into Ordinary Shares for a consideration of £0.10 per share less the amount paid for each Deferred Share on a one for one basis. The Company must give prior notice to deferred shareholders in the event of a sale.

	Number of shares	Share capital €	Share premium €
As at 1 January 2014	–	–	–
Issue of new Deferred Shares – private placing	2,400,000	295	–
As at 31 December 2014	2,400,000	295	–
Change in functional currency	–	12	–
As at 31 December 2015	**2,400,000**	**307**	–

The Company has not issued any partly paid shares nor any convertible securities, exchangeable securities or securities with warrants. The Company does not hold any Treasury Shares.

18. Share-based payments
Defenx has established EMI and Unapproved Option Schemes as part of the Group's incentive and retention strategy.

Under the option schemes, the Group, at its discretion, may grant share options over the Ordinary Shares of Defenx PLC to employees and Directors. The share options generally vest over 36 months, either from inception or from the first anniversary of grant, provided the holder remains in employment. There are no performance conditions. The exercise price of the share options is equal to the market price of the underlying shares on the date of grant. The contractual term of the share options is 10 years and there are no cash settlement alternatives.

The Company also issued 60,989 warrants to advisers as part of its admission to AIM.

The fair value of the options granted is estimated at the grant date using a Black-Scholes pricing model, taking into account the terms and conditions upon which the options were granted, and the estimated share price volatility of the Company relative to that of its competitors.

The fair value of options granted was estimated on the date of grant using the following assumptions:

	Year ended 31 December 2015	Year ended 31 December 2014 (restated)
Weighted average share price	**£1.319**	–
Weighted average exercise price	**£1.319**	–
Expected volatility	**34%**	–
Risk free rate of return	**1.76%**	–
Expected life (years)	**5**	–
Expected dividend yield	**0%**	–

The expected life of the share options is based on current expectations and is not necessarily indicative of exercise patterns that may occur. The full contractual life of options is 10 years. The expected volatility reflects the assumption that the historical volatility over a period similar to the life of the options is indicative of future trends, which may not necessarily be the actual outcome. Expected volatility was determined by referring to the share prices of a selection of comparable AIM listed companies.

18. Share-based payments continued

	Year ended 31 December 2015		Year ended 31 December 2014	
	Number	WAEP[1]	Number	WAEP[1]
Outstanding at 1 January	-	-	–	–
Granted during the year	526,614	£1.319	–	–
Forfeited during the year	-	-	–	–
Exercised during the year	-	-	–	–
Expired during the year	-	-	–	–
Outstanding at 31 December	526,614	£1.319	–	–
Exercisable at 31 December	94,489	£1.023	–	–
Vested at 31 December	94,489	£1.023	–	–

[1] Weighted average exercise price.

The weighted average remaining contractual life for the share options outstanding as at 31 December 2015 was 9.3 years (2014: nil).

The range of exercise prices for options outstanding at the end of the year was £0.80 to £1.48 (2014: £nil). In the year ended 31 December 2015, options were granted on 22 July at £0.80 each and 3 December 2015 at £1.48 each (including the warrants).

The aggregate of the estimated fair values of the options granted on those dates is €316,756 (£225,293). The total share-based payment expense recognised was €60,343 (£42,827) related to equity-settled share-based payment transactions in 2013. No options were granted during the year ended 31 December 2014.

19. Reserves

The following describes the nature and purpose of each reserve within equity:

Share premium	The amount of capital contributed in excess of the nominal value of each Ordinary £0.018 (2014: £0.00225) Share.
Merger reserve	The amount arising from the use of merger accounting (as outlined in note 22) being the difference between the Company's cost of investment in Defenx SA and the issued share capital of Defenx SA.
Foreign exchange reserve	Foreign exchange translation reserve resulting in the translation of the financial information from the functional to the presentation currency. Upon the adoption of the Euro as the Group's functional currency, the balance on the foreign exchange reserve was eliminated.
Retained earnings	All other net gains and losses and transactions with owners (eg dividends) not recognised elsewhere.

20. Commitments and contingencies

Operating lease commitments – Group as lessee

The Group has operating leases on office premises in Warwick, UK, and Balerna, Switzerland on one and six months' notice respectively. Future minimum rentals receivable under non-cancellable operating leases as at 31 December are €13,453 (2014: €12,232) within one year.

Finance lease and hire purchase commitments

The Group has no finance lease or hire purchase commitments.

Commitments

At 31 December 2015, the Group had commitments of €1,300,000 (2014: €nil) relating to software development.

21. Related party transactions

Key management personnel – Group

In the opinion of the Board, only the Executive Directors of the Company are regarded as key management personnel. The Executive Directors have service agreements that require three months' notice of termination from either party, except Andrea Stecconi for whom the notice period is six months. Key management personnel compensation, including social security, comprised the following:

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Wages and salaries	349,229	72,709
Benefits	6,272	–
Share-based payments expense	17,376	–
	372,877	72,709

Other related party transactions – Group

Defenx SA entered into a rental agreement with Mr Stecconi in respect of its offices in Switzerland. Defenx SA paid Mr Stecconi €22,003 (2014: €19,753). There was no balance outstanding at the year end (2014: €nil).

Defenx SA sold antivirus licences to Staff Srl, a company in which Mr Stecconi is a shareholder and director, for a consideration of €nil (2014: €23,870) while Staff Srl issued invoices to Defenx SA for a total amount of €nil (2014: €7,704) for the reimbursement of marketing services. The year end net balance outstanding from Staff Srl to Defenx SA was €nil (2014: €5,600).

All transactions were on arm's length terms.

Other related party transactions – Company

	Year ended 31 December 2015 €	Year ended 31 December 2014 (restated) €
Transactions between Defenx PLC and Defenx SA		
Income	356,487	–
Expenses	(24,374)	–
Interest receivable	25,809	3,883
Long term loans from Defenx PLC to Defenx SA	2,130,013	594,381

22. Events after the reporting date

On 22 January 2016, Defenx SA entered into a CHF 100,000 overdraft and revolver facility with its principal bankers, Credit Suisse, in Switzerland.

Defenx PLC

(the Company)

(Company number 8993398)

Notice is given that the AGM of the members of the Company will be held at the offices of Fladgate LLP, 16 Great Queen Street, London WC2B 5DG on Wednesday 22nd June 2016 at 12.00pm, to consider and, if thought fit, pass the following resolutions, of which resolutions 1 to 8 (inclusive) will be proposed as ordinary resolutions and resolutions 9, 10 and 11 will be proposed as special resolutions.

Ordinary resolutions

Report and Accounts

1. To receive the Audited Accounts and Reports of the Directors and auditors for the year ended 31 December 2105.

Remuneration Report

2. To approve the Remuneration Report for the year ended 31 December 2015.

Re-election of Directors

3. To re-elect Philipp Prince as a Director who is retiring in accordance with Article 25.8 of the Articles and being eligible, offers himself for re-election.
4. To re-elect Anthony Reeves as a Director who is retiring in accordance with Article 25.8 of the Articles and being eligible, offers himself for re-election.
5. To re-elect Leonard Seelig as a Director who is retiring in accordance with Article 25.8 of the Articles and being eligible, offers himself for re-election.

Reappointment of auditors

6. To reappoint haysmacintyre as auditors until the conclusion of the next AGM of the Company at which accounts are laid.

Auditors' remuneration

7. To authorise the Directors to determine the remuneration of the auditor.

Directors' authority to allot shares

8. That in substitution for all existing authorities, the Directors be generally and unconditionally authorised in accordance with section 551 of the Companies Act 2006 (the Act) to exercise all the powers of the Company to allot shares in the Company or to grant rights to subscribe for or convert any security into shares in the Company up to an aggregate nominal amount of £36,593.46 during the period from the date of the passing of this resolution and expiring on the date of the next AGM or on 30 June 2017, whichever is earlier, but so that this authority shall allow the Company to make offers or agreements before the expiry of this authority which would, or might, require shares to be allotted or rights to subscribe for or convert security into shares to be granted after such expiry.

Special resolutions

Authority to disapply pre-emption rights

9. That, subject to resolution 8 above being passed and section 551 of the Act, the Directors be empowered, pursuant to section 570 of the Act, to allot equity securities (as defined in section 560 of the Act) as if section 561(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:
   (a) during the period expiring on the date of the next AGM of the Company or, if earlier, on 30 June 2017 but so that this power shall enable the Company to make offers or agreements which would or might require equity securities to be allotted after the expiry of this power;
   (b) up to an aggregate nominal amount of £10,978.04 representing the nominal value of 10% of the Company's issued share capital at the date of this Notice; and
   (c) shall include the power to sell treasury shares under section 727 of the Act.

Purchase of own shares

10. That the Company be generally and unconditionally authorised to make one or more market purchases, within the meaning of Section 693(2) of the Act, of Ordinary Shares of 1p each in the Company (Shares) and to hold such Shares as Treasury Shares, provided that:
   (a) the maximum number of Shares to be repurchased shall be 304,945 Shares representing the nominal value of 5% of the Company's issued share capital at the date of this Notice;
   (b) the minimum price (exclusive of expenses) which may be paid for a Share shall be 1p per share;
   (c) the maximum price (exclusive of expenses) which may be paid for a Share shall be an amount equal to 105% of the average market value of the Shares (as derived from the mid-market price) for the five business days immediately preceding the date on which the Share is purchased;
   (d) any purchase of Shares will be made in the market for cash at prices below the prevailing net asset value per share as determined by the Directors;
   (e) the authority hereby conferred shall expire at the conclusion of the next AGM of the Company or, if earlier, on 30 June 2017; and
   (f) the Company may make a contract to purchase Shares under the authority hereby conferred prior to the expiry of such authority and may make a purchase of Shares pursuant to any such contract notwithstanding such expiry.

Registered office:
Ashley Park House
42-50 Hersham Road
Walton-on-Thames
Surrey KT12 1RZ

By order of the Board
Tim Hughes
A duly authorised signatory of
David Venus & Company LLP
Company Secretary

12 May 2016.

Notes:

1. A member entitled to attend and vote at the above meeting has the right to appoint a proxy or proxies to attend and vote in his place. A proxy need not be a member of the Company.
2. The form of proxy and the power of attorney or other authority, if any, under which it is signed, or a copy of such power or authority certified by a notary, must be completed and returned to the offices of the Company's registrars, SLC Registrars, Ashley Park House, 42-50 Hersham Road, Walton-on-Thames, Surrey KT12 1RZ, to arrive no fewer than 48 hours before the date set for the meeting or adjourned meeting.
3. In accordance with regulation 41 of the Uncertificated Securities Regulations 2001, (as amended) only those persons entered in the register of members of the Company as the holders of Ordinary Shares at 6.00pm on the pre-penultimate day of the AGM, are entitled to attend and vote at the meeting in respect of the shares held by them at the relevant time. Any changes made to the register of members of the Company after that time will be disregarded in determining the right of any person to attend or vote at the meeting.
4. **Resolutions 3, 4 and 5** – Article 25.8 of the Company's Articles of Association requires that any person who has been appointed as a Director since the last AGM, must retire at the next AGM following such appointment and if they are eligible, may offer themselves for re-election. Persons retiring under the provisions of Article 25.8 are not counted in calculating the number of Directors who are required to retire by rotation.
5. **Resolutions 6 and 7** – The auditors are required to be reappointed at each AGM at which accounts are presented. The Board on the recommendation of the Audit Committee, which has evaluated the effectiveness and independence of the external auditors, is proposing the reappointment of haysmacintyre. Resolution 7 is proposed to authorise the Board to fix the remuneration of the auditors.
6. **Resolution 9** – This resolution is to renew the authority given to the Directors to allot shares or rights to subscribe for or convert security into shares in the capital of the Company subject to the conditions of the Act. The authority to be given by this resolution is limited to the allotment of 2,032,970 Ordinary Shares representing one third of the issued share capital at the date of this Notice and shall be in substitution for all existing authorities but shall be without prejudice to any allotment of shares or grant of rights to subscribe for or convert security into shares already made or offered or agreed to be made pursuant to such authorities. The authority shall expire at the next AGM or on 30 June 2017, whichever is earlier.
7. **Resolution 9** – When shares are to be allotted for cash, section 561(1) of the Companies Act 2006 provides that existing shareholders have pre-emption rights and that any new shares are offered first to such shareholders in proportion to their existing shareholdings. This resolution is seeking to authorise the Directors to allot Shares of up to an aggregate nominal amount of £10,978.04 otherwise than on a pro rata basis. This represents 10% of the Company's issued share capital on the date of this document. This authority shall expire at the next AGM or on 30 June 2017, whichever is earlier.

   Whilst the Directors have no intention at the present time of issuing relevant securities, other than pursuant to existing rights under employee share schemes, they are seeking annual renewal of this authority in accordance with best practice and to ensure the Company has maximum flexibility in managing capital resources.
8. **Resolution 10** – This resolution is to authorise the Company to make market purchases of up to 5% of its own shares in issue as set out in the resolution. The authority shall expire at the next AGM or on 30 June 2017, whichever is earlier.

   The Directors consider that in certain circumstances it may be advantageous for the Company to purchase its own shares at a discount to net asset value. Purchases will only be made on the London Stock Exchange within guidelines established from time to time by the Board.

   The Directors would only consider exercising this authority if it is considered that such purchases would be to the advantage of the Company and its shareholders as a whole. The principal aim of this share buyback facility is to enhance shareholder value by acquiring shares at a discount to net asset value, as and when the Directors consider this to be appropriate. The purchase of shares when they are trading at a discount to net asset value per share, and their cancellation, should result in an increase in the resulting net asset value per share for the remaining Ordinary Shares. The Company will also be in a better position to address any imbalance between supply and demand for the shares that may be reflected in the discount to net asset value at which the Company's shares trade on the London Stock Exchange.

   The Directors intend that any shares purchased under this authority will be held by the Company as Treasury Shares, within the limits allowed by the law, unless the Directors consider that purchasing the shares and cancelling them would be to the advantage of the Company and its shareholders. The Directors may dispose of Treasury Shares in accordance with relevant legislation and the authority relating to rights of pre-emption granted by shareholders in general meeting (see resolution 9 and the note thereto).
9. The following documents, which are available for inspection during normal business hours at the registered office of the Company on any business day, will also be available for inspection on the day of the meeting until the Company's normal close of business:

   (a) copies of Executive Directors' service contracts with the Company;

   (b) copies of Non-executive Directors' letters of appointment; and

   (c) a copy of the Company's current Articles of Association and the proposed new Articles of Association.

Company information

Directors
Anthony Reeves
Andrea Stecconi
Guido Branca
Philipp Prince
Leonard Seelig

Secretary
Equiniti David Venus Limited
42-50 Hersham Road
Walton-on-Thames
Surrey KT12 1RZ

Registrars
SLC Registrars
42-50 Hersham Road
Walton-on-Thames
Surrey KT12 1RZ

Registered office
42-50 Hersham Road
Walton-on-Thames
Surrey KT12 1RZ

Registered number
08993398

Share capital
The ordinary share capital of Defenx PLC is listed on AIM, a market operated by London Stock Exchange Group plc. The shares are listed under the trading ticker DFX. The ISIN number is GB00BYNF4J61 and SEDOL number is BYNF4J6.

Auditors
haysmacintyre
6 Red Lion Square
London WC1R 4AG

Nominated adviser
Strand Hanson Limited
26 Mount Row
London W1K 3SQ

Nominated broker
WH Ireland Limited
11 St James's Square
Manchester M2 6WH

Solicitors
Fladgate LLP
16 Great Queen Street
London WC2B 5DG

Bankers
National Westminster Bank
135 Bishopsgate
London EC2M 3UR

Credit Suisse AG
SGCT 1
Viale Stazione 19
6501 Bellinzona
Switzerland

Website
www.defenx.com

Track record

As at 31 December	2015	2014	2013	2012
Revenue unit €000s	**4,490**	2,382	2,077	891
Revenue growth	**+88%**	+15%	+33%	-
Gross profit €000s	**3,977**	2,034	1,557	439
Gross margin %	**88.6%**	85.4%	75.0%	49.3%
Operating profit before exceptional expenses €000s	**979**	805	410	114
Operating profit margin %	**21.8%**	33.8%	19.7%	12.8%
Profit before tax €000s	**362**	761	409	113
Earnings per share				
Basic	**€0.042**	€0.167	€0.115	€0.045
Diluted	**€0.039**	€0.159	€0.115	€0.045
Net cash flow from operating activities €000s	**(1,022)**	388	661	(149)
Net cash used in investing activities €000s	**(1,351)**	(1,211)	(658)	69
Net cash from financing activities €000s	**3,512**	1,026	-	75
Net increase in cash and cash equivalents €000s	**1,139**	203	3	(5)
Cash and cash equivalents at year end €000s	**1,334**	206	2	1
Net assets €000s	**5,812**	2,048	457	129
Net assets per share	**€1.277**	€0.638	€0.160	€0.045

defenx
digital protection

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