



Placing and Subscription
and Admission
to trading on AIM

Nominated and Financial Adviser
Joint Broker

STRAND
HANSON

Lead Broker

WHIreland

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended to seek your own personal financial advice immediately from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised under the Financial Services and Markets Act 2000 (as amended) ("FSMA"), who specialises in advising on the acquisition of shares and other securities.

This document, which comprises an AIM admission document drawn up in accordance with the AIM Rules for Companies ("AIM Rules"), has been issued in connection with the application for admission of the entire issued and to be issued ordinary share capital of the Company to trading on the AIM market of the London Stock Exchange plc ("AIM"). This document does not contain an offer of transferable securities to the public within the meaning of section 102B of the FSMA, the Companies Act 2006 or otherwise. Accordingly, this document does not constitute a prospectus within the meaning of section 85 of the FSMA and has not been drawn up in accordance with the Prospectus Rules or approved by the United Kingdom Financial Conduct Authority ("FCA") or any other competent authority. If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other financial adviser.

Application has been made for admission of the whole of the issued ordinary share capital of the Company (the "Existing Ordinary Shares"), and the new ordinary shares to be issued pursuant to the Placing and the Subscription (the "New Ordinary Shares") (together the "Enlarged Share Capital"), to trading on AIM ("Admission"). It is expected that Admission will become effective and that dealings will commence in the Enlarged Share Capital on 3 December 2015. The New Ordinary Shares to be issued pursuant to the Placing and the Subscription will, on Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, and will rank in full for all dividends and other distributions declared, made or paid on Ordinary Shares after Admission.

AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. AIM securities are not admitted to the Official List of the United Kingdom Listing Authority ("UKLA"). A prospective investor should be aware of the risks of investing in such companies and should make the decision to invest only after careful consideration and, if appropriate, consultation with an independent financial adviser. Each AIM company is required pursuant to the AIM Rules for Companies to have a nominated adviser. The nominated adviser is required to make a declaration to the London Stock Exchange on Admission in the form set out in Schedule Two to the AIM Rules for Nominated Advisers. The London Stock Exchange has not itself examined or approved the contents of this document.

The Directors (whose names and functions appear on page 6 of this document) and the Company (whose registered office appears on page 6 of this document) accept responsibility, both collectively and individually, for the information contained in this document and compliance with the AIM Rules for Companies. To the best of the knowledge and belief of the Directors and the Company (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Prospective investors should read this document in its entirety. An investment in the Company includes a significant degree of risk and prospective investors should consider carefully the risk factors set out in Part 2 of this document.

Defenx plc

(Incorporated in England and Wales with registered number 08993398)

**Placing and Subscription of 1,425,654 New Ordinary Shares at £1.48 per share
and**

**Application for admission of the
Enlarged Share Capital to trading on AIM**

***Nominated Adviser and Financial Adviser
Joint Broker***

**STRAND
HANSON**

Strand Hanson Limited

Lead Broker

WH Ireland

WH Ireland Limited

Strand Hanson Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting as nominated adviser to the Company in connection with the proposed Placing and Subscription and Admission and is not acting for any other person (including a recipient of this document) or otherwise responsible to any person for providing the protections afforded to clients of Strand Hanson Limited or for advising any other person in respect of the proposed Placing and Subscription and Admission or any transaction, matter or arrangement referred to in this document. Strand Hanson Limited's responsibilities as the Company's nominated adviser under the AIM Rules for Nominated Advisers are owed solely to London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document. No representation or warranty, express or implied, is made by Strand Hanson Limited, for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

WH Ireland Limited, which is authorised and regulated in the United Kingdom by the FCA, is acting as broker to the Company in connection with the proposed Placing and Admission and is not acting for any other person (including a recipient of this document) or otherwise responsible to any person for providing the protections afforded to clients of WH Ireland Limited or for advising any other person in respect of the proposed Placing and Admission or any transaction, matter or arrangement referred to in this document. No representation or warranty, express or implied, is made by WH Ireland Limited, for the accuracy of any information or opinions contained in this document or for the omission of any material information, for which it is not responsible.

A copy of this document is available, subject to certain restrictions relating to persons resident in any Restricted Jurisdiction, at the Company's website www.defenx.com. Neither the content of the Company's website nor any website accessible by hyperlinks to the Company's website is incorporated in, or forms part of, this document.

IMPORTANT NOTICE

Cautionary note regarding forward-looking statements

This document includes statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “plans”, “projects”, “anticipates”, “expects”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements include matters that are not historical facts. They appear in a number of places throughout this document and include statements regarding the Directors’ current intentions, beliefs or expectations concerning, amongst other things, the Company’s results of operations, financial condition, liquidity, prospects, growth, strategies and the Company’s markets.

By their nature, forward-looking statements involve risk and uncertainty because they relate to future events and circumstances. Actual results and developments could differ materially from those expressed or implied by the forward-looking statements. Factors that might cause such a difference, include, but are not limited to the risk factors set out in Part 2 of this document.

Forward-looking statements may and often do differ materially from actual results. Any forward-looking statements in this document are based on certain factors and assumptions, including the Directors’ current view with respect to future events and are subject to risks relating to future events and other risks, uncertainties and assumptions relating to the Company’s operations, results of operations, growth strategy and liquidity. Whilst the Directors consider these assumptions to be reasonable based upon information currently available, they may prove to be incorrect. Prospective investors should therefore specifically consider the risk factors contained in Part 2 of this document that could cause actual results to differ before making an investment decision. Save as required by law or by the AIM Rules for Companies, the Company undertakes no obligation to publicly release the results of any revisions to any forward-looking statements in this document that may occur due to any change in the Directors’ expectations or to reflect events or circumstances after the date of this document.

Notice to overseas persons

The distribution of this document in certain jurisdictions may be restricted by law and therefore persons into whose possession this document comes should inform themselves about and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

The Ordinary Shares have not been, nor will they be, registered under the United States Securities Act of 1933, as amended, (the “US Securities Act”) and may not be offered, sold or delivered in, into or from the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act. Subject to certain exemptions, this document does not constitute an offer of Ordinary Shares to any person with a registered address, or who is resident in, the United States. There will be no public offer in the United States. Outside of the United States, the New Ordinary Shares are being offered in reliance on Regulation S under the US Securities Act. The Ordinary Shares will not qualify for distribution under the relevant securities laws of Australia, Canada, the Republic of Ireland, the Republic of South Africa or Japan, nor has any prospectus in relation to the Ordinary Shares been lodged with, or registered by, the Australian Securities and Investments Commission or the Japanese Ministry of Finance.

Accordingly, subject to certain exemptions, the Ordinary Shares may not be offered, sold, taken up, delivered or transferred in, into or from the United States, Australia, Canada, the Republic of Ireland, the Republic of South Africa, Japan or any other jurisdiction where to do so would constitute a breach of local securities laws or regulations (each a “Restricted Jurisdiction”) or to or for the account or benefit of any national, resident or citizen of a Restricted Jurisdiction. This document does not constitute an offer to issue or sell, or the solicitation of an offer to subscribe for or purchase, any Ordinary Shares to any person in a Restricted Jurisdiction and is not for distribution in, into or from a Restricted Jurisdiction.

The Ordinary Shares have not been approved or disapproved by the US Securities and Exchange Commission, or any other securities commission or regulatory authority of the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the offering of the New Ordinary Shares

nor have they approved this document or confirmed the accuracy or adequacy of the information contained in this document. Any representation to the contrary is a criminal offence in the US.

Basis on which financial information is presented

The accountant's reports on the historical financial information included in Part 3 of this document has been prepared in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom and the related consent to their inclusion in this document appearing in Part 5 of this document has been included as required by the AIM Rules for Companies and solely for that purpose.

The historical financial information in this document, has been prepared by the Directors of the Company in accordance with IFRS as adopted by the European Union.

Various figures and percentages in tables in this document have been rounded and, accordingly, may not total. As a result of this rounding, the totals of data presented in this document may vary slightly from the actual arithmetical totals of such data.

In this document, references to "pounds sterling", "£", "pence" and "p" are to the lawful currency of the United Kingdom reference to "€" and "EURO" is to the single currency used by some member states of the European Union, reference to "CHF" and "SF" is to the lawful currency of Switzerland and reference to "US\$" or "\$" is to the lawful currency of the United States.

Third party information

Where information has been sourced from a third party, the information has been accurately reproduced and, as far as the Company and the Directors are aware and are able to ascertain from information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading. Where third party information has been used in this document, the source of such information has been identified. The Company takes responsibility for compiling and extracting, but has not independently verified, market data provided by third parties or industry or general publications and takes no further responsibility for such data. Reference materials include various historical and recent publications. A comprehensive list of reports and information used in the preparation of this document is as follows.

References to defined and technical terms

Certain terms used in this document are defined in the section of this document under the heading "Definitions" and "Glossary".

All times referred to in this document are, unless otherwise stated, references to London time.

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EXPECTED TIMETABLE OF PRINCIPAL EVENTS

Publication of this document	27 November 2015
Admission becomes effective and dealings in the Enlarged Share Capital expected to commence on AIM	8.00 a.m. 3 December 2015
CREST accounts to be credited in respect of New Ordinary Shares	3 December 2015
Definitive share certificates expected to be despatched (where applicable)	by 10 December 2015

Each of the times and dates in the above timetable is subject to change without further notice. All references are to London times unless otherwise stated. Temporary documents of title will not be issued.

PLACING AND SUBSCRIPTION STATISTICS

Number of Existing Ordinary Shares in issue at the date of this document	4,673,258
Issue Price	£1.48
Number of Placing Shares	448,276
Number of Subscription Shares	977,378
Number of Ordinary Shares in issue immediately following Admission	6,098,912
Market capitalisation on Admission at the Issue Price	£9.0 million
Estimated gross proceeds of the Placing and Subscription	£2.1 million
Estimated net proceeds of the Placing and Subscription receivable by the Company	£1.4 million
Number of Ordinary Shares held by the Directors at Admission	1,729,338
Percentage of the Enlarged Share Capital held by the Directors at Admission	28.4 per cent.
Number of Ordinary Shares represented by Options, Deferred Shares and Warrants outstanding at Admission*	826,614
Percentage of the Enlarged Share Capital represented by Options, Deferred Shares and Warrants outstanding at Admission	13.6 per cent.
AIM TIDM	DFX
ISIN	GB00BYNF4J61
SEDOL	BYNF4J6

*Assuming the conversion of the Deferred Shares into a maximum of 300,000 Ordinary Shares.

EXCHANGE RATES

For reference purposes only, the following exchange rates have been used in the document:

£ to EURO: 1:1.425 £ to CHF: 1:1.544

Source: Bloomberg on 25 November 2015.

All amounts in Parts 1-5 of this document expressed in the above currencies have, unless otherwise stated, been calculated using the above exchange rates.

DIRECTORS, SECRETARY AND ADVISERS

Directors	Anthony (Tony) Reeves (age 75) – <i>Non-Executive Chairman</i> Andrea Stecconi (age 47) – <i>Founder and Chief Executive</i> Guido Branca (age 59) – <i>Managing Director</i> Philipp Prince (age 46) – <i>Finance Director</i> Leonard Seelig (age 59) – <i>Non-Executive Director</i>
Company Secretary	Equiniti David Venus Limited 42-50 Hersham Road Walton-on-Thames Surrey KT12 1RZ
Business address	Lake View House Tournament Fields Warwick CV34 6RG
Registered office of the Company	42-50 Hersham Road Walton-on-Thames Surrey KT12 1RZ Registration No: 08993398
Financial and Nominated Adviser Joint Broker	Strand Hanson Limited 26 Mount Row London W1K 3SQ
Lead Broker	WH Ireland Limited 11 St James's Square Manchester M2 6WH
Solicitors to the Company as to UK law	Fladgate LLP 16 Great Queen Street London WC2B 5DG
Solicitors to the Company as to Swiss law	Petruzzino Law Firm Palazzo Sorgente Via Serafino Balestra, 5th floor 6900 Lugano Switzerland
Solicitors to the Nominated Adviser and Broker	DWF LLP 20 Fenchurch Street London EC3M 3AG
Reporting Accountants to the Company	haysmacintyre 26 Red Lion Square London WC1R 4AG
Financial PR	Newgate Capital Markets Sky Light City Tower 50 Basinghall Street London EC2V 5DE
Registrar And Receiving Agent	SLC Registrars 42-50 Hersham Road Walton-on-Thames Surrey KT12 1RZ
Company's website	www.defenx.com

DEFINITIONS

“Admission”	the admission of the Enlarged Share Capital to trading on AIM and such admission becoming effective in accordance with the AIM Rules
“Act”	the Companies Act 2006 of the United Kingdom (as amended from time to time)
“AIM”	the AIM market operated by the London Stock Exchange
“AIM Rules” or “AIM Rules for Companies”	the London Stock Exchange’s rules and guidance notes contained in its “AIM Rules for Companies” publication relating to companies whose securities are traded on AIM, as amended from time to time
“AIM Rules for Nominated Advisers”	the London Stock Exchange’s rules and guidance notes contained in its “AIM Rules for Nominated Advisers” publication relating to the nominated advisers of companies whose securities are traded on AIM, as amended from time to time
“Articles”	the articles of association of the Company as amended from time to time, a summary of which is set out in paragraph 6 of Part 5 of this document
“Board”	the board of directors of the Company from time to time
“Broker” or “WH Ireland”	Broker to the Company for the purposes of the AIM Rules, being WH Ireland Limited
“Business Day”	a day, other than Saturday, Sunday or a public holiday, when the banks of the City of London are open for business
“City Code”	the City Code on Takeovers and Mergers issued by the Panel from time to time
“Company”	Defenx plc, a public limited company registered in England and Wales with registration number 08993398
“Corporate Governance Code”	the UK Corporate Governance Code published by the Financial Reporting Council of the United Kingdom from time to time
“CREST”	the relevant system (as defined in the CREST Regulations) for the paperless settlement of trades and the holding of uncertificated securities in the United Kingdom administered by Euroclear UK & Ireland Limited as operator (as defined in the CREST Regulations)
“CREST Regulations”	the Uncertificated Securities Regulations 2001 (SI 2001/3755), as amended
“CSS Agreement”	the financial advisory and placement agreement between the Company and Charles Street Securities Europe LLP dated 21 October 2013 and described further in paragraph 12.2 of Part 5 of this document
“CSS Parties”	Charles Street Securities Europe LLP, CSS Capital Managers LLP and their respective principals and any related or associated entities or parties (excluding CSS Alpha Fund Limited)
“Defenx Acquisition”	the acquisition of the entire issued share capital of the Subsidiary by the Company on 3 June 2014

“Defenx Nominees”	Defenx Nominees Limited, a nominee company holding the shares issued to the shareholders that invested in the Company by way of the Private Placement
“Deferred Shares”	the deferred shares with a nominal value of £0.0001 each in the Company
“Directors”	the directors of the Company whose names are listed on page 6 of this document
“DTR” or “Disclosure and Transparency Rules”	the Disclosure and Transparency Rules (in accordance with section 73A(3) of FSMA) being the rules published by the FCA from time to time relating to the disclosure of information in respect of financial instruments which have been admitted to trading on a regulated market or for which a request for admission to trading on such a market has been made
“EIS”	Enterprise Investment Scheme
“EMI Options”	the outstanding options to purchase Ordinary Shares granted under the EMI Option Scheme
“EMI Option Scheme”	the Company’s Enterprise Management Incentive Scheme details of which are set out in paragraph 11.1 of Part 5 of this document
“Enlarged Share Capital”	the 6,098,912 Ordinary Shares in issue on Admission, comprising the Existing Ordinary Shares and the New Ordinary Shares
“Existing Ordinary Shares”	the 4,673,258 Ordinary Shares in issue prior to Admission at the date of this document
“Existing Shareholders”	holders of Existing Ordinary Shares
“FCA”	the Financial Conduct Authority of the United Kingdom
“FSMA”	the Financial Services and Markets Act 2000, as amended
“Group” or “Defenx”	the Company and the Subsidiary
“Issue Price”	£1.48 per New Ordinary Share
“LSE” or “London Stock Exchange”	London Stock Exchange plc
“New Ordinary Shares”	together the Placing Shares and the Subscription Shares
“Official List”	the list maintained by the UKLA in accordance with section 74(1) of FSMA for the purposes of Part VI of FSMA
“Options”	the EMI Options and Unapproved Options, details of which are set out in paragraph 5.7, 5.8, 10.2 and 11 of Part 5 of this document
“Ordinary Shares”	the ordinary shares with a nominal value of £0.018 each in the Company
“Panel”	The Panel on Takeovers and Mergers of the United Kingdom
“Placee”	a person subscribing for Placing Shares under the Placing at the Issue Price

“Placing”	the conditional placing by WH Ireland on behalf of the Company of the Placing Shares at the Issue Price pursuant to the Placing Agreement
“Placing Agreement”	the conditional placing agreement dated 27 November 2015 between the Company, the Directors, Strand Hanson and WH Ireland relating to the Placing, full details of which are set out in paragraph 12.20 of Part 5 of this document
“Placing Shares”	the 448,276 new Ordinary Shares to be issued to the Placees pursuant to the Placing Agreement at the Issue Price
“Private Placement”	the private placement carried out by the Company of 11,044,000 ordinary shares of £0.00225 pursuant to the CSS Agreement
“Prospectus Rules”	the prospectus rules contained in the FCA handbook which are published and from time to time amended by the FCA
“QCA Guidelines”	the Corporate Governance Code for Small and Mid-Size Quoted Companies 2013 published by the Quote Company Alliance
“Registrar”	Equiniti David Venus Limited, trading as SLC Registrars
“Relationship Agreement”	the relationship agreement dated 27 November 2015 between the Company, Andrea Stecconi and Strand Hanson, full details of which are set out in paragraph 14 of Part 1 of this document
“Restricted Jurisdiction”	the United States, Canada, Australia, Republic of Ireland, Republic of South Africa and any other relevant jurisdiction
“Senior Managers”	Mauro Celentano and Angelo Motti
“Shareholders”	holders of Ordinary Shares from time to time
“Shares”	the Ordinary Shares and Deferred Shares
“Strand Hanson” or “Nomad”	Strand Hanson Limited, nominated adviser to the Company
“Subscribers”	a person subscribing for Subscription Shares under the Subscription at the Issue Price
“Subscription”	together the subscription by Charles Street Securities Europe LLP on behalf of the Company and the direct subscription by sophisticated and high net worth investors, a Director, and certain advisers in lieu of cash fees of the Subscription Shares at the Issue Price
“Subscription Shares”	the 977,378 New Ordinary Shares to be issued to the Subscribers pursuant to the Subscription
“Subsidiary” or “Defenx SA”	Defenx SA, the Company’s wholly owned subsidiary
“Unapproved Options”	the outstanding options to purchase Ordinary Shares granted under the Unapproved Option Agreements
“Unapproved Option Agreements”	the option agreements between the Company and Leonard Seelig and the Company and Anthony Reeves, full details of which are set out in paragraph 11.2 of Part 5 of this document
“uncertificated” or “in uncertificated form”	a share or other security recorded on the relevant register of the share or security concerned as being held in uncertificated form in CREST and title to which may be transferred by means of CREST

“UK” or “United Kingdom”	the United Kingdom of Great Britain and Northern Ireland
“UK Listing Authority” or “UKLA”	the United Kingdom Listing Authority of the FCA, acting in its capacity as the competent authority for the purposes of Part VI of FSMA
“US” or “United States”	the United States of America, its territories and possessions, any state of the United States of America and the District of Columbia and all other areas subject to its jurisdiction
“US person”	a US person as defined in Regulation S under the Securities Act
“Warrants”	the warrants to be granted to Strand Hanson by the Company, conditional upon Admission, to subscribe for up to 60,989 Ordinary Shares at the Issue Price, pursuant to the Warrant Agreement
“Warrant Agreement”	the warrant deed dated 26 November 2015 pursuant to which the Warrants are constituted, details of which are set out at paragraph 12.23 of Part 5 of this document
“£” or “Sterling”	the lawful currency of the United Kingdom

GLOSSARY OF TECHNICAL TERMS

Active User	A user with an active access code. Once a code is activated in a software application, Defenx grants the appropriate level of access to the user and delivers updates from the database to the user's device until the active license period expires.
B2B	Business to business.
Channel Partner	A direct or indirect third party distributor or re-seller of the Company's products, a mobile telco or an Original Equipment Manufacturer. Defenx sells to channel partners who, in-turn, sell to their customers. The Company provides the channel partner with the software and access codes.
False Negative	A false negative is where a test result indicates that a condition failed, while it actually was successful. In the specific case of anti-malware reporting a false negative, means identifying malware as legitimate code.
False Positives	A false positive error is a result that indicates a given condition has been fulfilled, when actually it has not been fulfilled. The specific case of anti-malware reporting a false positive means identifying a legitimate code as malware. This is possible if the sensitivity of the filters is set too high, because some malware resembles legitimate code and a very sensitive filter might then sometimes erroneously pick up legitimate code and identify it as malware.
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 sensitive information, or gain access to private computer systems. It can appear in the form of code, scripts, active content, and other software. 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 Definitions	Malware definitions, which are held in several databases in repositories around the world, are collections of identifying traits and specific signatures of malware that are updated constantly. For a fee it is possible to gain access to this data. New definitions are added at a rapid rate, in the hundreds of thousands per day for Windows, and approximately 10,000 per day for Android currently but its accelerating fast. The complete database used by Defenx (VirusSign) had over 317 million new definitions across all platforms for the last 12 month period; of which 25 million are considered very active definitions.
Mobile Operator	A mobile operator, also known as a wireless service provider, wireless carrier, mobile network operator, cellular company, or mobile network carrier, is a provider of wireless communications services that owns or controls all the elements necessary to sell and deliver services to an end user including radio spectrum allocation, wireless network infrastructure, back haul infrastructure, billing, customer care, provisioning computer systems and marketing and repair organizations.

Mobile security	Mobile security refers to smartphone or tablet software relied upon by users anywhere to provide a degree of security against malware attacks.
Network-Attached Storage (NAS)	A NAS unit is a computer connected to a network that provides only file-based data storage services to other devices on the network. A full-featured operating system is not needed on a NAS device, so often a stripped-down operating system is used.
OEM	Original equipment manufacturer.
RRP	Recommended retail price.
Value-Added Service or VAS	Value-added services are non-core services, or in short, all services beyond standard voice calls and fax transmissions. In the telecommunication industry, value-added services add value to the standard service offering, spurring greater usage of their phone by subscribers and generating additional revenues for operators.

PART 1

INFORMATION ON THE GROUP

1. Introduction

Founded in 2009, Defenx is a fast growing, profitable and cash-generative security solutions business.

Defenx offers a range of anti-malware products for mobile devices and the PC and network security markets, having entered the market with its first PC and networking anti-malware software package in 2009. In 2012, Defenx expanded into the mobile security software market and, in 2014, created its new network security product for the Network Attached Storage (NAS) market.

Defenx utilises a variety of marketing channels to distribute its products, ranging from direct and indirect sale to consumers (e.g. Google's Play Store), to white-label and profit-share arrangements with partners, third party distributors, telecoms companies and hardware manufacturers. As a relatively new market participant, Defenx has sought to be flexible and innovative with respect to its marketing strategy and distribution terms, which the Directors believe has enabled it to enter new markets and compete effectively with more established incumbent players in the industry.

Defenx's security software products are highly competitive in terms of cost, efficacy and functionality, when compared with similar alternative products in its marketplace. Defenx has, in particular, sought to maximise the efficiency of its mobile products by reducing the use of storage, processing capacity and memory, and therefore power consumption, of the software. In this respect, the Directors believe that Defenx's mobile security products are superior to many competitive products and are able to operate on older or less powerful devices.

Since inception, Defenx has sold over 2 million licences for its security products. Defenx's global channel partners currently include MTN Congo Telecom, part of the MTN pan-Africa mobile operator; 3Italia (H3G), the fourth largest Italian mobile network operator and Seagate Technology plc (Seagate), a world-leader in disk drive manufacturing, amongst other distributors including both telecoms operators, systems integrators and OEMs.

The Directors believe that there is a significant market opportunity to build a leading security software solutions company. This arises predominantly from the vast and growing market for mobile devices, combined with a rapidly growing awareness of security issues by both retail and corporate consumers and an incumbent industry that has been slow to adapt to the changing nature of the marketplace.

The Company is raising approximately £2.1 million (€3 million) in gross proceeds through the issue of 1,425,654 New Ordinary Shares by way of the Placing and the Subscription, conditional, *inter alia*, on Admission. The funds raised through the Placing and the Subscription are intended to allow Defenx to accelerate its growth through the extension of existing channel partnerships, the development of channel partnerships in new markets and the further technological expansion and development of its products and services. A full breakdown of the use of net proceeds is set out in paragraph 11 of Part 1 of this document.

2. Key Investment Proposition

The Directors believe that an investment in the Company should be attractive to prospective investors for the following reasons:

- **Significant and Developing Marketplace** – The security software market for mobile devices is underdeveloped and presents a significant opportunity, particularly in emerging markets. The global mobile security market was valued at approximately US\$1.5 billion in 2014 and is forecast to reach US\$5.7 billion by 2019.
- **Rapid route to market through channel providers** – Defenx's competitively priced product combined with its marketing strategy allows it to quickly enter new territories and effectively compete with more established competitors.
- **Emerging market focus** – The Directors believe that there is a large and rapidly growing market opportunity for security software in emerging markets. The Company is focussed on marketing into such markets, including in Africa and the Middle East, where subscriber numbers and the adoption of

mobile banking are growing very rapidly, with the number of mobile subscriptions in Africa expected to reach 1 billion during 2015 and 1.2 billion by 2018 (*Africa Telecoms Outlook 2014, Informa Telecoms & Media*).

- **Full Service Protection** – Defenx’s products offer a full array of protection available on the most widely used major operating systems and uses the VirusSign library, a comprehensive database of over 140 million malware definitions covering all platforms.
- **Core IP** – Defenx’s products covers all major markets and devices, with owned intellectual property rights over its Android, iOS offerings and proprietary aspects of its NAS products. Defenx has ability to develop its own innovative and effective technology.
- **Profitable since 2012** – Defenx is profitable, generally operating cashflow positive on a full year basis, and debt-free. It has shown consistent revenue growth since incorporation.

3. Market Opportunity

The Melissa and LoveBug virus catapulted the anti-malware business onto the scene in the early days of the XXI century. Since then, a highly lucrative industry has evolved, providing look-up services for malware definitions, usually for a subscription fee.

Andrea Stecconi, Defenx’s Founder and Chief Executive, observed the high sales margins in the industry through his work as a distributor in 2006, during which he was the first agent in Italy for Kaspersky Inc., one of the most widely used providers of security software products worldwide. He saw the then current pricing strategies followed by businesses in the sector as an opportunity to construct a business model based on lower price point for a PC security solution. Mr. Stecconi identified and acquired a license for a suitable product and started selling this and generating revenues under the Defenx brand in 2009, using shared revenue schemes with distributors and others in the sales channel.

The profits generated from early sales of this PC security product were reinvested into the acquisition of a Defenx security solution for mobile devices, initially focussed on the fastest growing segment of that market, Android-based smartphones.

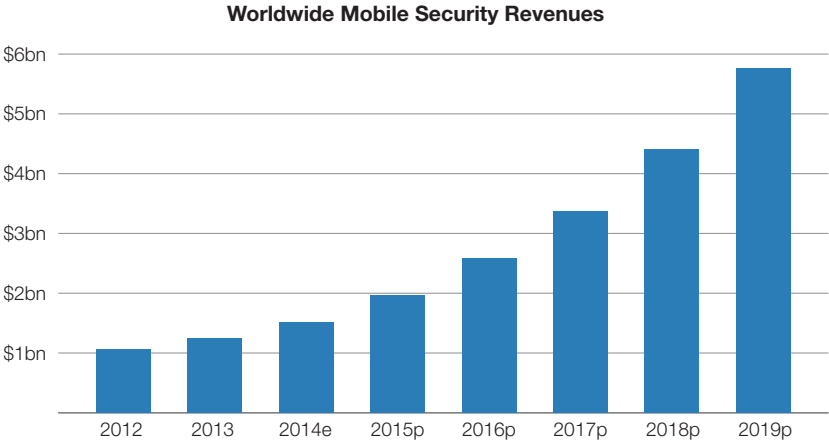
3.1 The anti-malware and security software market

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 sensitive information, or gain access to private computer systems. It can appear in the form of code, scripts, active content and other software. 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.

There has been a vast increase in malware in recent years; in applications, emails, and web pages. In 2014, there were 317 million new pieces of malware, computer viruses or other malicious software created, an increase of 26 per cent. from the previous year (*Symantec Internet Threat Security Report, April 2015*). Research published by McAfee has shown that the total number of mobile malware samples exceeded 8 million in 2015.

In light of the increasing prevalence of malware, the growing interconnectedness of devices and the increased awareness of the potential damage caused by computer infections, the total global mobile security market, as shown in figure 1 below, is expected to grow from US\$1.50 billion in 2014 to US\$5.75 billion in 2019, an estimated compound annual growth rate (CAGR) of 30.7 per cent. from 2014 to 2019 (*Mobile Security Market by Solution & Service – Global Forecast to 2019 by Markets & Markets*).

Figure 1: Mobile Security Global Market Forecast to 2019 (Source: Markets & Markets)



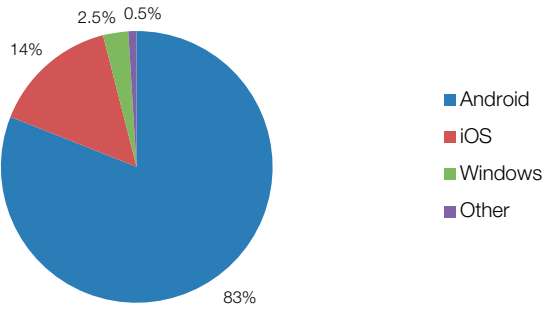
3.2 Mobile devices

At the end of 2014, there were 3.6 billion unique mobile subscribers worldwide, equivalent to over 50 per cent. of the world’s population, up from just 20 per cent. ten years ago. A further billion unique subscribers are predicted to join the market by 2020, taking the global penetration rate to approximately 60 per cent. (GSMA Report, *The Mobile Economy 2015*).

It is this market on which Defenx is predominantly focussed. The rapidly increasing use of mobile devices for internet access and financial transactions, particularly in emerging markets, heightens the need for mobile security software, and the Directors believe that there is a growing recognition of this need amongst consumers.

The smartphone market continues to be dominated by devices running the Android operating systems (representing approximately 81 per cent. of smartphone sales in 2014), with iOS, Windows Phone, BlackBerry and all other operating systems accounting for the remaining market share.

Figure 2: Operating System Market Share Q2 2015 (Source: IDC)



Android smartphones have been more exposed to malware infection than other platforms, such as the Apple iOS operating system, due to the open-source nature of the platform, the historical lack of inbuilt virus screening/protection, and the widespread use of older versions of the Android operating system which are generally significantly more vulnerable. Consumers are also increasingly using their devices to complete financial transactions. As a result, the number of threats to Android devices is rising rapidly and such threats have been widely reported in the media, with millions of consumers affected every year.

Why protecting mobiles is essential

There is a serious and increasing malware risk, in particular on the Android platform. According to International Data Corporation, the global provider of market intelligence, over 75 per cent. of all mobile malware in Q2 2015 was applicable to the Android operating system, demonstrating the large and growing amount of malware targeting Android devices.

Protection against malware in Android applications is a necessity, according to a test report published by OPSWAT in April 2014. As part of this test, OPSWAT collected almost 12,000 Android application files from third-party application stores (other than Google's Play Store) and scanned them using 40 commercial anti-malware products. OPSWAT found that almost a third of the files were flagged as suspicious (i.e. having some potential threat detected). Recent research conducted by Eurecom has also shown the extent to which widely used applications can, without the users knowledge, access thousands of URLs through the internet connection of a user's device. Although such actions often serve a legitimate function, such as downloading advertising to the application, the excessive and unmonitored nature of these interactions presents a significant potential threat to the user.

The Directors believe that mobile attacks will continue to grow rapidly as new technologies expand the attack surface and application store abuse goes unchecked. Mobile security breaches affected 41 per cent. of UK organisations in 2014 according to a report by CDW Enterprise Mobile App Report. Furthermore, the majority of software application developers are not taking appropriate precautions to secure the mobile applications they build for customers, with the threat exacerbated by the fact that 67 per cent. of companies allow employees to download non-vetted applications to their work devices (*IBM X-Force Threat Intelligence Quarterly 1Q 2015*).

In addition to disrupting the user's experience of the device, malware infections can cause financial losses. A malware infection can, without the user being aware, send SMS messages to "for-pay" services, steal telephone traffic, access personal data and collect e-banking, credit card data and mobile payment funds from a user's device. According to research published by Cap Gemini, the growth in mobile payments, defined as those payments where a mobile device is used and the payment information flow takes place in real time "through the air", is being driven primarily by peer to peer transactions in emerging markets and by consumer transactions in developed markets.

These changes are happening at the crossroads of increased adoption of smartphones, digital offerings by traditional financial players (such as retail banks) and the growth of specialised services like PayPal, Here, iZettle and Square. One example is the service offered by M-Pesa in Kenya, which holds, stores and exchanges cash through virtual accounts managed through individual users' mobile devices. In 2014 M-Pesa had 19 million registered users and an average of over six million transactions completed each day (Mail Guardian Africa, Dec 2014). The Directors believe that the majority of smartphone owners will, in time, use their devices as virtual wallets, and the adoption of near-field communication (NFC) for digital payments from mobile devices will attract an increasing number of cyber thieves.

The mobile security industry

The Directors believe that there has been an acceleration of interest in mobile security software in the last few years. A number of security software providers are reworking their commercial strategy around the mobile environment. In the distributor channel segment, security software vendors are moving to address the mobile space directly and are facing competition from handset manufacturers wishing to include security software at the original equipment manufacturer (OEM) level and from network operators who want to have security as an added feature when they distribute handsets.

Typically, security software vendors offer a reduced-feature free-trial approach to market their products, whereby they release an entry level, basic product for free with a view to selling a more complete, upgraded version to the user at the end of the trial period. In the case of mobile versions, this usually means providing such functions as anti-virus, anti-spam and data flux monitoring free of charge and aiming to sell subsequently (typically at a price point of approximately US\$29) an upgraded version, which may also include geo fencing, remote lock, anti-phishing and other additional features.

Defenx takes an alternative approach in offering a full-service product for free on a trial period basis (typically 30 days), beyond which Defenx or its distribution partners will seek to encourage the user to purchase a licence to retain the software. The Directors believe that this strategy provides a lower average cost of customer acquisition and is more effective in generating sales, particularly in emerging markets where, in their view, there is a much wider appreciation amongst users of the risks of malware and the need for security software. This sales approach ties in with Defenx's revenue sharing arrangements with its distribution partners, as it encourages such partners to convert users of the free-trial product into paying users. It also provides distributors with a reason to engage with customers, which can also be used to their advantage with respect to the cross-selling of other products.

Emerging Markets

The consumer smartphone market in India, China and emerging markets in Africa, the Middle East and Latin America are growing rapidly. The major anti-virus software vendors do not yet have a strong customer base in these markets through the main distribution channels.

It is expected that sales of low and mid-price smartphones will continue to increase in emerging markets. As a consequence, it is likely that the Android platform will benefit versus other operating systems such as Apple's iOS in these regions due to the fact that iOS based hardware is produced exclusively by Apple which has, to date, produced products priced towards the higher end of the price range for mobile devices. Africa is a primary example of this phenomenon, with smartphones becoming ever more affordable. For example, in 2012, there were 79 million smartphone connections in Africa; by 2018, this figure is expected to rise to 412 million (*Informa Telecoms & Media. Africa Telecoms Outlook 2014*). 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, with developments such as the rapid growth in online shopping in Nigeria. Sub-Saharan Africa is the world's most under-penetrated regions for mobile access and subscriber growth is forecast 12 per cent. over the next 12 months. This is appreciably higher than Europe and North America, where unique subscriber growth was below 1 per cent. in 2014. (*Informa Telecoms & Media*).

3.3 PCs – The anti-malware software industry

The anti-malware software industry for personal computers is predominantly focussed on PC channel or web based sales. Initially, PC software was sold in boxes through retail distribution channels, but over time has evolved into pre-installed software or download-based software. Generally, this software is sold with an annual subscription. Sales of licences are made mostly through PC vendors (either at the manufacturer level or at the point of distribution of the product). Anti-virus vendors typically charge the end user between US\$30 and US\$50 for a one year subscription. The annual subscription prices across the market are coming under pressure as end-users perceive a widening gap between the value offered and the price paid, and PC security software is becoming increasingly commoditised.

In more technologically mature markets, the typical route-to-market for mobile anti-malware products has been to upsell these products through the traditional PC anti-malware software sales channels as penetration for PC anti-malware software is high. Today, in the United States and Europe, one significant approach is to upsell mobile software by bundling it with the core PC anti-malware software offering (with some bundles reaching over US\$100 dollars per year).

In earlier stage technology markets, this distribution channel is not available as PC penetration is much lower. In these markets, new distribution channels and new business models are needed and it is therefore more difficult to use the same models as in developing countries.

Furthermore, the Directors believe that the fear by vendors of eroding their margins in the PC anti-malware market has led them to retreat from secondary markets and retrench focus on the larger consumer markets and enterprise markets (away from a B2C model).

Today, most anti-malware providers offer free anti-virus protection to the majority of their mobile users; who reasonably opt for such free versions because their perception of the threat does not warrant any expenditure on their part. However, the Directors believe that the mobile threat awareness is rapidly catching up with the well understood threat to PCs.

The Defenx business started with a PC security offering. Although in recent years the Company's focus has been predominantly on the mobile security market, the Defenx PC security business has shown it is capable of generating significant sales for the Company with relatively little advertising spend. The main avenue for this growth has been through Defenx's channel partners offering the Company's PC products alongside mobile products.

3.4 Network Security

Network Security complements and extends the Mobile Security and PC Security categories (with their focus on individuals and families) and covers the security management needs of home and business networks. Security management for networks is different for all kinds of situations. A home or small office may only require basic security while large businesses may require high-maintenance and advanced software and hardware to prevent malicious attacks. Network security management solutions cover a variety of

functions including: ID and access management, device management and configuration control, server security, customer security, network monitoring, data loss protection, threat monitoring and analysis and others.

A NAS device, also termed a network-connected storage device or drive, comprises dedicated hard disks to provide centralised, ‘always on’ storage or backup. It has its own IP address and can be accessed by multiple customers over a network and from the internet.

Consumer NAS market

A consumer NAS device offers centralised storage by connecting to the ever increasing network of PCs, games consoles, smart TVs, media players and printers/scanners in the typical home. It provides a faster access to stored data and has the capacity to store data at a faster rate, typically connecting a family or group of users. A NAS device, like any other device on a home network, is exposed to attack over the internet or from malware that originated from another device and has been stored on it. In addition, unless it is protected, the NAS device can spread malware across the network devices accelerating the scope and rate of infection.

Since September 2014, Defenx has offered its NAS Standard Security application and protection services to all entry-level Seagate NAS devices in the market.

Corporate NAS market

In a corporate setting, NAS devices have greater capacity and processing power, containing more drive bays and serving more users. The typical task is backing-up files, with companies often needing built-in local redundancy. These installations often need to be managed centrally and the ability to manage multiple sites is essential.

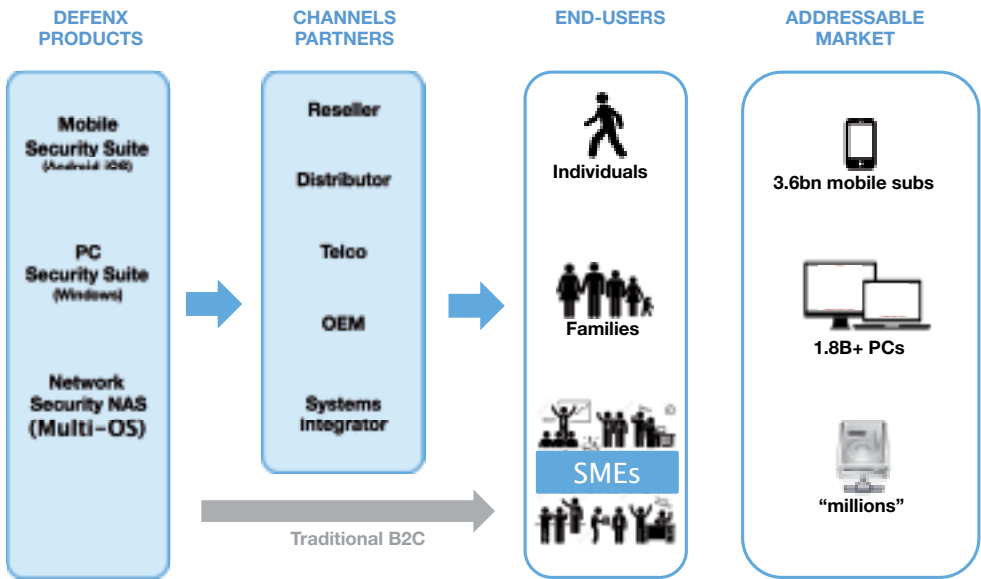
The NAS segment for both entry-level consumer or enterprise grade customers is clearly a rapidly growing marketplace and one in which the Directors believe security software will become an ever more important facet. To date, Defenx has built two solutions for Seagate: the NAS Standard Security for families and the NAS Enterprise Security with an RRP from US\$30 to US\$180. In future, Defenx anticipates offering the same core software to other NAS manufacturers.

4. Revenue Model and Strategy

4.1 Revenue Model

Defenx’s marketing approach is to generate sales using channel partners, rather than marketing directly to end-users. This approach is illustrated in figure 3.

Figure 3: Revenue Model Schematic



Through revenue sharing arrangements, the provision of custom ‘white label’ formats of its products and the integration of its products with partners’ business and IT systems, Defenx is able to enter new markets by targeting distributors, telecoms and equipment manufacturers, whilst entering into mutually beneficial commercial arrangements which incentivise the distributor to market Defenx’s products. The Directors believe that these arrangements not only allow Defenx’s channel partners to benefit from the revenue shared on initial licence sales and renewals, but also offer the partner other benefits such as additional customer interaction opportunities and reputational benefits stemming from providing a security product and service. The integration of the Defenx product into a partner billing system also offers the ability to evolve further features such as flexible pricing, and integration with the Company’s sales resource management system provides the potential for distributors to manage a “just-in-time” inventory model.

Sales and marketing

Defenx has developed its business using a cost-effective approach based on the utilisation of relationships with channel partners, software distributors and resellers, application marketplaces or mobile content aggregators and systems integrators to distribute its mobile and PC products. As of 1 October 2015, agreements have been signed with 7 major distributors which in turn have access to hundreds of re-sellers across Europe, the Middle East, and Africa. In 2015-2016, the Board intends to further Defenx’s marketing efforts in Africa, Asia and Latin America.

A typical distribution agreement with a channel partner provides for the sale of licences to the distributor at a discount to the recommended retail price, in line with market. The product is delivered to the distributors in the form of licence codes and, once on the user’s device, enable them to activate the service.

Distribution channel partners are required to provide marketing support through sales force training, point-of-sale support, marketing activities and display and advertising material in order to protect and project the Defenx brand. Defenx provides a contribution towards this marketing activity to a number of its distributors, should they achieve certain pre-agreed sales targets. This marketing contribution is offset against receivables due from channel partners.

Defenx has sought to differentiate itself from its competitors by adopting this flexible marketing approach as the Directors believe that this will appeal to the various distribution channels through which its products are sold. The Directors believe that this approach has been a key factor in enabling Defenx, a relatively new player in the industry, to generate successful ties with its distribution partners.

The key aspects of Defenx’s marketing approach are as follows:

(1) Competitive price-point on a wide range of products

Defenx’s retail prices are typically competitive and generally at the lower end of the scale when compared against similar products. The prices on the Company’s website are recommended retail prices and serve as a marker to its channel partners.

(2) Revenue sharing

Defenx currently has three categories of channel partner, as follows:

- (a) **Distributor** – includes software distributors, PC and electronics re-sellers, and an insurer;
- (b) **Carrier** – a carrier providing a communications service to its subscribers who is looking for Value-Added Services to boost average revenue per user; and
- (c) **Original Equipment Manufacturer (OEM)** – an original equipment manufacturer or a manufacturer that sees the opportunity to install security software on their device.

The Directors believe that revenue sharing with its channel partners provides them with the additional benefit of end-user interaction. These ‘touch-points’ give rise to opportunities for general marketing, data collection and cross-selling of products and services to their customers.

(3) ‘White-labelling’ or re-branding of applications (“Powered by Defenx”)

To further improve its channel partner offering, Defenx can create a custom ‘white-label’ product, re-branded to a distributor’s requirements. To date, Defenx has provided such a ‘white-label’ product to several partners, powered by the same underlying technology as its own application and badged

as an 'own brand' product for the distributor. Customers to date include a telecoms carrier and a hardware manufacturer.

In such cases, Defenx will usually share the revenue from licence renewals. However, the Directors believe that this loss of revenue is off-set by the increased marketing focus of the channel partner which reduces customer 'churn' and leads to a more sustainable recurring revenue stream. Each renewal becomes also a marketing 'touch point' at which a distributor can offer other products or services to the end-user.

White-labelling also offers the obvious branding benefit by associating the brand with security, a Value-Added Service that reflects well on the provider of such service.

(4) Sales Resource Management (SRM) system

Defenx launched its SRM in late 2014 with the objective of enabling Defenx to track the status of existing licences, as well as to allow its channel partners to monitor sales, activate and de-activate licenses, track renewal periods and to purchase inventory all online.

The SRM system is a proprietary Cloud based licence sales and tracking tool for distributors and their resellers. The Directors believe that the SRM system generates significant benefits to both Defenx and its channel partners, providing them with an effective, pre-packaged inventory management system through which they can purchase licences, monitor the number of licences sold and the activity of these licences. The ability to monitor licence activity is a significant benefit to channel partners as it provides a simple means to track and leverage the renewal cycle.

The SRM system also allows Defenx to monitor distributor activity and licence sales. Defenx has real-time visibility over the number of licences sold and renewal rates, which can be analysed by distributor, geography and product type. As at the end of August 2015, the SRM system is used by 4 distributors who, in turn, manage 120 resellers. Distributor feedback has been extremely positive and the Directors expect the SRM system to be of great benefit in attracting and retaining distribution partners and that once set up on the SRM system, the additional sales and marketing overhead for each new partner is far lower than managing the customer relationship by phone and email.

4.2 Strategy

The Company's strategy is to continue to utilise its B2B revenue model in order to enter new regions and market segments. The Company intends to own or fully control its intellectual property and invest in developing its products, both in terms of the breadth of the features available and the development of new products, to cater for the evolving needs of the anti-malware software market.

The Company's main focus will continue to be the mobile anti-malware software market in which the Company's revenues have more than doubled since the beginning of 2015 and which the Directors view as offering the most significant growth potential for the business. However, the Company will ensure that it continues to offer a broad range of products, including for PC, networking and corporate-focussed solutions, in order to ensure its end-users are fully protected and to enable its channel partners to maximise their sales opportunities.

Defenx's three points of strategic focus are as follows:

- **Product Development** – Defenx will continue to develop the features of its existing products to ensure that they remain competitive in the marketplace. Defenx is also developing further device and network management security solutions for families and small-medium sized enterprises (SMEs), and these products could become a new strategic segment for Defenx. The Company will also continue to consider any suitable, either corporate or intellectual property, that will enhance its growth prospects and hence the value of the business.
- **Channel Partners** – Defenx will continue to employ its existing B2B revenue model to attract new channel partners. By way of example, the French language MTN Congo security application is being ported into English as part of negotiations with MTN Nigeria. There are 13 other MTN English and French speaking territories in Africa which Defenx will target once established in both Congo and Nigeria.
- **New Geographies** – Defenx intends to target new geographies, prioritising those which offer the most growth potential. In addition to Africa, Defenx is currently generating new opportunities in Asia and more specifically India, South Korea, Singapore and Japan, and then intends to target Latin America.

5. The Group's Products

Defenx has a range of security products aimed at both individual end-users and corporate customers covering the most widely used major operating systems and device types.

Defenx's business model, focussed on channel partners, benefits from having a broad range of products, as most channel partners wish to distribute both Mobile and PC solutions to their customers, to create more opportunities to generate additional margin.

5.1 Mobile Security

Mobile anti-malware software design needs to be different to PC anti-malware, both in terms of the business models used and the technology elements required to resolve them. The Defenx mobile security suite product is lightweight (e.g. lower consumption of energy and memory on the phone), and offers protection against mobile viruses, trojans and malware. The product is physically installed on the smartphone or tablet, so as to provide protection.

The Defenx Mobile Security Suite operates on Android, iOS, and is currently being developed for Windows 10 Mobile. The software's features vary across the different operating systems, but the key features across all platforms include an anti-theft location tracking; anti-phishing protection; safe browsing and an activity log.

The Defenx Mobile Security Suite provides the following features:

- **Anti-Virus*** – The heart of the application is a powerful scanning engine especially designed and optimised for use on mobile devices. This provides a fast and effective anti-virus solution for mobile devices with low impact on memory and energy resources.
- **Anti-Spam*** – The Defenx Anti-Spam module offers complete control of SMS and MMS messages. SMS and MMS spam advertisements contain hot-links that once clicked automatically lead the user to malicious software, which the Anti-Spam module protects against.
- **Anti-Phishing** – The Defenx Anti-Phishing module will, once activated, monitor all in-browser user activity. Once a malicious address has been detected by the Defenx Anti-Phishing filter, it will block the page. A custom-made list of exclusions can be added.
- **Anti-Theft** – In the case of loss the user can track and trace the position of their device through a Defenx web portal allowing them to respond appropriately. In the case of theft, Defenx allows a user to wipe their data remotely.
- **Safe Browsing** – Defenx Safe Browsing works in the same way as the Anti-Phishing module above, but in this case it is the user that defines the categories of blacklisted websites and can block them as needed. Safe Browsing will monitor user actions and determine which category a particular website belongs to, returning the result to the Defenx application, following which blacklisted pages will be blocked.

* These features are currently limited in Defenx's iOS and Microsoft software due to limitations imposed by Apple and Microsoft

In addition the Defenx Mobile Security Suite provides the parental controls function, which is offered through a combination of modules: Safe Browsing, Anti-Phishing and device access management, in which the parent defines the blacklisted websites. This module can also be used by a parent to remotely change a phone's password, thereby restricting access.

Product Developments

Defenx plans to continue to build out its current portfolio of mobile security products, with the following additional products currently in development:

Android Mobile Product

Defenx intends to release a new version of its mobile security product for Android devices in 2016 with additional features related to the security of sensitive user data, family protection and an updated user interface. Following these updates, there is not expected to be any change in the price of the product.

iOS Mobile Product

Defenx's existing Apple iOS security product contains the following features: Anti-Phishing, Find-my-family and anti-bullying/safe-browsing. The user interface will be refreshed but, assuming the continuation of restrictions on features imposed by Apple, no further features will be added.

Windows 10 Mobile Product

In early 2016, Defenx intends to launch a new security solution for Windows 10 Mobile which will have the same suite of features as Defenx's iOS offering due to limitations expected to be imposed by Microsoft. Pricing is expected to be similar to the Android version.

Defenx is committed to growing and expanding its product portfolio, in particular in the enterprise area, which the Directors believe represents a significant growth opportunity for the Group. To this end, together with its partners, the Group has identified a key new product to be developed following Admission:

Mobile Device Management (MDM) Product

To complement Defenx's offering of mobile security products, Defenx is working to develop a Mobile Device Management product designed to manage multiple smart-devices using a centralised console. The Directors believe that, in light of the significant growth in the use of personal devices for business purposes, there is a rapidly growing threat to confidential or commercially sensitive business data. The Mobile Device Management console will be designed to allow corporates, or, indeed, families, to protect against the significant risk presented by the widespread use of multiple personal devices with access to private or confidential data. The Directors expect to release the Mobile Device Management Product in 2016.

5.2 PC Security

The Defenx Internet Security tool offers anti-virus protection for PCs. The PC product is based on a modular family of products comprising two end-user packages: Anti-Virus and Internet Security Suite. It is lightweight on computer resources and offers an easy-to-use consumer interface, with only one-click required for the removal of all kinds of malware.

The key components of the Anti-Virus and Internet Security Suite products are:

- **Anti-Malware**
- **Two-way firewall** – protection from incoming threats and restricting outgoing data
- **Proactive Protection Modules (PPMs)** – PPMs are essential to pre-emptively block unknown and new threats and prevent the misuse of system and application data
- **Advanced activity monitoring tools** – Monitoring tools are used to display real-time program activity and connection status

The Company has recently released a new PC security product compatible with the Windows 10 operating system. In Windows 10, Microsoft is expected to converge its PC operating system with its mobile operating system, potentially creating an operating system capable of functioning on both PC and mobile devices. The Directors believe that this would allow Defenx to develop a single security product for Windows 10, which would function on both mobile and PC devices.

5.3 Network Security

Defenx offers two network security management solutions: (1) NAS Security, a product providing malware protection for NAS drives and (2) PC Networking, a product that allows remote security management and malware protection for multiple PCs, which can then be managed centrally.

NAS Security

The Group's newest product is a security software package dedicated to NAS devices which are used by both individual consumers and corporate SMEs in computing configurations where continuous backups are created from the network to a dedicated disk drive. Such devices may be more susceptible to malware attack, given the access by multiple users to the network, and the continuous backing up of data to the NAS drive which allows any malware introduced to the network by infected devices to be replicated multiple times in multiple locations. Consequently, ensuring the NAS devices is protected is an important element of network security.

The Defenx NAS product has the following main features:

- **Manual or scheduled malware scans**
- **Real time protection**

- **Malware treatment options**
- **Event reports**
- **Manual or automated updates**

Defenx's first solution for the NAS market provides the functionality set out above in a customised, white-label product that has been designed for Seagate, a world leading hardware manufacturer specialising in storage hardware, as part of a strategic partnership agreement signed in 2014. The Company's agreement with Seagate is non-exclusive, and Defenx intends to further develop and market its NAS offering to other hardware manufacturers in the sector.

In addition to its initial NAS product, Defenx completed development of an Enterprise NAS (ENAS) product in Q2 2015. This ENAS product is designed, predominantly, for corporate use in environments where more robust specifications and continuous peak performance are necessary. Specific features for the ENAS product include real-time protection and an external drive management facility.

The Group is also currently developing a NAS dashboard product, which provides enterprises utilising NAS with a console to manage any number of NAS devices in any configuration across the organisation.

PC Networking

The Group's network security product offers all the features of the Internet Security Suite as well as including an additional firewall system, an Anti-Spam module and centralised management console. It is capable of remotely managing the levels of access and protection of each computer terminal within a business. The Network Security Suite can also automatically block attempts from within a local network to access or intercept data, and remotely manage use and access of USB gates.

The current features of the product are as follows:

- **Anti-malware protection**
- **Two-way firewall**
- **Intrusion detection**
- **Network maintenance**
- **Self-awareness protection**
- **Event reporting**

Defenx is working towards expanding this product to become a full enterprise security solution, with further product development to focus on extending the capabilities of the current product.

In addition to the above-mentioned networking security products, Defenx is developing the following software, anticipated to be delivered in 2016:

- Mobile Device Management (MDM) solution to manage mobiles and PCs all on one system.
- Bring Your Own Device (BYOD) solution to manage multiple mobiles on a single system

6. Competition

The leading anti-virus vendors commonly pay to distribute their product downstream through IT retailers and upstream through OEMs. The Directors believe that, because of the healthy margins in the PC business, the leading security software providers are treading cautiously in the mobile segment, wary of eroding their own profit margins. The Directors further believe that this situation creates an opportunity for Defenx, which is not hampered by restrictive legacy annual contracts with large marketing partners or by high annual subscription prices for PC security software.

The global anti-malware software industry is competitive and concentrated at the top end of the market, with some well-established players including competitors such as Avast, AVG, Avira, Bitdefender, ESET, F-Secure Kaspersky Lab, McAfee, Qihoo, Symantec and Trend Micro, as well as smaller regional companies in the markets where Defenx operates. The Directors believe that strong EBITDA margins in the security

software sector demonstrate that this industry is a strong generator of profits and, as a result, is likely to attract smaller players and new entrants for some time in the future.

The industry still obtains the bulk of its revenue from the PC market. Until 2006, anti-virus software was largely sold in packages containing manuals and memory support in CD or DVD format. This approach to marketing, giving a physical aspect to the product as well as playing on consumers’ fears as to the threat, in a manner similar to the drug/medical sector, was able to sustain prices in excess of US\$30 at the retail level. The shift to lighter and smaller platforms (smartphones and tablets), together with the dematerialisation of the product, has, the Directors believe, led to a perceived diminishment in value of the anti-virus product in the mind of the end-user. The Directors believe that, in response to this market dynamic, many of Defenx’s competitors are seeking to improve their competitive position through the addition of further product features not previously associated with anti-malware software in order to augment their offering and maintain their retail price point. Defenx, whilst consistently seeking to develop and expand its existing product offering, places more focus on its competitive pricing and distribution strategy in order to accelerate its sales in regions in which it currently operates and to identify and penetrate new regions.

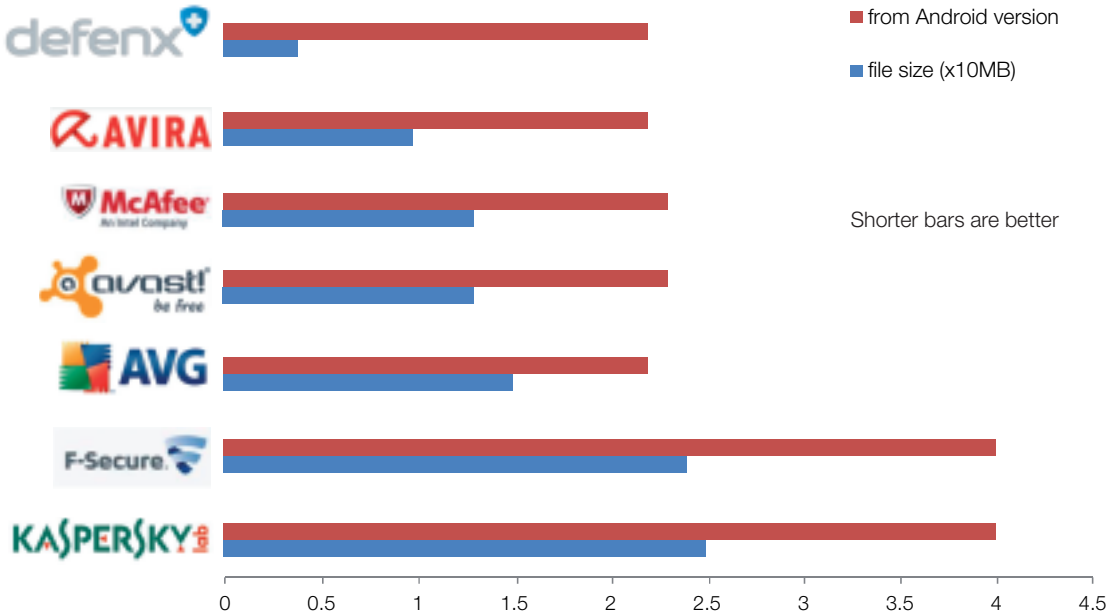
Defenx products’ competitive advantages

The favourable features of the Defenx product include ease of use, light demands on computing and memory resources, adequate and proven levels of protection and an absolute, consistent absence of “false positives”, all presented in a highly recognisable, quality package and user interface.

Defenx Mobile Security Suite

Figure 4 below demonstrates that the Defenx Mobile Security Suite has a smaller memory footprint and can run on older versions of Android when compared with other anti-malware products. This makes it usable on a larger proportion of devices, including those with older, lower specification hardware that are less likely to have been upgraded to current versions of Android, particularly relevant for end-users in emerging markets.

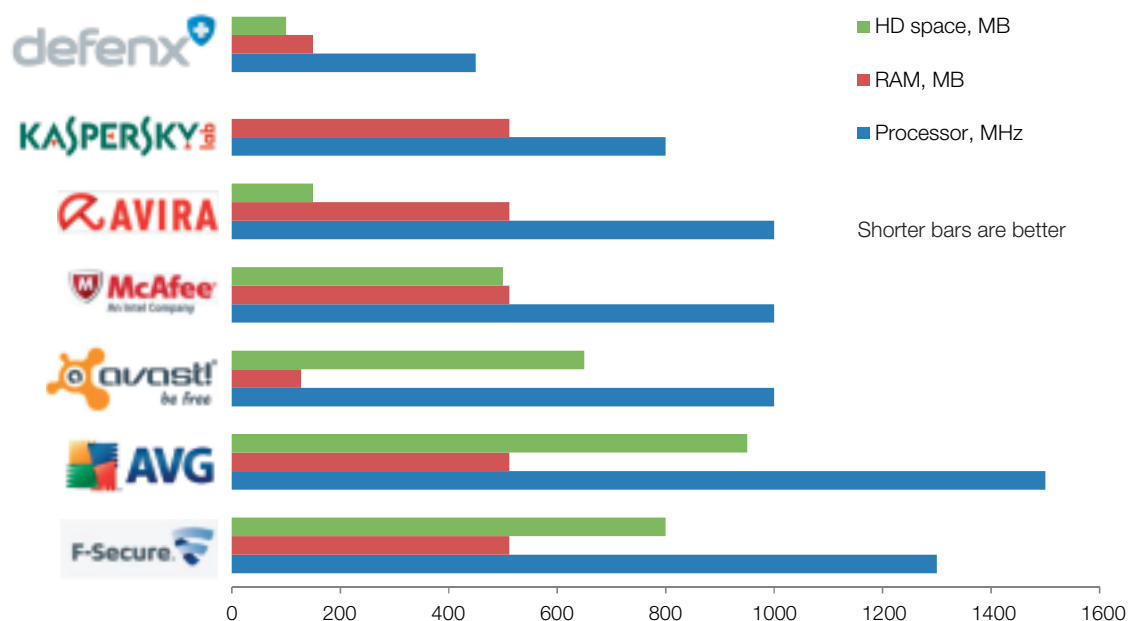
Figure 4: Android anti-malware product comparison – Minimum system requirements



Defenx PC Anti-Virus

Figure 5 below demonstrates that the Defenx PC Anti-Virus product has a light footprint both on computing resources (processor speed and memory) and storage (hard drive space). This allows Defenx software to run effectively on a larger proportion of devices, including those with older/lower specification hardware or older operating system versions.

Figure 5: Basic PC anti-virus product comparison – Minimum system requirements



VB100 Certification

Defenx products have been awarded a VB100 certification by Virus Bulletin, which tests anti-malware products on an independent basis and free of charge, unlike other testing agencies. Unlike many other certification schemes, Virus Bulletin does not allow re-testing (after its standard three attempt protocol) and, once tested, testing results are compulsorily published and publically available through Virus Bulletin's website, with performance being reported exactly as found. The VB100 award is a certification of products which meet the basic standards, set by Virus Bulletin, required for anti-malware solutions to be recognised as legitimate and properly functioning.

To display a VB100 logo, a product must:

- prove it can detect 100 per cent. of malware samples listed as 'In the Wild' by the WildList Organisation
- generate no false positives when scanning an extensive test set of clean samples

All this must be done with default, out-of-the-box settings in the Virus Bulletin lab environment.

In the Directors' view, Virus Bulletin is one of the oldest and most reputable testing agencies, carrying out trusted and scientific comparative testing of anti-malware software. The VB100 certification is recognised as a mark of quality within the industry and is therefore a significant assurance of effective performance.

7. Development of the technology

Defenx's development strategy is to retain control over product design, specification and core architecture in-house. Development work has been outsourced as the Directors believe that this provides a faster route to market at lower cost.

7.1 Mobile Security Offering

Defenx wholly owns and controls its mobile software platform, having used an outsourced subcontractor, HQ Right Software SRL (HQR), a company based in Bucharest, Romania, to develop its Android mobile security offering. The original development team continues to assist in developing security products in combination with the Group's in-house IT resources.

The Group purchased the code for the Android and iOS applications through a software acquisition agreement with HQR and now fully controls the source code and has continued to evolve the functionality of these products.

A summary of the Group's relationship with HQR is included at paragraph 12.5 of Part 5.

Defenx uses the industry-standard VirusSign malware definitions database of over 140 million virus samples covering all platforms. VirusSign is a supplier of virus samples to many of the leading security software companies in the industry. Defenx is not contractually obliged to continue using VirusSign and there are other effective alternatives available.

7.2 PC Security Offering

Defenx's technology in the PC segment was developed by Agnitum Ltd, a Cypriot company which specialises in effective and easy to use security software. The Directors believe that Agnitum Ltd's software provides a good balance between protection features and drain on computing resources.

The Group's PC security solutions are under licence from Agnitum; since 2009 Agnitum has supplied this PC software license for re-sale by Defenx under a sub-licensing agreement. This license covers PCs running the following operating systems: Windows Vista, Windows 7, Windows 8 and Windows 10.

The terms of the licence are summarised in paragraph 12.3 of Part 5 of this document.

7.3 NAS Offering

The NAS security product was developed for Defenx by HQR. The Company has dedicated in-house resources for design and testing and makes use of an outsourced team of developers.

The Group owns and controls the source code of the proprietary elements of its NAS Standard and Enterprise products. Despite branding its product as Seagate Security in its first instance, the Group retains the right to market to other NAS manufacturers with the same core software and features.

7.4 Trademarks

The Group has registered trademarks for the "Defenx" name in Switzerland, the EU, Indonesia, Cambodia, Turkey and an international registration which is effective in Australia, Algeria, Israel, South Korea, Morocco, Russia, USA and Vietnam. The Group does not intend to maintain the trademark registrations in Indonesia, Cambodia and Turkey and will not be extending the existing registrations in those territories.

8. Financial information, current trading and prospects for the Group

The consolidated audited historical financial information of Defenx for each of the three years ended 31 December 2012, 2013 and 2014, and the consolidated unaudited interim financial information of Defenx for the six months to 30 June 2015, is set out in Parts 3 and 4 respectively of this document.

Financial information

The following financial information for Defenx has been derived without material adjustment from the audited historical financial information on the Group contained in Part 3(B) of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information below:

<i>Year ended 31 December</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
	<i>€'000s</i>	<i>€'000s</i>	<i>€'000s</i>
Revenue	891	2,077	2,382
Gross profit	439	1,557	2,034
	49.2%	75.0%	85.4%
EBITDA	119	410	965
Net profit	128	329	536
Operating cash (out)/inflow	(149)	662	388
Capitalised software development cash outflow	–	(658)	(1,211)
Financing cash inflow	75	–	1,026
Software development costs – net book value	–	658	1,721
Net assets	129	457	2,048

The group traded profitably during the three years ended 31 December 2014. The operating cash inflows and proceeds from the Private Placement in 2014 have been substantially applied to the continued investment in the Group's mobile and, more recently, NAS, software assets.

Current trading

The following financial information for Defenx has been derived without material adjustment from the unaudited interim financial information contained in Part 4(B) of this document and should be read in conjunction with the full text of this document. Investors should not rely solely on the summarised information below:

<i>6 months ended 30 June</i>	<i>2014</i>	<i>2015</i>
	<i>€'000s</i>	<i>€'000s</i>
Revenue	852	1,343
Gross profit	732	1,154
	85.9%	85.8%
EBITDA	295	292
Net profit	163	106
Operating cash inflow	295	289
Capitalised software development cash outflow	(421)	(831)
Financing cash inflow	93	716
Software development costs – net book value	1,450	2,323
Net assets	716	2,871

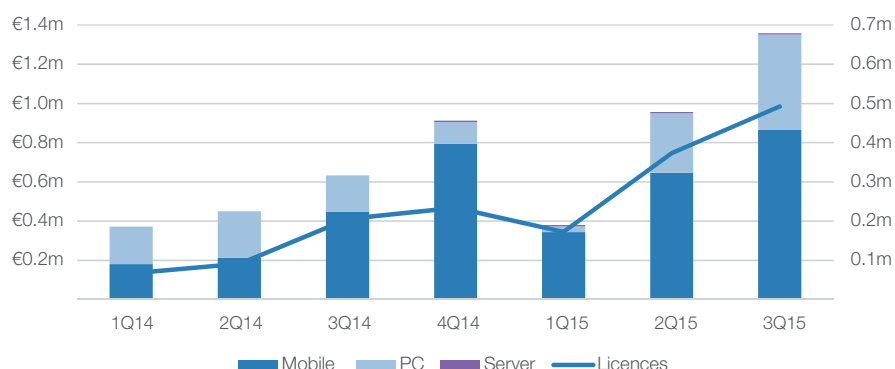
In the six months to 30 June 2015, the Group increased revenues compared with the six months ended 30 June 2014 by 58 per cent. and by over 120 per cent. in the mobile segment. While the process of growing the sales and development teams to capitalise on the market opportunity increased the cost base in the period, Defenx continued to trade profitably and generate positive operating cash flows.

Third quarter update

Unaudited sales for the quarter ended 30 September 2015 were €2.7 million, representing a 86 per cent. year to date increase on the corresponding nine months of 2014 (based on the Company's unaudited management information). Mobile segment sales grew at 126 per cent. in the same period and represent about 70 per cent. of total sales. Unaudited average revenue per user was €2.30 for the mobile segment and €3.90 for the PC segment. At 30 September 2015, the number of active users of Defenx software was 893,108. The chart below, which had not been audited, demonstrates both the quarter on quarter

sales growth in 2014 as well as the consistent quarterly growth in 2015 on the corresponding quarter in 2014. This paragraph and Figure 6 below has not been audited.

Figure 6: Group Quarterly Licence Volumes and Sales



In September 2015, H3G SpA (part of the Hutchison Whampoa Group and trading as 3Italia in Italy) started to sell Defenx Mobile and PC security suites online at their 3Store and in 800 of their 3000 phone shops across Italy. Pending EU approval, 3Italia will merge its operations with Wind Telecom SpA to become Italy's largest mobile operator. Defenx successfully integrated its licence activation systems with 3Italia to automate customer billing, demonstrating its ability to compete with larger, well established vendors.

Prospects for the Group

The Directors are confident that, given the strength of Defenx's channel partner relationships and its sales pipeline, which already provides good visibility of 2016 revenues, there is significant demand for Defenx security software products. The proceeds from the Placing and the Subscription will enable Defenx to accelerate development of its products and increase its sales and marketing activities to significantly grow revenues. The Directors are confident that, along with the support of senior management and the recruitment of further staff as operations expand, they have the necessary skills and experience to deliver on this strategy.

9. Directors and Senior Managers

Directors

On Admission, the board of the directors of the Company will comprise:

Anthony (Tony) Reeves – Non-Executive Chairman (aged 75)

Tony has over 45 years' experience in the recruitment sector and was, until recently, the Executive Chairman of Kellan Group plc, the AIM listed recruitment business. Prior to this, he was Chairman and chief executive officer of the hotgroup plc from 2001 until its acquisition by Trinity Mirror Group plc in 2005. Previously, he was Chairman and chief executive officer of the Delphi Group plc until 2001 when it was acquired by Adecco SA. Before joining Delphi Group Plc, he was Chairman and Chief Executive Officer of Lifetime Corporation, which was then a public company listed on the New York Stock Exchange. He is also Chairman of CloudTag Inc, an AIM-listed company which is developing intelligent wearable device for sports and personal performance monitoring, a private investor in various early stage companies and is a vice president of Chelsea Football Club.

Andrea Stecconi – Founder and Chief Executive (aged 47)

Andrea is the Founder and Chief Executive of Defenx. He established Defenx in 2009 to build on the marketing and channel development skills he developed through a career in technology marketing. From 1999 to 2009, Andrea was Chief Executive Officer at Exa Media Spa a media software developer based in Ancona Italy. In 2005, as part of an effort to leverage Exa Media distribution network, he successfully brought Kaspersky PC security software into Italy. From 1994-1999, he was Chief Executive Officer of Best Computer srl, a PC and electronics chain based in Marche region, where he was responsible for managing and coordinating both the market facing and operational aspects of the company. Andrea holds a degree in accounting from the Istituto F. Corridoni in Osimo (Marche Region) and attended further studies in Computer programming. He is presently based in Balerna, Switzerland and is fluent in Italian and English.

Guido Branca – *Managing Director* (aged 59)

Guido is the Managing Director of Defenx. He is an experienced technology manager and has over 25 years' experience in IT and telecom systems implementation working with many global IT, telecom and software companies. He also participated first-hand in many technology start-ups in the US, Russia, India, UK, France, Italy, Belgium, Israel and the Nordics. Prior to joining Defenx he was Managing Director with Charles Street Securities Europe LLP where he supervised portfolio investments and originated technology transactions. Guido has a Bachelor of Arts Degree from Harvard University and a "Baccalauréat avec mention" in Economics from L'Ecole des Roches. He is presently based in London and is fluent in English, French, Italian and speaks Spanish.

Philipp Prince – *Finance Director* (aged 46)

Philipp has 20 years' experience as a chartered accountant, having qualified with Stoy Hayward (now BDO LLP) in 1995. Philipp spent 16 years in Corporate Finance, becoming a partner in 2002, and spent two years building BDO's Government and Infrastructure team. During his time at BDO LLP, Philipp led over 50 capital market transactions, which raised, in aggregate, approximately £4 billion. Prior to joining Defenx, Philipp was CFO of Enecsys, a Silicon valley based solar micro-inverter business. Philipp has an MA in Natural Sciences from Corpus Christi College, Cambridge University. He is also a fellow of the Institute of Chartered Accountants in England & Wales. Philipp is currently based in London and is fluent in English and French and speaks German.

Leonard Seelig – *Non-Executive Director* (aged 59)

Leonard has had a successful career in finance spanning over 25 years and including senior positions in the US and Europe with America's largest banks. Mr. Seelig is currently actively involved both at an operating and board level in several companies, including: an anaerobic digestion operating and development company currently completing construction on its second commercial scale plant with a significant roll out planned; a European on-shore wind developer with well-developed assets in Northern Ireland, Poland and elsewhere; and a solar energy development finance company actively involved throughout Europe and increasingly in North America and select emerging markets. He is also Non-executive Chairman of APC Technology Group Plc, an AIM listed "green-tech" company. Mr. Seelig's educational background includes a Bachelor of Commerce from the University of Witwatersrand in South Africa, and a Master of Science in Agricultural Economics from Texas A&M University in America.

Senior Managers

Key members of the Group's senior management team are:

Mauro Celentano (age 29) – *Technical Director*

Since 2010, Mauro has been responsible full-time for all development and systems operations aspects of Defenx technology. His primary responsibility is managing the development team for both PC and Mobile products. Managing the specification and development process, he is also responsible for maintaining company servers, the website and webstore. Mr. Celentano also manages the certification of all Defenx products and maintains Defenx's ongoing relationships with Anti-Virus testing and certification firms. He is also responsible for all Defenx's management systems (CRM, SRM, etc) and internal databases used. Mauro has a Bachelors in Computer Engineering from SUPSI – Dipartimento Tecnologie Innovative in Manno near Lugano, with a focus on web technologies. He is fluent in Italian and English, and is presently based in Balerna, Switzerland.

Angelo Motti (age 62) – *Commercial Director*

Since 2009, Angelo has been a full-time Sales and Marketing Manager at Defenx SA with responsibility for developing certain vertical markets in Italy and for the development of business in Greece, Turkey, Congo and Tunisia. Mr. Motti is also responsible for the marketing and communication activities undertaken by Defenx SA with publishers as well as on the Internet. From 2004 to 2009, Mr. Motti was Marketing Director at EMC srl in Milan and Ancona, a distributor of consumer electronics, where his role was to support market developments. Angelo studied Accounting at Istituto Tecnico Carlo Cattaneo in Milano, and has attended several Marketing and Communications professional courses. He is fluent in Italian, French and speaks English, and is presently based in Balerna, Switzerland.

In addition to the above, Defenx's current staff, including consultants, comprises 5 sales and 13 development staff.

10. Placing and Subscription

WH Ireland has conditionally agreed, pursuant to the Placing Agreement, to act as agent for Defenx and use its reasonable endeavours to procure subscribers for the Placing Shares at the Issue Price. The Placing will raise approximately £0.7 million for the Company (before commissions and expenses). The Placing Shares are being placed with institutional and other sophisticated investors.

The Placing, which is not underwritten, is conditional, *inter alia*, on Admission becoming effective by 3 December 2015 (or such later date as WH Ireland, Strand Hanson and Defenx may agree) and on the Placing Agreement not being terminated prior to Admission.

In addition, Charles Street Securities Europe LLP, on behalf of the Company, has raised approximately £0.5 million for the Company (before commissions and expenses), and a further £0.9 million has been subscribed directly, pursuant to the Subscription. The Subscription Shares are being subscribed for by sophisticated and high net worth investors, including several strategic investors, a Director, and certain advisers in lieu of cash fees. The Subscription is also conditional, *inter alia*, on Admission.

At Admission, the New Ordinary Shares will collectively represent approximately 23.4 per cent. of the Enlarged Share Capital. The New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive all dividends and other distributions declared, paid or made after the date of issue, and will be placed free of any expenses and stamp duty. In the case of investors receiving New Ordinary Shares in uncertificated form, it is expected that the appropriate CREST accounts will be credited with effect from 3 December 2015. In the case of investors receiving New Ordinary Shares in certificated form, it is expected that certificates will be despatched by post, within 7 days of the date of Admission.

Following Admission, the Directors and Senior Managers will, between them, hold 2,255,994 Ordinary Shares, representing approximately 37.0 per cent. of the Enlarged Share Capital, as referred to in paragraph 10.1 of Part 5 of this document. Following Admission, certain other Significant Shareholders, as referred to in paragraph 9 of Part 5 of this document, will each hold three per cent. or more of the Enlarged Share Capital. There will be a total of 6,098,912 Ordinary Shares (including the New Ordinary Shares), 60,989 Warrants and 465,625 Options in issue upon Admission. The existing aggregate shareholdings of Shareholders prior to the Placing and the Subscription and Admission will be diluted to 76.6 per cent. of the Enlarged Share Capital and 67.5 per cent. on a fully diluted basis (assuming all Options, Deferred Shares and Warrants are exercised or converted in full).

Further details of the Placing Agreement are set out in paragraph 12.20 of Part 5 of this document.

11. Reasons for Admission and use of proceeds

The Directors consider that Admission will be an important step in the Group's development, will enhance its profile and standing in its existing markets and will assist with the growth of its business into new markets. The proceeds from the Placing and the Subscription will allow Defenx to pursue its strategic objectives; including the further development of its products and expansion of its channel partnerships. In addition, broadening the Group's shareholder base through Admission gives the Group an increased capacity, if required, to raise further capital to support future projects.

Use of proceeds

The Directors believe that the Group has reached a stage in its development where it will benefit from its shares being admitted to trading on AIM. Admission will significantly raise the Group's corporate profile allowing easier access to potential customers and partners as well as strengthening its balance sheet. The estimated net proceeds of the Placing and the Subscription of £1.4 million will be used as follows:

£0.9 To fund the development of the Windows Phone 10 application, continue the development of Defenx Mobile Security Suite for Android and Apple iOS, and broaden Defenx's product offering, including mobile device management for families and SMEs.

£0.5 To provide funds for general working capital.

In addition, Defenx will invest in expanding into new markets and broadening its product offering, funded by operating cash flow generated by the business.

12. Admission, settlement, dealings and CREST

An application has been made to the LSE for the Enlarged Share Capital to be admitted to trading on AIM and separately for the issued and to be issued Ordinary Shares to be eligible for admission to CREST with effect from Admission. It is expected that Admission will become effective and dealings in the Ordinary Shares on AIM will commence at 8.00 a.m. on 3 December 2015.

The Ordinary Shares will be in registered form and will be capable of being held in either certificated or uncertificated form (i.e. in CREST).

CREST is a paperless settlement procedure enabling securities to be evidenced otherwise than by a certificate and transferred otherwise than by written instrument in accordance with the CREST Regulations. The Articles permit the holding and transfer of Ordinary Shares to be evidenced in uncertificated form in accordance with the CREST requirement.

CREST is a voluntary system and holders of Ordinary Shares who wish to receive and retain share certificates will be able to do so. It is expected that, where Placees or Subscribers have asked to hold their Ordinary Shares in uncertificated form, they will have their CREST accounts credited with Ordinary Shares on the day of Admission. Where Placees or Subscribers have requested to receive their Ordinary Shares in certificated form, share certificates will be despatched within fourteen Business Days of the date of Admission. No temporary documents of title will be issued. Pending the receipt of definitive share certificates in respect of the New Ordinary Shares, transfers will be certified against the register.

13. Lock-in and orderly market arrangements

The Directors who, on Admission, will be interested in 1,729,338 Ordinary Shares in aggregate, representing approximately 28.4 per cent. of the Enlarged Share Capital, have undertaken to Defenx, Strand Hanson and WH Ireland in the Placing Agreement that, subject to certain limited exceptions, they will not sell or otherwise dispose of, or agree to sell or dispose of, any of their respective interests in Ordinary Shares held by them on Admission at any time during the period of 12 months following Admission. Certain orderly market provisions will apply for a further period of 12 months after expiry of the initial lock-in period.

In addition, Angelo Motti, Mauro Celentano, Marco Moschetta and the CSS Parties have undertaken to the Company, Strand Hanson and WH Ireland that, other than in certain limited circumstances, that from Admission, they will not dispose of any interest they hold in Ordinary Shares for the periods set out below. They have also agreed, as well as CSS Alpha Fund Limited, to adhere to certain orderly market provisions for the periods set out below:

<i>Name of Shareholder</i>	<i>Restriction on disposal period</i>	<i>Orderly market restriction period</i>	<i>Ordinary Shares on Admission</i>	<i>% of Enlarged Ordinary Share Capital</i>
Angelo Motti	12 months	12 months	426,890	7.0
Mauro Celentano	12 months	12 months	99,766	1.6
Marco Moschetta	12 months	12 months	88,060	1.4
CSS Parties	6 months	6 months	225,022	3.7
CSS Alpha Fund Limited	None	6 months	89,532	1.5

Further details of the lock-in and orderly market undertakings are set out in paragraph 12.20 and 12.24 of Part 5 of this document.

14. Relationship agreement

On Admission, Andrea Stecconi will own and control in aggregate 1,608,086 Ordinary Shares representing approximately 26.4 per cent. of the Enlarged Share Capital and the associated voting rights in the share capital of the Company. Andrea Stecconi, the Company and Strand Hanson entered into the Relationship Agreement on 27 November 2015 to ensure that, conditional on Admission and whilst Andrea Stecconi and his associates have a legal and/or beneficial interest in 20 per cent. or more of the voting rights attached to the issued share capital of the Company, transactions and relationships between Andrea Stecconi, his associates and the Company are at arm's length and on normal commercial terms. Andrea Stecconi has

undertaken to the Company and Strand to use his voting rights (and to procure that the voting rights of his associates are used) to procure that, amongst other things:

- the Board shall at all times be comprised of at least two independent directors (as considered independent under the QCA Guidelines) (Independent Director);
- if an Independent Director ceases to be either an independent director or a Director, one or more new Independent Directors will be appointed to the Board to maintain the majority position referred to above;
- the remuneration committee and audit committee established by the Board and any other corporate governance board committees of the Company will be comprised of a majority of Independent Directors;
- no additional Directors are to be appointed without the prior written approval of Strand Hanson;
- certain Board decisions relating to the operation of the Relationship Agreement are not to be voted on by Andrea Stecconi and his associates.

Additionally, Andrea Stecconi has undertaken to the Company and Strand Hanson (and will procure that his associates) will not, amongst other things:

- influence the Board at any meeting of the Board or in relation to the Subsidiary;
- take any action that would have the effect of preventing the Company from complying with its obligations under applicable laws including, without limitation, AIM Rule 13 (Related party transactions); or
- exercise its voting rights in respect of any resolution relating to a transaction, agreement or arrangement with or relating to himself or his associates (which shall only be voted on by a committee comprising only the Independent Directors).

15. Options, Warrants and Deferred Shares

The Company has granted or has committed to grant 465,625 Options; and 60,989 Warrants. In addition, the Company has issued 2,400,000 Deferred Shares, which if exercised, would convert into a maximum of 300,000 Ordinary Shares.

Further details of the Options, Warrants and Deferred Shares are set out in paragraphs 5.7, 5.8, 6.5 and 11 of Part 5.

16. Dividend policy

The Ordinary Shares rank equally for all dividends and other distributions declared, paid or made in respect of the ordinary share capital of the Group. Defenx has not paid any dividends since incorporation.

It is the current intention of the Directors to retain any earnings arising from the Group's activities to fund its working capital needs and to achieve capital growth. Accordingly, the Directors do not intend to pay dividends in the immediate future. The declaration and payment by the Company of any future dividends and the amount of them will depend upon the Group's financial condition, future prospects, profits legally available for distribution and other factors deemed by the Board to be relevant at that time.

17. Corporate governance

The Board recognises its responsibility for the proper management of the Company and is committed to maintaining a high standard of corporate governance. The Directors recognise the importance of sound corporate governance commensurate with the size and nature of Defenx and the interests of its Shareholders. The Corporate Governance Code does not apply to companies admitted to trading on AIM and there is no formal alternative for AIM companies. The Quoted Companies Alliance has published a corporate governance code for small and mid-sized quoted companies, which includes a standard of minimum best practice for AIM companies, and recommendations for reporting corporate governance matters (the "QCA Guidelines"). However, the Directors intend to comply with the Corporate Governance Code (and the QCA Guidelines), to the extent they consider it appropriate and having regard to the size, current stage of development and resources of Defenx.

The Corporate Governance Code provides that the board of directors of a public company should include a balance of executive and non-executive directors, with independent non-executive directors comprising at least one-half of the board (excluding the Chairman). The Corporate Governance Code states that the board of directors should determine whether a director is independent in character and judgment and whether there are relationships or circumstances which are likely to affect, or could appear to affect, the directors' judgment.

Following Admission, the Board is anticipated to be comprised of five directors consisting of three Executive Directors and two Non-Executive Directors. It is the Board's present intention to seek to recruit a further Non-Executive Director following Admission. The Board considers that the Non-Executive Directors are independent within the meaning of the Corporate Governance Code. If necessary the Non-Executive Directors will take independent legal advice. Please refer to paragraph 9 of this Part 1 and paragraph 10 of Part 5 of this document for more information in relation to each Director.

Set out below is a description of Defenx's proposed corporate governance practices.

The Board

The Board's decision making process is not dominated by any one individual or group of individuals. Except as otherwise disclosed in this document, no Director has any potential conflicts of interest between their duties to Defenx and their private interests and/or duties owed to third parties. The Board will meet regularly and be responsible for strategy, performance, approval of any major capital expenditure and the framework of internal controls. The Board will be responsible for establishing and maintaining the Group's system of internal financial controls and importance is placed on maintaining a robust control environment. The key procedures which the Board intends to establish with a view to providing effective internal financial control include the following:

- Defenx will institute a monthly management reporting process to enable the Board to monitor the performance of the Group;
- the Board will adopt and review a comprehensive annual budget for the Group. Monthly results will be examined against the budget and deviations will be closely monitored by the Board;
- the Board will be responsible for maintaining and identifying major business risks faced by the Group and for determining the appropriate courses of action to manage those risks; and
- fully consolidated management information will be prepared on a regular basis, at least half yearly.

The Board recognises, however, that such a system of internal financial control can only provide reasonable, not absolute, assurance against material misstatement or loss. The effectiveness of the system of internal financial control operated by the Group will therefore be subject to regular review by the Board in light of the future growth and development of Defenx and adjusted accordingly. To enable the Board to discharge its duties it is intended that all of the Directors will receive timely information in respect of the affairs of the Group.

The audit committee

The audit committee will comprise Leonard Seelig, as Chairman of the committee, Anthony Reeves and Philipp Prince on Admission. It shall meet not less than two times a year. The audit committee receives and reviews reports from management and from Defenx's auditors relating to the interim and annual accounts and to the internal control procedures in use throughout the Group. It is responsible for ensuring that the financial performance of the Group is properly reported with particular regard to legal requirements, accounting standards and the AIM Rules. The ultimate responsibility for reviewing and approving the annual report and accounts and the half-yearly reports remains with the Board.

The remuneration committee

The remuneration committee will comprise Anthony Reeves, as Chairman of the committee, and Leonard Seelig on Admission. It shall meet not less than twice a year. It is responsible for determining and reviewing the terms and conditions of service (including remuneration) and termination of employment of executive directors and senior employees and the grant of options implemented from time to time.

The nomination committee

Defenx will following Admission form a nominations committee at such time that the Board believes it is appropriate to the scale of Defenx and the number of Board directors.

Share Dealing Code

The Directors will comply with Rule 21 of the AIM Rules relating to directors' and applicable employees' dealings in the Company's securities. Accordingly, Defenx has adopted the Share Dealing Code for directors and applicable employees and Defenx will take all reasonable steps to ensure compliance by its directors and applicable employees with the provisions of the AIM Rules relating to dealings in securities.

18. Regulatory rights and obligations

Disclosure and Transparency Rules

Shareholders are required to comply with DTR 5 and to notify the Company when they acquire or dispose of a major proportion of their voting rights of the Company (either as Shareholder or through their direct or indirect holding or certain financial instruments, or a combination of such holdings) equal to or in excess of three per cent. of the nominal value of that share capital (and every one per cent. thereafter).

The City Code

The City Code is issued and administered by the Panel. The Panel has been designated as the supervisory authority to carry out certain regulatory functions in relation to takeovers pursuant to the Directive. Following the implementation of the Directive by the Takeovers Directive (Interim Implementation) Regulations 2006, the rules set out in the City Code now have a statutory basis.

The Company is a public limited company incorporated in England and Wales and will be admitted to trading on AIM. Accordingly, the City Code will apply to the Company.

Under Rule 9 of the City Code, where any person acquires, whether by a series of transactions over a period of time or not, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company which is subject to the City Code, that person is normally required by the Panel to make a general offer to all the remaining shareholders of that company to acquire their shares. Similarly, when any person, together with persons acting in concert with him, is interested in shares which in aggregate carry not less than 30 per cent. of the voting rights of a company and not more than 50 per cent. of such voting rights and such person, or any person acting in concert with him, acquires an interest in any other shares which increases the percentage of shares carrying voting rights in which he is interested, a general offer will normally be required in accordance with Rule 9.

An offer under Rule 9 must be made in cash (or be accompanied by a cash alternative) and at not less than the highest price paid by the person required to make the offer, or any person acting in concert with him, for any interest in shares of the company during the 12 months prior to the announcement of the offer.

Under the City Code a concert party arises when persons acting together pursuant to an agreement or understanding (whether formal or informal) cooperate to obtain or consolidate control of, or frustrate the successful outcome of an offer for, a company subject to the City Code. Control means an interest or interests in shares carrying an aggregate of 30 per cent. or more of the voting rights of the company, irrespective of whether the holding or holdings give de facto control.

Further information on the provisions of the City Code can be found in paragraph 7.4 of Part 5 of this document.

19. Taxation

Information regarding taxation is set out in paragraph 8 of Part 5 of this document. These details are intended as a general guide only to the current tax position in the United Kingdom regarding withholding taxes and is not intended to constitute personal tax advice for any person. Prospective investors are strongly advised to consult their own independent professional tax advisers regarding the tax consequences of purchasing and owning Ordinary Shares.

Defenx received advance assurance from HM Revenue & Customs on 27 May 2015 that Defenx should be a qualifying company for the purposes of the Enterprise Investment Scheme (“EIS”) and a qualifying holding for investment by a Venture Capital Trust (“VCT”) under the Venture Capital Trust Scheme under Part 5 (EIS) and Part 6 (VCT) of Chapter 4 of the UK Income Tax Act 2007 respectively, and that the New Ordinary Shares will be eligible shares for the purposes of Section 173 and Section 285(3A) of the UK Income Tax Act 2007.

The advance assurance relates only to the qualifying status of Defenx and the New Ordinary Shares and does not guarantee that any particular VCT will qualify for relief in respect of an acquisition of Ordinary Shares. The continuing availability of EIS relief and the status of the relevant New Ordinary Shares as a qualifying holding for VCT purposes will be conditional, amongst other things, on Defenx continuing to satisfy the requirements for a qualifying company throughout the period of three years from the date of the investor making an investment (under EIS) and, for VCT purposes, throughout the period the Ordinary Shares are held as a qualifying holding. Neither Defenx nor the Company’s advisers are providing any warranties or undertakings that any relief under the EIS or that VCT qualifying status will be available in respect of the Placing or the Subscription, or that in due course such relief or status will not be withdrawn.

Circumstances may arise where the Board believes that the interests of Defenx are not best served by acting in a way that preserves the EIS or VCT qualifying status. In such circumstances, Defenx cannot undertake to conduct its activities in a way designed to preserve any such relief or status. Should the law regarding the EIS or VCTs change, then any relief or qualifying status previously obtained may be lost.

20. Risk Factors

Your attention is drawn to the risk factors set out in Part 2 of this document and to the section entitled “Forward Looking Statements” at the front of this document. In addition to all other information set out in this document, potential investors should carefully consider the risks described in those sections before making a decision to invest in the Company.

21. Further information

You should read the whole of this document and not just rely on the information contained in this Part 1. Your attention is drawn to the information set out in Parts 2 to 5 (inclusive) of this document which contain further information on the Company.

PART 2

RISK FACTORS

This document contains forward-looking statements, which have been made after due and careful enquiry and are based on the Board's current expectations and assumptions and involve known and unknown risks and uncertainties that could cause actual results, performance or events to differ materially from those expressed or implied in such statements. These forward-looking statements are subject to, *inter alia*, the risk factors described in this Part 2. The Board believes that the expectations reflected in these statements are reasonable but may be affected by a number of variables which could cause actual results or trends to differ materially. Each forward-looking statement speaks only as of the date of the particular statement.

Factors that might cause a difference include, but are not limited to, those discussed in this Part 2. Given these uncertainties, prospective investors are cautioned not to place any undue reliance on such forward-looking statements. The Company disclaims any obligation to update any such forward-looking statements in this document to reflect future events or developments.

There are significant risks associated with the Group. Prior to making an investment decision in respect of the Ordinary Shares, prospective investors should consider carefully all of the information within this document, including the following risk factors. The Board believes the following risks to be the most significant for potential investors. However, the risks listed do not necessarily comprise all those associated with an investment in the Company. In particular, the Company's performance may be affected by changes in market or economic conditions and in legal, regulatory and/or tax requirements. The risks listed are not set out in any particular order of priority. Additionally, there may be risks not mentioned in this document of which the Board is not aware or believes to be immaterial but which may, in the future, adversely affect the Group's business and the market price of the Ordinary Shares.

If any of the following risks were to materialise, the Group's business, financial condition, results or future operations could be materially and adversely affected. In such cases, the market price of the Ordinary Shares could decline and an investor may lose part or all of his investment. Additional risks and uncertainties not presently known to the Board, or which the Board currently deems immaterial, may also have an adverse effect upon the Group and the information set out below does not purport to be an exhaustive summary of the risks affecting the Group.

Before making a final investment decision, prospective investors should consider carefully whether an investment in the Company is suitable for them and, if they are in any doubt, UK Investors should consult with an independent financial adviser authorised under FSMA which specialises in advising on the acquisition of shares and other securities. Non UK investors are advised to consult another appropriately authorised independent adviser who specialises in advising on the acquisition of shares and other securities.

RISKS RELATING TO THE BUSINESS OF THE GROUP

1. The Group is at an early stage of operations

- 1.1 The Group is an early stage technology group operating in the mobile security industry whose business must be considered in light of the risks, expenses and cash flow problems often encountered by early stage companies. Typically, a majority of such companies fail to achieve their business plan and their projections, through a failure to estimate the speed of completing a commercially saleable product, speed of market penetration, and the cash costs associated with penetrating international markets. Such companies also often fail to provide and maintain adequate investment in product development and marketing and fail to provide adequate managerial, operational and financial resources. There can be no assurance that the Group will be successful in executing its business plan or that shareholder value will be created.
- 1.2 An investment in the Company should be regarded as speculative and should be considered long-term in nature and as suitable only for sophisticated investors who understand the risks involved,

including the risk of a total loss of capital. Any investor in the Company must have no need for any liquidity with respect to this investment and must be able to withstand a total loss of his investment.

2. Managing the Group's growth is critical given its limited resources

The Group has experienced significant growth and development in a relatively short period of time and faces risks frequently encountered by developing companies such as under-capitalisation, under-capacity, cash shortages and limited resources. In particular, its future growth and prospects will depend on its ability to manage growth and to continue to maintain, expand and improve operational, financial and management information systems on a timely basis, whilst at the same time maintaining effective cost controls. Any damage to, failure of or inability to maintain, expand and upgrade effective operational, financial and management information systems and internal controls in line with the Group's growth could have a material adverse effect on the Group's business, financial condition and results of operations. Whilst the management team consists primarily of experienced professionals, there is no certainty that the Group has sufficient managerial resources to execute its business plan successfully. The Directors have and may have in the future additional professional responsibilities and as such, may experience conflicts of interest and demands on their time to the possible detriment of the Group.

3. The Group's success is dependent upon its ability to attract and retain key personnel

The success of the Group is dependent upon its ability to retain and attract high quality staff with relevant expertise and experience to broaden the skills base of the Group and to further enhance the Group's business. A number of key people have been retained by the Group and these people are influential to the development and continued operation of the Group's business. The loss of the services of any key personnel (in particular Andrea Stecconi and Mauro Celentano) could have a material adverse effect on the Group. There can be no assurance that the Group will be able to continue to attract and retain all personnel necessary for the development and operation of its business as the competition for qualified personnel in the Group's industry is intense.

4. Actual, possible, or perceived defects or vulnerabilities in the Group's products or services, the failure of the Group's products or services to prevent a virus or security breach

The Group's products and services are complex and as such may in the future contain design or manufacturing defects or errors that are not detected until after their commercial release and deployment by end customers. These defects may cause them to fail to help secure networks, temporarily interrupt end customers' networking traffic, and fail to detect or prevent viruses, worms or similar threats. Further, due to the evolving nature of threats and the continual emergence of new threats, the Group may fail to identify and update its threat intelligence or other virus databases in time to protect its customers. In addition, defects or errors in the Group's subscription updates, or the failure to timely distribute appropriate updates, could result in a failure to effectively update end customers' systems and thereby leave end customers vulnerable to the latest security threats. The Group's business would be harmed if any of the events described above caused its end customers or potential end customers to believe the Group's services are unreliable and could adversely affect the market's perception of the efficacy of the Group's products and potentially lead to significant claims being made against the Group.

5. The false detection of threats by the Group's products could harm the Group's reputation

The Group's products may falsely detect threats that do not actually exist or identify applications or content as malware (known as "false positives"). These false positives, may impair the perceived reliability of the Group's products and may therefore adversely affect market acceptance of the Group's products. If the Group's products restrict important files or applications based on falsely identifying them as malware or some other item that should be restricted, this could adversely affect end customers' systems and cause material system failures. Any such false identification of important files or applications could result in negative publicity, damage to the Group's reputation, loss of end customers and sales, increased costs to remedy any problem and risk of litigation, any of which could materially adversely affect the Group's financial condition, operating results and prospects.

6. If the Group is unable to develop new and enhanced products and services or if the Group is unable improve the performance, features, and reliability of existing products and services to keep up with security threats or adapt to keep pace with industry trends, the Group's business performance and operating results could be materially affected

The Group's customers operate in markets characterised by rapidly changing technologies and business plans, which require them to adapt to increasingly complex IT infrastructures that incorporate a variety of hardware, software applications, operating systems and networking protocols. The Group faces significant challenges in ensuring that its products and services effectively identify and respond to these advanced and evolving IT systems. As a result, the Group is dependent upon its ability to respond to the rapidly changing needs of end customers by developing or introducing new products and services and by continually upgrading its products and services on a timely basis. The Group has in the past incurred, and will continue to incur, significant research and development expenses as it strives to remain competitive. Investments in research and development may not result in significant design improvements, marketable products or features, or may result in products and services that are more expensive than anticipated. Additionally, the Group may not achieve the cost savings or the anticipated performance improvements it expects, and it may take longer to generate revenue, or the Group may generate less revenue, than anticipated.

7. If the Group is unable to increase sales to new customers, sell additional products to existing customers, the Group's future revenue and operating results will be harmed

The Group's future success depends on its ability to increase sales of its products to new customers and increase sales of additional products to its existing customers. The rate at which new and existing end-users purchase products and existing end-users renew subscriptions depends on a number of factors, including the efficacy of the Group's products and the utility of the Group's new offerings, as well as factors outside of the Group's control, such as end-users' perceived need for security solutions, the introduction of products by the Group's competitors that are perceived to be superior to the Group's products, end-users' IT budgets and general economic conditions. A failure to increase sales to channel partners as a result of any of the above could materially adversely affect the Group's financial condition, operating results and prospects.

8. Operations overseas

8.1 It is expected that a significant proportion of the Group's revenues will be generated overseas. The Group's business could therefore be adversely affected by changes in local and regional economic, political and social conditions or the policies of the relevant government, such as changes in laws and regulations, taxation and imposition of restrictions on currency conversion. In addition, the occurrence of war, public disorder, economic sanctions, terrorism and local or national strikes or labour unrest in any of the overseas locations in which the Group operates may disrupt or permanently prevent the Group from operating in these locations or recovering its investment in whole or in part. The Group's investments may be denominated in currencies other than sterling. Accordingly, fluctuations in exchange rates between sterling and the relevant local currency and the costs of conversion and exchange control may have an unfavourable effect on the profitability of such operations.

8.2 Additionally, the Group may be required to obtain a number of approvals, licences and permits to operate its business. There is no assurance that the various national, state and local agencies responsible for granting such licenses, approvals and permits will do so or that, once granted, they will not be revoked or their conditions and terms amended to become more onerous on the Group. The absence of such licences, approvals and permits could delay commencement of or prohibit proposed business operations.

9. Litigation

The Group is exposed to the risk of litigation from its customers, distributors, suppliers and employees, amongst others. Any legal proceedings, whether or not determined in the Group's favour, and whether or not there is merit to any such claim, could be costly and may divert the efforts of management and personnel from normal business operations. Exposure to litigation may affect the Company's reputation even where the monetary consequences may not be significant.

10. Adequacy of insurance coverage

There can be no guarantee that the Group has insurance cover that is adequate to meet the Group's risks and expenses or sufficient to recover all losses that the Group may suffer. In addition, certain types of risk may be, or may become, either uninsurable or not economically insurable or may not be currently or in the future covered by the Group's insurance policies.

INDUSTRY RISKS

11. Technology risks

11.1 The Group's core business operates in a rapidly changing, high growth and competitive international industry. The future success of the Group will depend on its ability to market its existing solution, address the increasingly sophisticated and varied needs of its customers, and respond to technological advances and emerging industry standards and practices on a cost-effective and timely basis. Competitors may develop or commercialise a competitive product, may launch a product ahead of the Group with little or no notice that is more effective, commercially attractive or technologically advanced than the Group's products, or may undertake an aggressive pricing policy. If competitors introduce new products or if existing or new industry and government standards and practices change or emerge, the Group's existing products and services may become less competitive or even obsolete. Competition may in particular come from companies which have greater research, development, marketing, financial and personnel resources than the Group.

11.2 Developing the Group's technology and product range entails significant technical and business risks. The Group may develop, use or procure new technologies ineffectively or fail to adapt to meet customer or regulatory requirements. If the Group faces material delays in introducing new products, services or enhancements, it may be at a significant competitive disadvantage. This could have a material adverse effect on the Group's business and prospects.

12. Development risk

Defenx is currently outsourcing the development of its products to third party developers and therefore may not always have ultimate control over the development process. Defenx's suppliers may fail to deliver the products on time, at the required quality levels and at the agreed prices. If Defenx faces material delays in introducing new products, services or enhancements, it may be at a significant competitive disadvantage. Any of these events would have a material adverse effect on the Company's business and prospects.

13. Sales and marketing

13.1 The Group intends to continue investing in marketing and distribution channels and its own sales functions to grow the business. Success of the Group's business will require the continuation of existing, and establishment of additional sales channels. There is no certainty that the Group will be able to attract new channel partners and retain existing channel partners.

Penetration of new markets can be slow, expensive and subject to delays, and ultimately may not be successful. Significant delays in new contracts will result in working capital strain for the Group. The Group is likely to incur costs in these areas before anticipated benefits materialise. The return on these investments may be lower or develop more slowly than expected. There can be no guarantee that the Group will be able to maintain, or increase its sales and market share.

14. Dependence on relationships with mobile operators and other partners

The Group has developed relationships with mobile operators, telecoms companies, publishers and other companies who act as distribution partners and are fundamental to the Group's ability to generate revenues. There is no certainty that the Group will be able to retain its relationships with such partners and to maintain and to build its revenues.

15. Competition from existing and new companies

15.1 The Group operates in a competitive market in which several players have a more substantial product portfolio and market presence. Certain of the Group's competitors have greater financial and

technological resources, larger sales and marketing organisations and greater name recognition than the Group, and may therefore be better able to obtain sales through their pricing structure, heavy marketing or reputation. They may also be able to respond more quickly and effectively than the Group to new or changing threats, regulations, technologies, standards or customer requirements due to their greater financial resources. There is no assurance that the Group will be able to compete successfully with its competitors in acquiring and maintaining new accounts.

15.2 The Group is unable to assure investors that future competitors will not emerge, develop and/or introduce new products which will compete with those of the Group on grounds of superior technology, lower price or otherwise. It is uncertain how long a lead time the Group will have with its innovations and how rapidly competition from other suppliers or alternative technologies may develop. Technological change in the sector within which the Group operates may render the Group's products less competitive or even obsolete.

16. Competition – Google threat

Apple Computers Inc has developed a screening methodology in conjunction with their proprietary operating system which has the effect of significantly reducing the number of viruses contained in applications available on the Apple App Store. If Alphabet Inc (previously Google Inc) were to develop and integrate similar software into the Android system this would ultimately significantly reduce the number of viruses in the Android space and would have a significant adverse effect on the potential growth of the Group and the market for its mobile security products.

17. The Group's Intellectual property

17.1 Whilst the the majority of the Group's products and processes are proprietary, the Group has at this time no protection of its intellectual property (other than registration of certain trademarks) and its intellectual property consists for the most part of copyright, source code and technical know-how. The commercial success of the Group depends in part on its ability to protect and exploit its intellectual property and to preserve the confidentiality of its intellectual property. The Group may not be able to protect and preserve its intellectual property rights or to exclude competitors with similar products and/or processes.

17.2 No assurance can be given that others will not gain access to the Group's proprietary technology and/or use or disclose such technology. Further, there can be no assurance that others have not developed or will not develop similar products, duplicate any of the Group's products or design. A substantial cost may be incurred if the Group is required to defend its intellectual property rights (even if any claim brought is without merit) against third parties.

17.3 A third party could also claim that the Group's products or processes infringe its own proprietary rights. Such claims, even without merit, can be time-consuming and expensive to defend and could have a detrimental effect on the Group's resources. A third party asserting infringement claims against the Group could require the Group to cease the infringing activity and to pay damages. Any such claims may also result in the Company having to indemnify customers or obtain replacement products or functionality for customers, to significantly increase development efforts and resources to redesign products as a result of these claims, and to discontinue the sale of some or all of the Company's technologies or products. The third party could also take legal action which could be costly to defend. Such claims may have a material adverse effect on the Group's business, financial condition or results.

17.4 In order to protect its proprietary technology and processes, the Group relies on confidentiality agreements with its customers, employees and other third parties. These agreements may not effectively prevent disclosure of confidential information and may not provide an adequate remedy in the event of disclosure of confidential information. Costly and time consuming litigation could be necessary in any jurisdiction to enforce and determine the scope of the Group's proprietary rights, and failure to obtain or maintain the Group's know how could adversely affect the Group's competitive business position.

17.5 Some of the Group's products include software or other intellectual property licensed from third parties. It may be necessary in the future to renew licences relating to various aspects of these products or to seek new licences for existing or new products. There can be no assurance that the necessary licences

will be available on acceptable terms, if at all. The inability to obtain certain licences or other rights or to obtain such licences or rights on favourable terms could result in delays in product releases until equivalent technology can be identified, licenced, developed, acquired or integrated, if at all, and may require the Group to use alternative technology of lower quality or performance standards, any of which may have a material adverse effect on the Group's business, operating results and financial condition.

18. The Group's NAS security software links to third-party open source software components, and failure to comply with the terms of the underlying open source software licences could restrict the Group's ability to sell its products and/or increase its operating costs.

18.1 The NAS security software (the "NAS Software") is proprietary to the Group. It links to software modules or libraries (together, the "OS Library") licensed by third party authors under open source licences. Some of these open source licences contain requirements that the Group makes available to the public the source code if any modifications are made to the OS Library, or if new modifications or derivative works are created based upon the OS Library (the "Source Code Disclosure Rule").

The NAS Software does not modify the OS Library and the NAS Software is separated from the OS Library such that the two are not joined into a single application. Ergo the Group does not consider it to be derivative work. If this is correct then the NAS Software will not be regulated under the Source Code Disclosure Rule.

There is an argument, which is not a view supported by the Group, that embedding a URL link within the OS Library in order to facilitate the retrieval by the NAS Software of information from that library amounts to a modification or derivative work of such OS Library. This would entail the NAS Software being regulated by the Source Code Disclosure Rule. Being so regulated would not stop the Group from selling the NAS Software. However, competitors with access to the source code of the NAS Software may be able to create similar products with lower development time and effort, and at lower cost. This could ultimately result in a reduction in the Group's product sales and an associated loss of revenue.

In addition to the Source Code Disclosure Rule the open source licences impose an obligation to apply copyright notices and disclaimers to the NAS Software in circumstances where the OS Library is distributed. The Group does not apply such a notice and disclaimer to its NAS Software because it does not believe that it distributes the OS Library. This term "distribution" in this context is not a matter of settled law. A failure to include such notices and disclaimer would, if the NAS Software did in fact distribute the OS Library, amount to a breach of the open source licence.

18.2 Although the Group monitors its use of open source software to avoid its products being subjected to unintended conditions, this monitoring cannot cover each and every risk. Licences could be construed in a way that could impose unanticipated conditions or restrictions on the Group's ability to commercialise its products. The Group could be subject to claims by parties claiming infringement of intellectual property rights in what is otherwise perceived to be validly licensed open source software. If the Group is held to have breached the terms of an open source software licence, it could be required to seek licences from third parties, to continue offering products on terms that are not economically feasible, to re-engineer products, to discontinue the sale of products if re-engineering could not be accomplished on an efficient basis, or to make generally available, in source code form, part of the Group's proprietary code. Any of these unintended consequences could materially adversely affect the Group's business and operating results. In addition, many of the risks associated with usage of open source software, such as the lack of warranties or assurances of title, cannot be completely eliminated, and could, if they arise, negatively affect the Group's business.

FINANCIAL RISKS

19. Revenue and profitability

19.1 The Company cannot guarantee that the Group will be able to achieve or sustain revenue growth and achieve or sustain profitability in the future. If the Company is unable to achieve or sustain profitability, the business could be severely harmed. The Group's operating results may fluctuate as a result of a number of factors, many of which are beyond its control. These factors include, amongst others, the growth rate of markets into which the Group sells its services or products, market acceptance of and

demand of its services and products and those of its customers and unanticipated delays, problems in the introduction of its services or products. If the Company does not realise sufficient revenue levels to sustain profitability, it may require additional working capital and financing in the medium term, which may not be available on attractive terms, or at all.

19.2 The Group has in the past experienced extended debtor repayment periods. While this is not considered unusual in a small software security company, it has impacted the Group's working capital and its ability to fund software development costs. The Group has implemented procedures to manage and reduce debtor repayment periods. If these procedure are not effective and the Group is unable to collect its debtors on a timely basis, it may need to reduce software development spending or require additional working capital in the medium term.

19.3 Early stage companies typically underestimate the development capital they will require and typically overestimate the speed of market penetration. The combination of these two factors can adversely affect financial performance and the creation of shareholder value.

20. Exchange rate risk

20.1 The Company and the Group will be exposed to several exchange risks. The Company is raising funds in Sterling pursuant to the Placing and the Subscription. Most of the Group's expenses and the sale of its products will be denominated in Euros and US Dollars. Exchange rate fluctuations could adversely affect the Company's profitability or the price competitiveness of its products.

20.2 Fluctuations in exchange rates between currencies in which the Group operates may cause fluctuations in its financial results which are not necessarily related to its underlying operations. The Group does not currently have a foreign currency hedging policy in place. If and when appropriate, the adoption of such a policy will be considered by the Board.

21. Enterprise Investment Scheme

Advance assurance has been received from HMRC that the Company satisfies the relevant conditions for being a qualifying company and the New Ordinary Shares are eligible shares for the purposes of EIS provisions. The actual availability of relief under the EIS provisions will be contingent, *inter alia*, upon certain conditions being met by both the Company and the relevant investors. Neither the Company nor the Company's advisers give any warranties, representations or undertakings that EIS relief will be available or that, if initially available, such relief or status will not be withdrawn. Should the law regarding EIS change then any reliefs or qualifying status previously obtained may be lost.

22. Current economic conditions

The supply of equity and debt capital to early stage companies is very limited. This could mean that the Group may only be able to obtain further financing, if required, on less favourable terms than it expects or that it will have difficulty obtaining financing at all.

RISKS RELATED TO THE PLACING AND THE SUBSCRIPTION AND ADMISSION AND THE ORDINARY SHARES

23. The trading price of the Ordinary Shares may be volatile and Shareholders might not be able to sell Ordinary Shares at or above the Issue Price

23.1 Although the Company is applying for the Enlarged Share Capital to be admitted to trading on AIM, there can be no assurance that an active or liquid trading market for the Ordinary Shares will develop or, if developed, that it will be maintained. Following Admission, the market price of the Ordinary Shares may be volatile and may go down as well as up and investors may therefore be unable to recover their original investment. There has been no prior public market in the Ordinary Shares, the trading price of the Ordinary Shares is likely to be volatile, and you might not be able to sell your shares at or above the Issue Price.

23.2 AIM is a market designed primarily for emerging or smaller growing companies which carry a higher than normal financial risk and tend to experience lower levels of liquidity than larger companies.

Accordingly, AIM may not provide the liquidity normally associated with the Official List or some other stock exchanges. The Ordinary Shares may therefore be difficult to sell compared to the shares of companies listed on the Official List and the share price may be subject to greater fluctuations than might be the case on other markets.

23.3 The Company is principally aiming to achieve capital growth and, therefore, Ordinary Shares may not be suitable as a short-term investment. The share price may be subject to greater fluctuation on small volumes of shares traded, and thus the Ordinary Shares may be difficult to sell at a particular price. Prospective investors should be aware that the value of an investment in the Company may go down as well as up and that the market price of the Ordinary Shares may not reflect the underlying value of the Company. There can be no guarantee that the value of an investment in the Company will increase. Investors may therefore realise less than, or lose all of, their original investment.

23.4 The share prices of publicly quoted companies can be highly volatile and the market in their shares illiquid. The price at which the Ordinary Shares are quoted and the price which investors may realise for their Ordinary Shares may be influenced by a large number of factors, some of which are general or market specific, others which are sector specific and others which are specific to the Group and its operations. These factors include, without limitation, the performance of the Company and the overall stock market, large purchases or sales of Ordinary Shares by other investors, changes in legislation or regulations and changes in general economic, political or regulatory conditions and other factors which are outside of the control of the Company. There can be no guarantee that the price of the Ordinary Shares will reflect their actual or potential market value or the underlying value of the Group's net assets and the price of the Ordinary Shares may decline below the Issue Price.

24. Future equity issuances or sales of the Ordinary Shares in the public market could cause the share price to decline

If the Company issues equity securities in the future or if Shareholders sell a substantial number of the Ordinary Shares in the public market after the Admission, or if there is a perception that these sales or issuances might occur, the market price of the Ordinary Shares could decline. The Company may issue Ordinary Shares, or other securities, from time to time as consideration for future acquisitions and investments. In the event any such acquisition or investment is significant, the number of Ordinary Shares, or the number or aggregate principal amount, as the case may be, of other securities that the Company may issue may in turn be significant, causing further downward pressure on the Company's share price.

25. Conflicts of interest and influence of principal shareholders and the founders

On Admission, the Senior Managers and the Board will, directly or indirectly, hold approximately 2,240,994 of the Ordinary Share capital of the Company and as a result will be in a position to exert significant influence over the outcome of matters relating to the Company, including the appointment of the Company's board of directors and the approval of significant change of control transactions. In addition, this control may have the effect of making certain transactions more difficult and may have the effect of delaying or preventing an acquisition or other change in control of the Company without their support. Andrea Steconni has entered into the Relationship Agreement details of which are set out at paragraph 14 of Part 1 of this document, to ensure that the Company is capable of carrying on business independently from Andrea Steconni, and his associates and that any transactions with Mr Steconni (and his associates) are at arm's length and on commercial terms.

26. Relations with Charles Street Securities Europe LLP

Charles Street Securities Europe LLP has a broad-ranging relationship with the Company which may create conflicts of interest that could potentially act to the Company's detriment. The principals of Charles Street Securities Europe LLP itself are also members of CSS Capital Managers LLP and benefit from an equity interest in the Company in the form of Ordinary Shares and Deferred Shares.

27. Dilution of Shareholders' interests

27.1 Shareholders not participating in future offerings may be diluted and pre-emptive rights may not be available to Shareholders, having the effect that they will not be granted subscription rights in connection with, or be able to subscribe for new shares in, such offerings.

27.2 The Group's management will have broad discretion over the use and investment of the net proceeds that it receives in the Placing and the Subscription and might not apply the proceeds in ways that increase the value of Shareholders' investments.

27.3 The management will have broad discretion over the use and investment of the net proceeds from the Placing and the Subscription and Shareholders will be relying on the judgment of the management regarding the application of these net proceeds. The management intends to use the net proceeds from the Placing and the Subscription for general corporate purposes and working and investment capital, including funding the Group's strategic plan for expansion. Shareholders will not have the opportunity to influence decisions on how the net proceeds from the Placing and the Subscription are used.

28. If securities or industry analysts do not publish research or publish unfavourable or inaccurate research about the business, of the Group the share price and trading volume could decline

The trading market for the Ordinary Shares will depend, in part, on the research and reports that securities or industry analysts publish about the Group or its business. The Directors may be unable to sustain coverage by well-regarded securities and industry analysts. If either none or only a limited number of securities or industry analysts maintain coverage of the Company, or if these securities or industry analysts are not widely respected within the general investment community, the trading price for the Ordinary Shares would be negatively impacted. In the event the Group obtains securities or industry analyst coverage, if one or more of the analysts who cover the Company downgrade the Ordinary Shares or publish inaccurate or unfavourable research about the Group's business, the share price would be likely to decline. If one or more of these analysts cease coverage of the Company or fail to publish reports regularly, demand for the Ordinary Shares could decrease, which might cause the share price and trading volume to decline.

29. Tax

Shareholders should take their own tax advice as to the consequences of acquiring and owning Ordinary Shares as well as receiving dividends and other distributions from the Company. In particular Shareholders should be aware that ownership of Ordinary Shares can be treated in different ways in different jurisdictions.

30. The Company does not plan on making dividend payments in the foreseeable future

The Company has never declared or paid cash dividends on the Ordinary Shares. The Directors currently intend to retain all available funds and any future earnings to support the operation of and to finance the growth and development of the business. Any future determination to declare cash dividends will be made at the discretion of the Board, and will depend on, among other things, the Company's results of operations and financial condition, its future business prospects, any applicable legal or contractual restrictions and availability of profits. A dividend may never be paid and, at present, there is no intention to pay a dividend.

31. AIM

Application has been made for the Ordinary Shares to be admitted to AIM, a market designed primarily for emerging or smaller companies to which a higher investment risk tends to be attached than to larger or more established companies. An investment in shares quoted on AIM may carry a higher risk than an investment in shares quoted on the Official List. AIM has been in existence since June 1995 but its future success, and liquidity in the market for the Company's securities, cannot be guaranteed.

PART 3
HISTORICAL FINANCIAL INFORMATION

PART 3(A)

**ACCOUNTANTS' REPORT ON THE HISTORICAL FINANCIAL INFORMATION
OF THE GROUP**

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Strand Hanson Limited
26 Mount Row
W1K 3SQ

27 November 2015

Dear Sirs

Defenx plc

We report on the historical financial information on Defenx plc set out in Part 3(B) of the AIM Admission Document dated 27 November 2015. This financial information has been prepared on the basis of the accounting policies set out in note 1 to the financial information set out in Part 3(B) of the Admission Document (the "Consolidated Financial Information"). This report is required by paragraph (a) of Schedule Two of the AIM Rules for Companies and is given for the purpose of complying with that paragraph and for no other purpose.

Responsibility

The Directors are responsible for preparing the Consolidated Financial Information on the basis of preparation set out in note 1 to the Consolidated Financial Information and in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS").

It is our responsibility to form an opinion on the Consolidated Financial Information as to whether the financial information gives a true and fair view for the purposes of the Admission Document, and to report our opinion to you.

Save for any responsibility arising under Paragraph (a) of Schedule Two of the AIM Rules to any person as and to the extent there provided, to the fullest extent permitted by law we do not assume any responsibility and will not accept any liability to any person other than the addressees of this letter for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with Paragraph (a) of Schedule Two of the AIM Rules, consenting to its inclusion in the Admission Document.

Basis of opinion

We conducted our work in accordance with the Standards for Investment Reporting issued by the Auditing Practices Board in the United Kingdom. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. It also included an assessment of significant estimates and judgements made by those responsible for the preparation of the Consolidated Financial Information and whether the accounting policies are appropriate to the entity's circumstances, consistently applied and adequately disclosed.

We planned and performed our work so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial information is free from material misstatement whether caused by fraud or other irregularity or error.

Opinion

In our opinion the Consolidated Financial Information gives for the purpose of the Admission Document dated 27 November 2015 a true and fair view of the state of affairs of Defenx plc as at 31 December 2012, 2013 and 2014 and of the profits, cash flows and statement of changes in shareholders' equity for the years then ended in accordance with the basis of preparation set out in note 1 of the Consolidated Financial Information.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully

haysmacintyre

Chartered accountants
26 Red Lion Square
London
WC1R 4AG

PART 3(B)

HISTORICAL FINANCIAL INFORMATION ON THE GROUP

Consolidated Statement of Comprehensive Profit and Loss

		<i>Year ended 31 December</i>		
	<i>Notes</i>	<i>2012</i>	<i>2013</i>	<i>2014</i>
		€	€	€
Revenue	1, 3	891,229	2,076,554	2,381,568
Cost of sales		<u>(452,663)</u>	<u>(519,745)</u>	<u>(347,958)</u>
Gross profit		438,566	1,556,809	2,033,610
Sales, marketing and administrative expenses		<u>(324,836)</u>	<u>(1,146,372)</u>	<u>(1,229,093)</u>
Profit from operations	4	113,730	410,437	804,517
Finance income	6	106	–	74
Finance expense	6	<u>(777)</u>	<u>(960)</u>	<u>(43,600)</u>
Profit before tax		113,059	409,477	760,991
Tax (credit)/expense	7	<u>14,869</u>	<u>(80,250)</u>	<u>(225,196)</u>
Profit for the year attributable to equity holders of Defenx plc		127,928	329,227	535,795
Exchange gains arising on the translation of foreign subsidiaries		<u>(588)</u>	<u>(554)</u>	<u>28,929</u>
Total comprehensive profits attributable to equity holders of Defenx plc		<u>127,340</u>	<u>328,673</u>	<u>564,724</u>
Earnings per share attributable to the owners of Defenx plc				
Basic	8	€0.045	€0.115	€0.167
Diluted	8	€0.045	€0.115	€0.159

The results reflected above relate solely to continuing activities.

Consolidated Statement of Financial Position

	Notes	2012 €	2013 €	2014 €
Non-current assets				
Intangible assets	9	–	658,428	1,721,404
Current assets				
Trade and other receivables	10	974,808	1,226,346	1,039,538
Cash and cash equivalents	11	1,361	2,460	205,995
		<u>976,169</u>	<u>1,228,806</u>	<u>1,245,533</u>
Total assets		<u><u>976,169</u></u>	<u><u>1,887,234</u></u>	<u><u>2,966,937</u></u>
Current liabilities				
Bank overdrafts		(2,082)	–	–
Trade and other payables	12	(845,476)	(1,429,950)	(918,728)
Total liabilities		<u>(847,558)</u>	<u>(1,429,950)</u>	<u>(918,728)</u>
Net assets		<u><u>128,611</u></u>	<u><u>457,284</u></u>	<u><u>2,048,209</u></u>
Shareholders' equity				
Share capital	13	63,148	63,148	90,903
Share premium	13	–	–	580,373
Merger reserve	14	260,537	260,537	678,610
Retained earnings		(204,878)	124,349	660,144
Foreign exchange reserve		9,804	9,250	38,179
Total equity attributable to the equity holders of Defenx plc		<u><u>128,611</u></u>	<u><u>457,284</u></u>	<u><u>2,048,209</u></u>

Consolidated Statement of Changes in Equity

	<i>Share capital</i> €	<i>Share premium account</i> €	<i>Merger reserve</i> €	<i>Retained earnings</i> €	<i>Foreign exchange reserve</i> €	<i>Total</i> €
As at 1 January 2012	63,148	–	213,265	(332,806)	10,392	(46,001)
Profit for the year	–	–	–	127,928	–	127,928
Foreign exchange translation	–	–	–	–	(588)	(588)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive profit for the year	–	–	–	127,928	(588)	127,340
Issue of shares by Defenx SA	–	–	47,272	–	–	47,272
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2012	63,148	–	260,537	(204,878)	9,804	128,611
Profit for the year	–	–	–	329,227	–	329,227
Foreign exchange translation	–	–	–	–	(554)	(554)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive profit for the year	–	–	–	329,227	(554)	328,673
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2013	63,148	–	260,537	124,349	9,250	457,284
Profit for the year	–	–	–	535,795	–	535,795
Foreign exchange translation	–	–	–	–	28,929	28,929
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total comprehensive profit for the year	–	–	–	535,795	28,929	564,724
Issue of shares by Defenx SA	–	–	418,073	–	–	418,073
Issue of shares by Defenx plc	27,755	580,373	–	–	–	608,128
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
As at 31 December 2014	<u>90,903</u>	<u>580,373</u>	<u>678,610</u>	<u>660,144</u>	<u>38,179</u>	<u>2,048,209</u>

The movement on the merger reserve during the years ended 31 December 2012 and 2014 occurs because Defenx SA issued share capital prior to the share for share exchange taking place with Defenx plc.

Consolidated Cash Flow Statement

	<i>Year ended 31 December</i>		
	2012	2013	2014
	€	€	€
Cash flows from operating activities			
Profit after taxation	127,928	329,227	535,795
<i>Adjustments for:</i>			
Income tax	(14,869)	80,250	225,196
Depreciation of tangible assets	5,601	–	–
Amortisation of intangible assets	–	–	160,307
	<hr/>	<hr/>	<hr/>
Operating cash flows before movements in working capital	118,660	409,477	921,298
Decrease/(increase) in trade and other receivables	(969,038)	(266,382)	186,807
(Decrease)/increase in trade and other payables	643,204	430,467	(719,833)
(Decrease)/increase in deferred revenue	57,985	88,042	(533)
	<hr/>	<hr/>	<hr/>
Net cash flow from operating activities	(149,189)	661,604	387,739
Investing activities			
Disposal of investments	56,647	–	–
Investment in tangible assets	(1,776)	–	–
Disposal/(investment) in intangible assets	14,530	(658,428)	(1,210,693)
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	69,401	(658,428)	(1,210,693)
Financing activities			
Proceeds from issue of share capital	47,272	–	1,026,201
Financing from shareholders	27,628	–	–
	<hr/>	<hr/>	<hr/>
Net cash generated from financing activities	74,900	–	1,026,201
	<hr/>	<hr/>	<hr/>
Net increase in cash and cash equivalents	(4,888)	3,176	203,247
Cash and cash equivalents at beginning of year	4,161	(721)	2,460
Effect of foreign exchange translation on cash equivalents	6	5	288
	<hr/>	<hr/>	<hr/>
Cash and cash equivalents at end of year	<u>(721)</u>	<u>2,460</u>	<u>205,995</u>

NOTES TO THE FINANCIAL INFORMATION

Defenx plc is a public limited company domiciled in the UK and is the parent company for the Group. The principal activity of the company is to control the subsidiaries in the Group. The company was incorporated on 11 April 2014.

1. Principal accounting policies

The principal accounting policies applied in the preparation of the consolidated financial information are set out below.

These policies have been consistently applied to all years presented, unless otherwise stated.

Basis of preparation

The consolidated financial information 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 consolidated financial information in compliance with adopted IFRSs requires the use of certain critical accounting estimates. It also requires management to exercise judgment in applying the company's accounting policies. The areas where significant judgments and estimates have been made in preparing the consolidated financial information and their effect are disclosed in this note.

The consolidated financial information reflect the 100 per cent. owned subsidiary, Defenx SA, a company incorporated in Switzerland on 3 February 2009.

Basis of consolidation: Merger Accounting

The consolidated financial information have been prepared on a consolidated basis in line with the principals 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 GAAPs in preparing the consolidated financial information. 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. However, the current and comparative capital structure of the Group disclosed is that of Defenx plc.

Going concern

The directors have prepared and reviewed a business plan and cash flow forecast. The forecast contains certain assumptions about the level of future sales and gross margins achievable. These assumptions are the directors' best estimate of the future development of the business.

The directors are satisfied that the company has adequate resources to continue in operational existence for the foreseeable future and, accordingly, continue to adopt the going concern basis in preparing the consolidated financial information.

Revenue recognition

Revenue represents the gross amounts invoiced to customers, net of discounts, sales taxes and accrued and deferred amounts. Revenue is primarily derived from sales of annual software licenses. These term-based agreements include free upgrades and enhancements on a when-and-if-available basis. The Group recognises the software license portion at the time of delivery while the portion attributable to upgrades and enhancements is recognised over the period of the relevant agreement.

Foreign currency

The consolidated financial information is presented in Euros.

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.

On consolidation, assets and liabilities are translated into Euros at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at the average exchange rates for each period. The exchange differences arising on translation for consolidation are recognised in other comprehensive income.

Financial Assets

The company classifies its financial assets into one of the categories described below:

Trade receivables

Trade receivables are stated at fair value. A provision for impairment is made where there is objective evidence of impairment (including customers in financial difficulty or seriously in default against agreed payment terms). There is no material variance between carrying and fair values.

Impairment of property, plant and equipment and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset, 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 company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Any impairment charge is recognised in the consolidated statement of income in the year 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.

Property, plant and equipment

The company's tangible assets are represented by fully depreciated office furniture and fixtures.

Intangible assets

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

The estimated useful lives of intangible assets are:

Development costs for software related to anti-malware for Mobile devices	3 years
Development costs for software for anti-malware for NAS devices	5 years

Pension costs

The company makes defined contributions to its employees' pension plans according to the laws of the country of employment. The pension costs charged in the consolidated financial information represents the contributions payable by the company during the period.

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 company. 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 consolidated statement of income 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 consolidated financial information 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 consolidated statement of income.

Financial Instruments

Financial assets and financial liabilities are recognised on the company's balance sheet when the company has become party to the contractual provisions of the instrument.

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 on the balance sheet.

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 consolidated statement of income over the term of the instrument. There is no material variance between book and fair values.

Judgments and estimates

The board makes judgments and assumptions concerning the future that impact the application of policies and reported amounts. The resulting accounting estimates calculated using these judgments and assumptions will, by definition, seldom equal the related actual results but are based on historical experience and expectations of future events. The judgments and key sources of estimation uncertainty that have a significant effect on the amounts recognised in the consolidated financial information are discussed below.

Impairment of assets

Financial and non-financial assets including intangible assets are subject to impairment reviews based on whether current or future events when circumstances suggest that their recoverable amount may be less

than their carrying value. Recoverable amounts are based on a calculation of expected future cash flows, which includes management assumptions and estimates of future performance. If there is an indication that impairment exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss, if any. Where the asset does not generate cash flows that are independent from other assets, the board estimates the recoverable amount of the cash-generating unit to which this asset belongs. Recoverable amount is the higher of the fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of the future cash flows have not been adjusted.

New standards adopted early

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

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been introduced but are not yet effective and therefore have not been applied in preparing the consolidated financial information.

IFRS 15 'Revenue from Contracts with Customers' provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The changes are applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017.

The impact of the adoption of the above mentioned standards and interpretations on the consolidated financial information is still being assessed. Other standards have been issued by the IASB but they are not considered relevant to the consolidated financial information.

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.

2. Financial instruments – risk management

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 provision for impairment is charged to the consolidated statement of 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:

	<i>Year ended 31 December</i>		
	2012	2013	2014
	€	€	€
Financial assets			
Cash and cash equivalents	1,361	2,460	205,995
Trade receivables – not due at reporting date	1,539	784,918	564,922
Trade receivables – due at reporting date	63,132	452,528	872,216
Gross trade receivables	64,671	1,237,446	1,437,138
Less: provision for impairment	–	(481,319)	(417,354)
Net trade receivables	64,671	756,127	1,019,784
Other receivables	910,137	470,219	19,754

Trade receivables principally comprise amounts outstanding for sales to customers and are payable within 3 months. The average debtor days to settle invoices was 85 days (2013: 43 days; 2012: 90 days). An impairment review of outstanding trade receivables is carried out at the period end and a specific amount provided for. The board monitors license activations against sales in order to ensure that the existing revenue recognition policy and associated deferrals remain consistent and accurate.

	<i>Year ended 31 December</i>		
	2012	2013	2014
	€	€	€
Financial liabilities			
Trade payables	10,743	780,212	88,454
Accruals and other current liabilities	834,733	583,848	535,327
Taxation	–	65,890	294,947

Trade payables and accruals principally comprise amounts outstanding for trade purchases and on-going costs and are payable within 3 months. The average credit period taken for trade purchases is 45 days (2013: 27 days; 2012: 36 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 receivables and payables 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 Swiss Francs, Euro, Pounds Sterling and US Dollars and placed on deposit in Swiss and UK 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 2014 the Group has net trade receivables of €1,019,784. (2013: €756,127; 2012: €64,671).

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:

	<i>Year ended 31 December</i>		
	<i>2012</i>	<i>2013</i>	<i>2014</i>
	€	€	€
Ageing of trade & other receivables			
Up to 3 months	1,539	784,918	564,922
3 to 6 months	63,132	312,983	179,285
Above 6 months	–	139,545	692,931
	<u>64,671</u>	<u>1,237,446</u>	<u>1,437,138</u>
Gross receivables			
Less: allowance for receivables	–	(481,319)	(417,354)
	<u>64,671</u>	<u>756,127</u>	<u>1,019,784</u>
Net receivables			

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.

	<i>Year ended 31 December</i>		
	<i>2012</i>	<i>2013</i>	<i>2014</i>
	€	€	€
Ageing of trade and other payables			
Up to 3 months	10,743	780,212	88,454
3 to 6 months	–	–	–
Above 6 months	–	–	–
	<u>10,743</u>	<u>780,212</u>	<u>88,454</u>

Capital management

The Group's capital is made up of share capital, share premium, merger reserve, foreign currency reserve and retained profits totalling €2,048,209 at 31 December 2014 (2013: €457,284; 2012: €128,611).

The Group's objectives when maintaining capital are:

- To safeguard the entity's ability to continue as a going concern, so that it 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 Group consists of shareholders' equity as set out in the consolidated statement of changes in equity. 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 Swiss Francs, or Euro.

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.

The Group's net exposure to foreign exchange risk was as follows:

	<i>Swiss Francs</i> €	<i>Euro</i> €	<i>US\$</i> €	<i>Sterling</i> €	<i>Total</i> €
As at 31 December 2012					
Trade and other receivables	966,052	8,756	–	–	974,808
Cash and cash equivalents	(1,058)	271	83	(17)	(721)
Trade and other payables	(836,788)	(8,688)	–	–	(845,476)
Net current assets	<u>128,206</u>	<u>339</u>	<u>83</u>	<u>(17)</u>	<u>128,611</u>
As at 31 December 2013					
Trade and other receivables	460,221	756,215	9,910	–	1,226,346
Cash and cash equivalents	2,150	191	35	84	2,460
Trade and other payables	(1,351,656)	(24,085)	(54,209)	–	(1,429,950)
Net current assets	<u>(889,285)</u>	<u>732,321</u>	<u>(44,264)</u>	<u>84</u>	<u>(201,144)</u>
As at 31 December 2014					
Trade and other receivables	25,607	933,038	80,893	–	1,039,538
Cash and cash equivalents	14,138	139,115	7,625	45,117	205,995
Trade and other payables	(749,741)	(168,987)	–	–	(918,728)
Net current assets	<u>(709,996)</u>	<u>903,166</u>	<u>88,518</u>	<u>45,117</u>	<u>326,805</u>

3. Segmental analysis

The Group currently has three reportable segments: Mobile, PC and NAS, which reflect the three separate product categories for which software is provided. The Group tracks its end-users in three main geographic areas: Europe (including the UK); the Middle East, Africa and Asia; and the Americas. However, the majority of sales are to customers in the Eurozone. Accordingly, the Group's results are not segmented geographically.

Revenue by product category for the Group is as follows:

	<i>Year ended 31 December</i>		
	<i>2012</i> €	<i>2013</i> €	<i>2014</i> €
Revenue			
Mobile	368,962	740,080	1,637,105
PC	215,957	692,928	721,557
NAS	–	–	6,533
Other	306,310	643,546	16,373
	<u>891,229</u>	<u>2,076,554</u>	<u>2,381,568</u>

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

	2012	2013	2014
	€	€	€
Non-current assets			
Mobile	–	22,109	199,002
PC	–	–	–
NAS	–	636,319	1,522,402
Total	<u>–</u>	<u>658,428</u>	<u>1,721,404</u>

The Group does not track or report expenses, current assets or current liabilities by segment. Accordingly, no analysis of expenses, operating profit, current assets or current liabilities by segment is presented.

4. Profit from operations

The operating profit is stated after charging:

	<i>Year ended 31 December</i>		
	2012	2013	2014
	€	€	€
Amortisation of intangibles	<u>–</u>	<u>–</u>	<u>160,307</u>
Marketing contributions	7,705	486,704	743,166
Bad debt expense	–	508,587	33,176
Lease payments – Land and buildings	23,399	12,453	19,753
Auditors' remuneration:			
Audit fees – Subsidiaries	–	7,382	6,239
Company	–	–	8,500
Staff costs	123,300	30,638	114,319
Depreciation	5,601	–	–
Foreign exchange (gains)/losses	2,438	16,294	(8,677)
Other administrative expenses	<u>162,393</u>	<u>84,314</u>	<u>312,617</u>
Total administrative and other expenses	<u>324,836</u>	<u>1,146,372</u>	<u>1,229,093</u>

5. Staff costs

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

	<i>Year ended 31 December</i>		
	2012	2013	2014
	€	€	€
Wages and salaries	113,014	29,366	104,840
Social Security costs	4,872	1,272	4,343
Pension costs	5,414	–	5,136
Net staff costs	<u>123,300</u>	<u>30,638</u>	<u>114,319</u>

	Year ended 31 December		
	2012	2013	2014
	Number	Number	Number
Average monthly number of permanent employees			
Directors	1	1	3
Administration, sales and support	2	2	1
	<u>3</u>	<u>3</u>	<u>4</u>
	€	€	€
Directors' emoluments			
Emoluments	<u>39,867</u>	<u>12,183</u>	<u>72,709</u>
	€	€	€
Highest paid director			
Emoluments	<u>39,867</u>	<u>12,183</u>	<u>28,683</u>

6. Finance income and expenses

	Year ended 31 December		
	2012	2013	2014
	€	€	€
Finance income			
Interest income	<u>106</u>	<u>-</u>	<u>74</u>
Finance expense			
Interest expense	<u>777</u>	<u>960</u>	<u>43,600</u>

7. Income tax

No liability to UK corporation tax arose on ordinary activities for the years ended 31 December 2012, 2013 or 2014. The tax charge for all periods arose in respect of operations in Switzerland as follows:

	Year ended 31 December		
	2012	2013	2014
	€	€	€
Current tax			
Current income tax on profit for the year	83	1,373	204,580
Deferred tax			
Relating to origination and reversal of temporary differences	<u>(14,952)</u>	<u>78,877</u>	<u>20,616</u>
Total income tax expense	<u>(14,869)</u>	<u>80,250</u>	<u>225,196</u>

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

	<i>Year ended 31 December</i>		
	<i>2012</i>	<i>2013</i>	<i>2014</i>
	€	€	€
Profit for the year	127,928	329,227	535,795
Tax (credit)/expense	(14,869)	80,250	225,196
Profit before tax	113,059	409,477	760,991
Defenx plc's domestic rate of tax	24.0%	23.3%	21.5%
Tax charge using Defenx plc's domestic rate of tax	27,134	95,203	163,613
Deferred Plc loss carried forward for future offset	–	–	21,645
Effect of lower income tax rate in Switzerland	(3,912)	(11,097)	(8,344)
Timing difference arising on standards conversion	14,869	(44,803)	29,934
Utilisation of previously unrecognised tax losses	(38,008)	(37,930)	(2,268)
At the effective income tax rate	83	1,373	204,580
Effective tax rate	–	19.6%	26.9%

The aggregate tax rate in Switzerland was 20.4 per cent. during the year (2013: 20.4 per cent.; 2012: 20.4 per cent.). The UK corporation tax rate was reduced from 24 per cent. to 23 per cent. effective 1 April 2013, to 21 per cent. effective 1 April 2014 and 20 per cent. effective 1 April 2015.

The accumulated income tax losses available to the Group at 31 December 2014 were €nil (2013: €11,018; 2012: €164,224). These losses all relate to activities, and are available indefinitely for offsetting against future taxable profits, of Defenx SA in Switzerland.

Deferred tax is calculated in full on temporary differences under the liability method using a tax rate of 20.4 per cent. (2013: 20.4 per cent.; 2012: 20.4 per cent.) being the effective rate of tax applicable in Switzerland where the deferred tax arises.

	<i>Year ended 31 December</i>		
	<i>2012</i>	<i>2013</i>	<i>2014</i>
	€	€	€
Consolidated statement of income			
Timing difference arising on standards conversion	–	134,319	12,133
Accelerated depreciation for accounts purposes	–	–	12,147
Deferred revenue	(14,952)	(17,961)	108
Disallowed general bad debt provisions	–	(37,481)	(3,772)
Deferred tax (income)/expense	(14,952)	78,877	20,616
Consolidated statement of financial position			
Timing difference arising on standards conversion	–	–	(146,452)
Accelerated depreciation for accounts purposes	–	(134,319)	(12,147)
Deferred revenue	11,828	29,789	29,681
Disallowed general bad debt provisions	3,124	40,605	44,377
Deferred tax asset/(liability)	14,952	(63,925)	(84,541)

8. Earnings per share (EPS)

Basic EPS amounts are calculated by dividing the profit for the year attributable to ordinary equity holders of the parent 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 parent 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:

	<i>Year ended 31 December</i>		
	<i>2012</i>	<i>2013</i>	<i>2014</i>
	€	€	€
Profit attributable to ordinary equity holders of the Defenx plc for basic earnings and adjusted for the effect of dilution	<u>127,928</u>	<u>329,227</u>	<u>535,795</u>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares for basic earnings per share	2,852,141	2,852,141	3,208,561
Effect of dilution from deferred shares	<u>–</u>	<u>–</u>	<u>171,663</u>
Weighted average number of ordinary shares for basic earnings per share adjusted for the effect of dilution	<u>2,852,141</u>	<u>2,852,141</u>	<u>3,380,224</u>

The weighted average numbers of shares above reflect the 8 for 1 ordinary share consolidation implemented on 16 November 2015 as further disclosed in note 16 below. There have been no other relevant transactions involving ordinary shares or potential ordinary shares since 31 December 2014.

9. Intangible assets

Software development

	<i>Mobile</i>	<i>NAS</i>	<i>Group</i>
	€	€	€
Cost			
At 1 January 2012	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2012	<u>–</u>	<u>–</u>	<u>–</u>
Additions	22,109	636,319	658,428
At 31 December 2013	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 2014	<u>298,501</u>	<u>1,583,210</u>	<u>1,881,711</u>
Accumulated depreciation			
At 1 January 2012	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2012	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2013	<u>–</u>	<u>–</u>	<u>–</u>
Charge for the year	99,500	60,807	160,307
At 31 December 2014	<u>99,500</u>	<u>60,807</u>	<u>160,307</u>
Net book value			
At 31 December 2012	<u>–</u>	<u>–</u>	<u>–</u>
At 31 December 2013	<u>22,109</u>	<u>636,319</u>	<u>658,428</u>
At 31 December 2014	<u>199,001</u>	<u>1,522,403</u>	<u>1,721,404</u>

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 management forecasts of future sales of the related products, unit sales prices and costs over a three year period for Mobile assets and five years for NAS assets. No sales beyond three or 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.

There were no intangible assets in the company balance sheet of Defenx plc.

10. Trade and other receivables

	2012	2013	2014
	€	€	€
Current			
Gross trade receivables	64,671	1,237,446	1,437,138
Provision for impairment	–	(481,319)	(417,354)
Net trade receivables	64,671	756,127	1,019,784
Prepayments and accrued income	910,137	470,219	19,754
	<u>974,808</u>	<u>1,226,346</u>	<u>1,039,538</u>

As at 31 December 2014 trade receivables of €nil (2013: €nil; 2012: €nil) were past due but not impaired.

All amounts shown under receivables are due within 1 year.

11. 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, US Dollars and Pounds Sterling and placed on deposit in the UK and Swiss banks.

12. Trade and other payables

	2012	2013	2014
	€	€	€
Current			
Trade payables	10,743	780,212	88,454
Other payables	470,519	101,353	389,833
Shareholder loan	306,229	336,469	–
Deferred revenue	57,985	146,026	145,494
Taxation	–	65,890	294,947
	<u>845,476</u>	<u>1,429,950</u>	<u>918,728</u>

13. Share capital

The ordinary shares of £0.00225 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.

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 (unless a cashless conversion is requested). The company must give prior notice to deferred shareholders in the event of a sale or listing of the company.

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 2014 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 the consolidated financial information reflect this change as though the exchange had always been in place.

	<i>Year ended 31 December</i>		
	<i>Number of shares</i>	<i>Share capital €</i>	<i>Share premium €</i>
At 1 January 2012	22,817,160	63,148	–
At 31 December 2012	22,817,160	63,148	–
At 31 December 2013	22,817,160	63,148	–
Issue of new ordinary shares	9,204,000	27,460	580,373
Issue of new deferred shares	2,400,000	295	–
At 31 December 2014	34,421,160	90,903	580,373

Defenx plc has not issued any partly paid shares nor any convertible securities, exchangeable securities or securities with warrants nor does it hold any treasury shares. Share issue costs of €463,952 have been charged against the share premium account.

14. 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 £0.00225 share
Merger reserve	The amount arising from the use of merger accounting (as outlined in the accounting policies) 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
Retained earnings	All other net gains and losses and transactions with owners (e.g. dividends) not recognised elsewhere

15. Related party transactions

During 2013, Defenx SA sold anti-virus licences to North Investment SA, a company in which Mr Stecconi is shareholder and director, for a consideration of €28,513 (2013: €nil; 2012: €nil). The year end net balance outstanding from North Investment SA to Defenx SA was €nil (2013: €7,027; 2012: €nil).

During 2014, Defenx SA sold anti-virus licences to Staff Srl, a company in which Mr Stecconi is shareholder and director, for a consideration of €23,870 (2013: €nil; 2012: €nil) while Staff Srl issued two invoices to the company for a total amount of €7,704 (2013: €nil; 2012: €nil) for the reimbursement of marketing services. The year end net balance outstanding from Staff Srl to Defenx SA was €5,600 (2013: €nil; 2012: €nil).

Defenx SA entered into a rental agreement with Mr Stecconi in respect of its offices in Switzerland. During 2014, Defenx SA paid Mr Stecconi €19,753 (2013: €12,453; 2012: €23,399). There was no balance outstanding at any of the years ended 31 December 2014, 2013 or 2012.

All transactions were on arm's length terms.

16. Events after the reporting date

A total of 650,004 new ordinary shares with a nominal value of £0.00225 have been issued fully paid for an aggregate consideration of £581,990.

On 21 July 2015, 1,000,000 share options were granted at an exercise price of £0.10. The fair market value of these options will be recognised in the year ending 31 December 2015.

On 12 October 2015, the Shareholders approved the consolidation of the ordinary share capital of Defenx plc on an 8 for 1 basis. This took effect from the issue of the ten day announcement by the Company on 16 November 2015 (pursuant to Schedule 1 of the AIM Rules) following which there were 4,673,258 ordinary shares in issue each with a nominal value of £0.018.

17. Ultimate controlling party

The board considers that there is no single ultimate controlling party.

PART 4
INTERIM RESULTS TO 30 JUNE 2015

PART 4(A)

**ACCOUNTANT'S REVIEW REPORT ON THE INTERIM FINANCIAL INFORMATION
OF THE GROUP**

The Directors
Defenx plc
42-50 Hersham Road
Walton-on-Thames
Surrey
KT12 1RZ

The Directors
Strand Hanson Limited
26 Mount Row
W1K 3SQ

27 November 2015

Dear Sirs

INDEPENDENT REVIEW REPORT ON DEFENX PLC

Introduction

We have been engaged by Defenx plc to review the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015, which comprises a Consolidated Statement of Total Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Cash Flow Statement and the related explanatory notes. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

This report is made solely to the company in accordance with the terms of our engagement. Our review has been undertaken so that we might state to the company those matters we are required to state to it in this 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 for our review work, for this report, or for the conclusions we have reached.

Directors' Responsibilities

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting" as adopted by the European Union.

Our responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information

consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 30 June 2015 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union.

Declaration

For the purposes of paragraph (a) of Schedule Two of the AIM Rules for Companies we are responsible for this report as part of the Admission Document and declare that we have taken all reasonable care to ensure that the information contained in this report is, to the best of our knowledge in accordance with the facts and contains no omission likely to affect its import. This declaration is included in the Admission Document in compliance with paragraph (a) of Schedule Two of the AIM Rules for Companies.

Yours faithfully

haysmacintyre

26 Red Lion Square
London
WC1R 4AG

PART 4(B)

INTERIM FINANCIAL INFORMATION ON THE GROUP

Interim Condensed Consolidated Statement of Total Comprehensive Income

		<i>6 months to 30 June 2015 Unaudited €</i>	<i>6 months to 30 June 2014 Unaudited €</i>	<i>Year ended 31 December 2014 Restated €</i>
	<i>Note</i>			
Revenue	1,2	1,343,719	851,726	2,381,568
Cost of sales		<u>(190,140)</u>	<u>(119,668)</u>	<u>(347,958)</u>
Gross profit		1,153,579	732,058	2,033,610
Sales, marketing and administrative expenses		<u>(1,036,272)</u>	<u>(485,764)</u>	<u>(1,229,093)</u>
Profit from operations	3	117,307	246,294	804,517
Finance income		35	2	74
Finance expense		<u>(2,092)</u>	<u>–</u>	<u>(43,600)</u>
Profit before tax		115,250	246,296	760,991
Tax expense		<u>(8,810)</u>	<u>(83,034)</u>	<u>(225,196)</u>
Profit for the period attributable to equity holders of Defenx plc		106,440	163,262	535,795
Exchange gains arising on the translation of foreign subsidiaries		<u>–</u>	<u>1,867</u>	<u>28,929</u>
Total comprehensive profits attributable to equity holders of Defenx plc		<u>106,440</u>	<u>165,129</u>	<u>564,724</u>
Earnings per share attributable to the owners of Defenx plc				
Basic	4	€0.027	€0.057	€0.167
Diluted	4	€0.025	€0.057	€0.159

The results reflected above relate to continuing activities.

Interim Condensed Consolidated Statement of Financial Position

		<i>6 months ended 30 June 2015 Unaudited €</i>	<i>6 months ended 30 June 2014 Unaudited €</i>	<i>Year ended 31 December 2014 Restated €</i>
Non-current assets				
Intangible assets	5	2,322,683	1,449,684	1,721,404
Current assets				
Trade and other receivables		1,749,044	1,973,755	1,039,538
Cash and cash equivalents		143,542	39,712	205,995
		<u>1,892,586</u>	<u>2,013,467</u>	<u>1,245,533</u>
Total assets		<u>4,215,269</u>	<u>3,463,151</u>	<u>2,966,937</u>
Current liabilities				
Trade and other payables		(1,344,546)	(2,747,427)	(918,728)
Total liabilities		<u>(1,344,546)</u>	<u>(2,747,427)</u>	<u>(918,728)</u>
Net assets		<u>2,870,723</u>	<u>715,724</u>	<u>2,048,209</u>
Shareholders' equity				
Called up share capital	6	106,372	63,148	90,903
Share premium	6	1,294,056	–	580,373
Merger reserve		695,212	353,848	678,610
Retained earnings		775,083	287,611	660,144
Foreign exchange reserve		–	11,117	38,179
Total equity attributable to the equity holders of the parent		<u>2,870,723</u>	<u>715,724</u>	<u>2,048,209</u>

Interim Condensed Consolidated Statement of Changes in Equity

	<i>Share capital</i> €	<i>Share premium account</i> €	<i>Merger reserve</i> €	<i>Retained earnings</i> €	<i>Foreign exchange reserve</i> €	<i>Total</i> €
As at 1 January 2015 ¹	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 period	–	–	–	106,440	–	106,440
Shares issued	14,004	702,070	–	–	–	716,074
As at 30 June 2015 (unaudited)	<u>106,372</u>	<u>1,294,056</u>	<u>695,212</u>	<u>775,083</u>	<u>–</u>	<u>2,870,723</u>
As at 1 January 2014	63,148	–	260,537	124,349	9,250	457,284
Profit for the period	–	–	–	163,262	–	163,262
Foreign exchange translation	–	–	–	–	1,867	1,867
	63,148	–	260,537	163,262	1,867	165,129
Defenx SA share capital issue ²	–	–	93,311	–	–	93,311
As at 30 June 2014 (unaudited)	<u>63,148</u>	<u>–</u>	<u>353,848</u>	<u>287,611</u>	<u>11,117</u>	<u>715,724</u>
As at 1 January 2014	63,148	–	260,537	124,349	9,250	457,284
Profit for the year ¹	–	–	–	535,795	–	535,795
Foreign exchange translation	–	–	–	–	28,929	28,929
	–	–	–	535,795	28,929	564,724
Defenx SA share capital issue ²	–	–	418,073	–	–	418,073
Shares issued	27,755	580,373	–	–	–	608,128
As at 31 December 2014 ¹	<u>90,903</u>	<u>580,373</u>	<u>678,610</u>	<u>660,144</u>	<u>38,179</u>	<u>2,048,209</u>

¹ Restated as disclosed in note 1 below.

² The movement on the merger reserve during the year ended 31 December 2014 occurs because Defenx SA issued share capital prior to the share for share exchange taking place with Defenx plc.

Interim Condensed Consolidated Cash Flow Statements

	<i>6 months to 30 June 2015 Unaudited €</i>	<i>6 months to 30 June 2014 Unaudited €</i>	<i>Year ended 31 December 2014 Restated €</i>
Cash flows from operating activities			
Profit after taxation	106,440	163,262	535,795
Adjustments for:			
Income tax	8,810	83,034	225,196
Amortisation of intangible assets	173,535	48,997	160,307
	<hr/>	<hr/>	<hr/>
Operating cash flows before movements in working capital	288,785	295,293	921,298
Decrease/(increase) in trade and other receivables	(709,506)	(747,410)	186,807
(Decrease)/increase in trade and other payables	(2,173)	1,065,481	(719,833)
(Decrease)/increase in deferred revenue	65,500	161,451	(533)
	<hr/>	<hr/>	<hr/>
Net cash flow from operating activities	(357,394)	774,815	387,739
Investing activities			
Investment in intangible assets	(421,133)	(830,854)	(1,210,693)
	<hr/>	<hr/>	<hr/>
Net cash used in investing activities	(421,133)	(830,854)	(1,210,693)
Financing activities			
Proceeds from issue of share capital	716,073	93,311	1,026,201
	<hr/>	<hr/>	<hr/>
Net cash generated from financing activities	716,073	93,311	1,026,201
Net increase in cash and cash equivalents	(62,454)	37,272	203,247
Cash and cash equivalents at beginning of the period	205,996	2,460	2,460
Effect of foreign exchange translation on cash equivalents	–	(20)	288
	<hr/>	<hr/>	<hr/>
Cash and net cash equivalents at end of the period	<u>143,542</u>	<u>39,712</u>	<u>205,995</u>

1. Basis of preparation and changes to the Group's accounting policies

Basis of preparation

The interim condensed consolidated financial statements for the six months ended 30 June 2015 have been prepared in accordance with IAS 34 Interim Financial Reporting and do not constitute statutory financial statements. The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at 31 December 2014.

Foreign currency

The directors have reviewed the functional currency applied by the Group and have 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 Defenx plc's operational activities denominated in Euros 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.

Intangible assets

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

During the period ended 30 June 2015, the directors have reviewed the estimated useful lives of intangible assets and concluded that an increase from 3 to 4 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
Development costs for software for anti-malware for NAS devices	5 years

New standards adopted early

No standards and interpretations, which are issued but not yet effective, have been adopted early.

New standards and interpretations not yet adopted

A number of new standards and amendments to standards and interpretations have been introduced but are not yet effective and therefore have not been applied in preparing these consolidated financial statements.

IFRS 15 'Revenue from Contracts with Customers' provides a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures about revenue are also introduced. The changes are applicable to an entity's first annual IFRS financial statements for a period beginning on or after 1 January 2017.

The impact of the adoption of the above mentioned standards and interpretations on the financial statements of the Group is still being assessed. Other standards have been issued by the IASB but they are not considered relevant to the Group'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:

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

2. Segmental analysis

The Group currently has three reportable segments: Mobile, PC and NAS, which reflect the three separate product categories for which software is provided. The Group tracks its end-users in three main geographic areas: Europe (including the UK); the Middle East and Africa; Asia; and the Americas. However, the majority of sales are to customers in the Eurozone. Accordingly, the Group's results are not segmented geographically.

Revenue by product category for the Group is as follows:

	<i>6 months ended 30 June 2015 Unaudited €</i>	<i>6 months ended 30 June 2014 Unaudited €</i>	<i>Year ended 31 December 2014 Restated €</i>
Revenue			
Mobile	982,662	442,898	1,637,105
PC	331,630	392,455	721,557
NAS	14,439	–	6,533
Other	14,988	16,373	16,373
	<u>1,343,719</u>	<u>851,726</u>	<u>2,381,568</u>

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

	<i>6 months ended 30 June 2015 Unaudited €</i>	<i>6 months ended 30 June 2014 Unaudited €</i>	<i>Year ended 31 December 2014 Restated €</i>
Non-current assets			
Mobile	703,214	246,690	199,002
PC	–	–	–
NAS	<u>1,618,828</u>	<u>1,202,994</u>	<u>1,522,402</u>
Total	<u><u>2,322,042</u></u>	<u><u>1,449,684</u></u>	<u><u>1,721,404</u></u>

Defenx does not track or report expenses, current assets or current liabilities by segment. Accordingly, no analysis of expenses, operating profit, current assets or current liabilities by segment is presented.

3. Profit from operations

The operating profit is stated after charging:

	<i>6 months ended 30 June 2015 Unaudited €</i>	<i>6 months ended 30 June 2014 Unaudited €</i>	<i>Year ended 31 December 2014 Restated €</i>
Amortisation of intangibles	<u>173,535</u>	<u>48,997</u>	<u>160,307</u>
Marketing contributions	646,391	205,562	743,166
Bad debt expense	–	–	33,176
Lease payments – Land and buildings	13,950	9,145	19,753
Audit fees – Subsidiaries	–	–	6,239
Company	5,456	–	8,500
Staff costs	162,018	15,784	114,319
Foreign exchange (gains)/losses	(2,381)	74,210	(8,677)
Other administrative expenses	<u>210,838</u>	<u>181,063</u>	<u>312,617</u>
Total administrative and other expenses	<u><u>1,036,272</u></u>	<u><u>485,764</u></u>	<u><u>1,229,093</u></u>

4. Earnings per share (EPS)

Basic EPS is calculated by dividing the profit for the period attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS is calculated by dividing the profit attributable to ordinary equity holders of the parent by the weighted average number of ordinary shares outstanding during the period plus the weighted average number of ordinary shares that would be issued on conversion of the dilutive deferred shares into ordinary shares.

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

	<i>6 months ended 30 June 2015 Unaudited €</i>	<i>6 months ended 30 June 2014 Unaudited €</i>	<i>Year ended 31 December 2014 Restated €</i>
Profit attributable to ordinary equity holders of the Defenx plc for basic earnings and adjusted for the effect of dilution	<u>106,440</u>	<u>163,262</u>	<u>535,795</u>
	<i>Number</i>	<i>Number</i>	<i>Number</i>
Weighted average number of ordinary shares for basic earnings per share	3,898,282	2,852,141	3,208,561
Effect of dilution from deferred shares	<u>300,000</u>	<u>20,533</u>	<u>171,663</u>
Weighted average number of ordinary shares for basic earnings per share adjusted for the effect of dilution	<u>4,198,282</u>	<u>2,872,674</u>	<u>3,380,224</u>

The weighted average numbers of shares above reflect the 8 for 1 ordinary share consolidation implemented on 16 November 2015 as further disclosed in note 8 below. There have been no other relevant transactions involving ordinary shares or potential ordinary shares since 30 June 2015.

5. Intangible assets

Software development

Cost

At 1 January 2015

	<i>Mobile €</i>	<i>NAS €</i>	<i>Group €</i>
Change in functional currency	298,501	1,583,210	1,881,711
Additions	10,979	641	11,620
	<u>545,154</u>	<u>218,040</u>	<u>763,194</u>

At 30 June 2015

	<u>854,634</u>	<u>1,801,891</u>	<u>2,656,525</u>
At 1 January 2014	22,109	636,319	658,428
Additions	271,790	559,064	830,854
Foreign exchange adjustment	1,788	7,611	9,399

At 30 June 2014

	<u>295,687</u>	<u>1,202,994</u>	<u>1,498,681</u>
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 2014

	<u>298,501</u>	<u>1,583,210</u>	<u>1,881,711</u>
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Software development	<i>Mobile</i>	<i>NAS</i>	<i>Group</i>
	€	€	€
Accumulated depreciation			
At 1 January 2015	99,500	60,807	160,307
Charge for the period	51,920	121,615	173,535
At 30 June 2015 (unaudited)	<u>151,420</u>	<u>182,422</u>	<u>333,842</u>
At 1 January 2014	–	–	–
Charge for the period	48,997	–	48,997
At 30 June 2014 (unaudited)	<u>48,997</u>	<u>–</u>	<u>48,997</u>
At 1 January 2014	–	–	–
Charge for the year	99,500	60,807	160,307
At 31 December 2014	<u>99,500</u>	<u>60,807</u>	<u>160,307</u>
Net book value			
At 30 June 2015 (unaudited)	<u>703,214</u>	<u>1,619,469</u>	<u>2,322,683</u>
At 30 June 2014 (unaudited)	<u>246,690</u>	<u>1,202,994</u>	<u>1,449,684</u>
At 31 December 2014	<u>199,001</u>	<u>1,522,403</u>	<u>1,721,404</u>

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 management forecasts of future sales of the related products, unit sales prices and costs over a four year period for Mobile assets and five years for NAS assets. No sales beyond four or 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.

6. Share capital

The ordinary shares of £0.00225 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.

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 (unless a cashless conversion is requested). The company must give prior notice to deferred shareholders in the event of a sale or listing of the company.

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 2014 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.

	<i>Number of shares</i>	<i>Share capital €</i>	<i>Share premium €</i>
As at 1 January 2015	34,421,160	90,903	580,373
Change in functional currency	–	1,465	34,743
Issue of new ordinary shares – private placing	4,714,900	14,004	678,940
As at 30 June 2015 (unaudited)	<u>39,136,060</u>	<u>106,372</u>	<u>1,294,056</u>
As at 1 January 2014	<u>22,817,160</u>	<u>63,148</u>	<u>–</u>
As at 30 June 2014 (unaudited)	<u>22,817,160</u>	<u>63,148</u>	<u>–</u>
As at 1 January 2014	22,817,160	63,148	–
Issue of new ordinary shares	9,204,000	27,460	580,373
Issue of new deferred shares	2,400,000	295	–
At 31 December 2014	<u>34,421,160</u>	<u>90,903</u>	<u>580,373</u>

Defenx plc has not issued any partly paid shares nor any convertible securities, exchangeable securities or securities with warrants nor does it hold any treasury shares. Share issue costs of €463,952 have been charged against the share premium account.

7. Related party transactions

Defenx SA entered into a rental agreement with Mr Stecconi in respect of its offices in Switzerland. During the period ended 30 June 2015, Defenx SA paid Mr Stecconi €11,577 (2014: €9,145). There was no balance outstanding at either of the periods ended 30 June 2015 or 2014.

During the period ended 30 June 2014, Defenx SA sold anti-virus licences to Staff Srl, a company in which Mr Stecconi is shareholder and director, for a consideration of €9,264 while Staff Srl issued the company for €4,194 for the reimbursement of marketing services. There was no period end net balance outstanding from Staff Srl to Defenx SA.

All transactions were on arm's length terms.

8. Events after the reporting date

A total of 650,004 new ordinary shares each with a nominal value of £0.00225 have been issued fully paid for an aggregate consideration of £581,990.

On 21 July 2015, 1,000,000 share options were granted at an exercise price of £0.10. The fair market value of these options will be recognised in the year ending 31 December 2015.

On 12 October 2015, the Shareholders approved the consolidation of the ordinary share capital of Defenx plc on an 8 for 1 basis. This took effect from the issue of the ten day announcement by the Company on 16 November 2015 (pursuant to Schedule 1 of the AIM Rules) following which there were 4,673,258 ordinary shares in issue each with a nominal value of £0.018.

PART 5

ADDITIONAL INFORMATION

1. Responsibility

The Company and the Directors, whose names and functions are set out in paragraph 3 of this Part 5, accept responsibility for all the information contained in this document. To the best of the knowledge and belief of the Company and the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and contains no omission likely to affect the import of such information. All Directors accept individual and collective responsibility for compliance with the AIM Rules.

2. The Company

- 2.1 The Company was incorporated in England and Wales on 11 April 2014 under the Act, with registered number 08993398, as a private limited company with the name Defenx Limited. The Company was re-registered as a public limited company on 5 June 2014 with the name Defenx plc.
- 2.2 The principal legislation governing the Company and its securities is the Act and FSMA and the regulations made thereunder.
- 2.3 The registered office of the Company is 42-50 Hersham Road, Walton-on-Thames, Surrey KT12 1RZ and its principal place of business is at Lake View House, Tournament Fields, Warwick CV34 6RG.
- 2.4 The Company's head office telephone number is 020 3769 0687.
- 2.5 The liability of the members is limited to the amount, if any, unpaid on the shares respectively held by them.
- 2.6 The business of the Company and its principal activity is to operate a sales office as well as act as a holding company for the Subsidiary.

3. The Directors and Senior Managers

- 3.1 The Directors and their respective functions are as follows:

Anthony Henry Reeves (Non-Executive Chairman)
Andrea Stecconi (Founder and Chief Executive)
Guido Ascanio Branca (Managing Director)
Philipp Nicholas Andre Martin Prince (Finance Director)
Leonard Robert Seelig (Non-Executive Director)

- 3.2 The Group's Senior Managers and their respective functions are as follows:

Mauro Celentano (Technical Director)
Angelo Motti (Commercial Director)

- 3.3 The business address of each of the Directors is the Company's registered office.

4. Subsidiaries and investments

- 4.1 The Company has one wholly owned subsidiary as follows:

<i>Name</i>	<i>Country of incorporation (registered number)</i>	<i>Date of incorporation</i>	<i>Authorised share capital (issued share capital)</i>	<i>Activity</i>	<i>Registered office</i>
Defenx SA	Switzerland CHE-114.703.479	3 Feb 2009	422,540 shares of CHF 0.50 each	Administration development and support	Via Caslaccio 4 Ticino 6828 Balerna Switzerland

4.2 Except as stated in this paragraph 4, the Company does not have, nor has it taken any action to acquire, any significant investments.

5. Share capital

5.1 Company does not have an authorised share capital.

5.2 The issued share capital of the Company at the date of this document and immediately following Admission and completion of the Placing and the Subscription is or will be as follows:

	<i>Number of Ordinary Shares</i>	<i>Number of Deferred Shares</i>
Current	4,673,258	2,400,000*
On Admission	6,098,912	2,400,000*

*Convertible into a maximum of 300,000 Ordinary Shares

5.3 All of the issued share capital of the Company has been fully paid up.

5.4 The Company has issued and allotted the following Ordinary Shares and Deferred Shares since incorporation up and to the date of this document as follows: The numbers of Ordinary Shares shown below are on a pre-consolidation basis of £0.00225 nominal value (unless stated otherwise).

<i>Date of issue</i>	<i>Description</i>	<i>No. of Shares</i>	<i>Issue Price</i>
11 April 2014	Issue of the subscriber share	1 ordinary share of £1	At nominal value
3 June 2014	Sub-division of the subscriber share	444 ordinary shares of £0.00225	Not applicable
3 June 2014	Issue of ordinary shares to the shareholders of the Subsidiary pursuant to the Defenx Acquisition	22,816,716 ordinary shares	As consideration for the acquisition of the Subsidiary
5 June 2014	Issue to CSS Capital Managers LLP under the CSS Agreement	2,400,000 Deferred Shares	At nominal value
19 August 2014	First closing of the Private Placement	5,224,000 ordinary shares	At 10p per share
19 September 2014	Second closing of the Private Placement	2,380,000 ordinary shares	At 10p per share
22 October 2014	Third closing of the Private Placement	1,275,000 ordinary shares	At 10p per share
26 November 2014	Fourth closing of the Private Placement	165,000 ordinary shares	At 10p per share
23 December 2014	Fifth closing of the Private Placement	160,000 ordinary shares	At 10p per share
30 March 2015	Sixth closing of the Private Placement	1,250,000 ordinary shares	At 10p per share
30 March 2015	Allotment to Alfred Bitondo	144,900 ordinary shares	At 10p per share
2 April 2015	Seventh closing of the Private Placement	590,000 ordinary shares	At 10p per share
30 April 2015	Allotment to Safe Active SRL	2,700,000 ordinary shares	At 10p per share
12 July 2015	Final closing of the Private Placement	30,000 ordinary shares	At 10p per share

<i>Date of issue</i>	<i>Description</i>	<i>No. of Shares</i>	<i>Issue Price</i>
20 September 2015	Allotment to the Directors/associated entities	650,000 ordinary shares	At 17p per share
7 October 2015	Issue to the company secretary (pursuant to the consolidation)	4 ordinary shares	At nominal value
16 November 2015	Consolidation of the ordinary shares	4,673,258 Ordinary Shares of £0.018 each	Not applicable

5.5 The number of issued ordinary shares in the Company pre-consolidation was 37,386,064 ordinary shares of £0.00225 nominal value. On 12 October 2015, the Shareholders approved the consolidation of the ordinary share capital of Defenx plc on an 8 for 1 basis, which took effect from the issue of the ten day announcement by the Company on 16 November 2015 (pursuant to Schedule 1 of the AIM Rules) following which there were 4,673,258 Ordinary Shares in issue each with a nominal value of £0.018.

5.6 The Directors are authorised to allot Ordinary Shares (up to an aggregate nominal amount of £107,840.74 after deduction of all shares and Unapproved Options, issued or granted under these authorities, but not of the Warrants) in the Company without first offering them to existing ordinary shareholders in proportion to their holdings, such authority expiring on 30 June 2016. The Directors may also allot Ordinary Shares following an offer or agreement made before the expiry of the authority.

5.7 EMI Options over a total of 437,500 Ordinary Shares have been granted and are presently held by certain Directors and employees, under the EMI Option Scheme, all of which will be outstanding immediately following Admission and the principal terms of which are set out in the table below. Further details of Directors' interests in Options are set out in paragraph 10.2 of this Part 5.

<i>Optionholder</i>	<i>Date of grant</i>	<i>Aggregate no. of Options granted</i>	<i>Exercise Price</i>	<i>Lapse Date</i>
Guido Branca	22 July 2015	83,000 (vesting on grant and over 20 months)	80p per share	22 July 2025
	On Admission	125,000	Issue Price	10 years from grant
Philipp Prince	22 July 2015	42,000 (vesting on grant over 36 months)	80p per share	22 July 2025
	On Admission	125,000	Issue Price	10 years from grant
Mauro Celentano	On Admission	62,500	Issue Price	10 years from grant
Total		437,500		

5.8 Unapproved Options over a total of 28,125 Ordinary Shares will be granted from Admission and held by certain Directors under the terms of the Unapproved Option Agreements, all of which will be outstanding immediately following Admission and the principal terms of which are set out in the table below. Further details of the Directors' interests in Options are set out in paragraph 10.2 of this Part 5.

<i>Optionholder</i>	<i>Date of grant</i>	<i>Aggregate no. of Options granted</i>	<i>Exercise Price</i>	<i>Lapse Date</i>
Anthony Reeves	On Admission	15,625	Issue Price	10 years from grant
Leonard Seelig	On Admission	12,500	Issue Price	10 years from grant
Total		28,125		

- 5.9 Except as disclosed in this document, the Company does not have in issue any securities not representing share capital and there are no outstanding convertible securities issued by the Company (other than the Deferred Shares).
- 5.10 On Admission and completion of the Placing and the Subscription, on the basis that Existing Shareholders do not participate in the Placing and the Subscription, the Existing Shareholders will suffer a dilution of 23.4 per cent. in their interests in the Company.
- 5.11 The Ordinary Shares may be held in either certificated form or under the CREST system.
- 5.12 The provisions of the Act confer on Shareholders rights of pre-emption in respect of the allotment of equity securities and apply to the unissued share capital except to the extent disapplied by the resolution referred to in paragraph 5.6.
- 5.13 Except as disclosed in this paragraph, since the date of incorporation of the Company and up to the date of this document: (i) there has been no change in the amount of the issued share or loan capital of the Company; and (ii) save for broking commissions or other cash commissions paid in relation to the Private Placement, no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share capital of the Company.
- 5.14 Except as stated elsewhere in this document, no share of the Company or any subsidiary is under option or has been agreed conditionally or unconditionally to be put under option.
- 5.15 To the best of the Directors' knowledge, there is no person who directly or indirectly, jointly or separately, exercises or could exercise control over the Company following Admission other than Andrea Stecconi and his associates and their relationship with the Company is governed by the Relationship Agreement. See paragraph 14 of Part 1 for a description of the Relationship Agreement.
- 5.16 Since incorporation of the Company and up to the date of this document, more than 10 per cent. of the share capital of the Company has been paid for with assets other than cash.

6. Articles of association

The Act does not require a company to set out its objects. It provides that, unless the articles of association state otherwise, a company's objects will be unrestricted. The Act also removes the requirement for a company to have an authorised share capital. The Articles do not contain an objects clause and accordingly, pursuant to the provisions of the Act, the Company's objects are unrestricted.

The Articles contain amongst others, the following provisions:

Votes of members

- 6.1 On a show of hands every holder of Ordinary Shares who being an individual is present in person or, being a corporation is present by a duly authorised representative, has one vote, and on a poll every member has one vote for every share of which he is the holder.
- 6.2 The Deferred Shares have no voting rights.
- 6.3 Unless the Directors determine otherwise, a member of the Company is not entitled in respect of any shares held by him to vote at any general meeting of the Company if any amounts payable by him in respect of those shares have not been paid or if the member has a holding of at least 0.25 per cent. of any class of shares of the Company and has failed to comply with a notice under section 793 of the Act.

Variation of rights

- 6.4 Any rights attaching to any class of share in the Company may be varied by written consent of the holders of not less than three quarters in nominal value of the issued shares of that class.

Conversion of Deferred Shares

- 6.5 The holders of the Deferred Shares may convert their shares into Ordinary Shares within five years of issue of the Deferred Shares, at the rate of one Ordinary Share for each eight Deferred Shares being converted (unless a cashless conversion has been elected). To effect the conversion, holders of the Deferred Shares must pay the Company £0.7992 for each Ordinary Share resulting from the conversion (save in the case of a cashless conversion).

The holders of the Deferred Shares may elect to conduct a cashless conversion (at the Company's discretion) provided that the Company's nominated adviser approves. On a cashless conversion, the Deferred Shares will be converted in accordance with the conversion formula set out in the Articles which is based on, in the case of a sale, the highest ascertainable price being offered for an Ordinary Share at the completion of the sale or in the case of a listing, the price at which the Ordinary Shares are offered upon the listing. For a cashless conversion after a listing, the price will be the average of the mid-market closing price of the Ordinary Shares for the five business days before a notice of conversion is served. The holder of the Deferred Shares is also required to pay the Company the overall nominal value of all Ordinary Shares received following the conversion less the nominal value paid for the Deferred Shares being converted.

The Company must give notice to the holders of the Deferred Shares in the event of a sale of all of the shares in the Company or a listing of the Company's shares and the holders of the Deferred Shares is required to notify the Company if it wishes to elect to convert their Deferred Shares conditional of completion of such event into Ordinary Shares. If the holder of the Deferred Shares fails to notify the Company whether it wishes to convert its Deferred Shares (in accordance with the Articles), the Company will have the right to purchase all of the Deferred Shares at nominal value. A sale of all of the Shares of the Company may not take place unless the proposed purchase has made an offer to the holders of the Deferred Shares to purchase their shares at a price being offered for an Ordinary Share at the completion of the sale.

Transfer of shares

- 6.6 Subject to the provisions of the articles relating to CREST, all transfers of shares will be effected in any usual form or in such other form as the Board approves and must be signed by or on behalf of the transferor and, in the case of a partly paid share, by or on behalf of the transferee. The transferor is deemed to remain the holder of the share until the name of the transferee is entered in the register of members in respect of it.

Payment of dividends

- 6.7 The holders of Ordinary Shares shall have the right to receive a dividend declared on Ordinary Shares *pro rata* to the amounts paid up on the Ordinary Shares held during the period in respect of which the dividend is paid. The holders of Deferred Shares have no right to receive a dividend.

Unclaimed dividends

- 6.8 Any dividend unclaimed after a period of 12 years from the date of its declaration will be forfeited and will revert to the Company.

Untraced Shareholders

- 6.9 The Company may sell any share if, during a period of 12 years, at least three dividends in respect of such shares have been paid, no cheque or warrant in respect of any such dividend has been cashed and no communication has been received by the Company from the relevant member. The Company must advertise its intention to sell any such share in both a national daily newspaper and in a newspaper circulating in the area of the last known address to which cheques or warrants were sent. Notice of the intention to sell must also be given to the London Stock Exchange.

Return of capital

- 6.10 On a winding-up of the Company, the balance of the assets available for distribution will, subject to any sanction required by the Act, be distributed amongst the holders of the Ordinary Shares *pro rata* to the number of Ordinary Shares held by them. The holders of the Deferred Shares will only be

entitled to receive capital on a winding up of the Company after the holders of the Ordinary Shares have been paid £10,000,000 and only to the extent of the nominal value of the Deferred Shares.

Borrowing powers

6.11 Subject to the provisions of the Act, the Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property and assets, including its uncalled or unpaid capital, and to issue debentures and other securities and to give guarantees.

Directors

6.12 No shareholding qualification is required by a Director.

6.13 The Directors are entitled to fees at the rate decided by the Board from time to time and may be paid additional remuneration for serving on any board committees or performing services outside the scope of their ordinary duties. The Directors are also entitled to be repaid all travelling, hotel and other expenses incurred by them in connection with the business of the Company.

6.14 At every annual general meeting, one third of the Directors who are subject to retirement by rotation, or as near to it as may be, will retire from office. A retiring Director is eligible for reappointment. Any non-executive director who has been a non-executive director of the Company for more than nine-years will be subject to re-appointment at each annual general meeting.

6.15 The Directors may from time to time appoint one or more of their body to be the holder of an executive office on such terms as they think fit.

6.16 Except in certain specific circumstances, a Director may not vote or be counted in the quorum present on any motion in regard to any contract, transaction, arrangement or any other proposal in which he has any material interest, which includes the interest of any person connected with him, otherwise than by virtue of his interests in shares or debentures or other securities of or otherwise in or through the Company. Subject to the Act, the Company may by ordinary resolution suspend or relax this provision to any extent or ratify any transaction not duly authorised by reason of a contravention of it.

6.17 If any question arises at any meeting as to the materiality of a Director's interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question must be referred to the chairman of the meeting and his ruling in relation to any other Director will be final and conclusive except in a case where the nature or extent of the interest of such Director has not been fully disclosed.

6.18 The Directors may provide or pay pensions, annuities gratuities and superannuation or other allowances or benefits to any Director, ex-Director, employee or ex-employee of the Company or any of its subsidiaries or any spouse, civil partner, children and dependants of any such Director, ex-Director, employee or ex-employee.

CREST

6.19 The Directors may implement such arrangements as they think fit in order for any class of shares to be held in uncertificated form and for title to those shares to be transferred by means of a system such as CREST in accordance with the CREST Regulations and the Company will not be required to issue a certificate to any person holding such shares in uncertificated form.

Disclosure notice

6.20 The Company may by notice in writing require a person whom the Company knows or has reasonable cause to believe to be or, at any time during the three years immediately preceding the date on which the notice is issued, to have been interested in shares comprised in the Company's relevant share capital:

6.20.1 to confirm that fact or (as the case may be) to indicate whether or not it is the case; and

6.20.2 where he holds or has during that time held an interest in shares so comprised, to give such further information as may be required in the notice.

General meetings

- 6.21 An annual general meeting and an extraordinary general meeting for the passing of a special resolution must be called by at least 21 days' notice, and all other general meetings must be called by at least 14 days' notice.
- 6.22 Notices must be given in the manner stated in the articles to the members, other than those who under the provisions of the articles or under the rights attached to the shares held by them are not entitled to receive the notice, and to the auditors.
- 6.23 No business may be transacted at any general meeting unless a quorum is present which will be constituted by two persons entitled to vote at the meeting each being a member or a proxy for a member or a representative of a corporation which is a member. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened on the requisition of, or by, members, will be dissolved.
- 6.24 At a general meeting a resolution put to the vote will be decided on a show of hands unless, before or on the declaration of the show of hands, a poll is demanded by the chairman or by at least five members present in person or by proxy and entitled to vote or by a member or members entitled to vote and holding or representing by proxy at least one tenth of the total voting rights of all the members having the right to vote at the meeting. Unless a poll is demanded as above, a declaration by the chairman that a resolution has been carried, or carried unanimously or by a particular majority, or lost, or not carried by a particular majority, and an entry to that effect in the book containing the minutes of the proceedings of general meetings of the Company is conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against such resolution.
- 6.25 No member is entitled to vote at any general meeting either personally or by proxy or to exercise any privilege as a member, unless all calls or other sums presently payable to him in respect of shares in the Company have been paid.
- 6.26 The appointment of a proxy must be in any usual form, or such other form as may be approved by the Directors, and must be signed by the appointor or by his agent duly authorised in writing or if the appointor is a corporation, must be either under its common seal or signed by an officer or agent so authorised. The Directors may, but will not be bound to, require evidence of authority of such officer or agent. An instrument of proxy need not be witnessed.
- 6.27 The proxy will be deemed to include the right to demand or join in demanding a poll and generally to act at the meeting for the member giving the proxy.
- 6.28 The Directors may direct that members or proxies wishing to attend any general meeting must submit to such searches or other security arrangements or restrictions as the Directors consider appropriate in the circumstances and may, in their absolute discretion, refuse entry to, or eject from, such general meeting any member or proxy who fails to submit to such searches or otherwise to comply with such security arrangements or restrictions.

7. Disclosure, squeeze out rights, sell out rights and the City Code

Disclosure and transparency rules

- 7.1 A Shareholder is required, pursuant to rule 5 of the Disclosure and Transparency Rules, to notify the Company when he acquires or disposes of a major proportion of the voting rights of the Company equal to or in excess of 3 per cent. of the nominal value of that share capital.

Squeeze out rights

- 7.2 Under section 979 of the Act if, within certain time limits, an offer is made for the share capital of the Company, the offeror is entitled to acquire compulsorily any remaining shares if it has, by virtue of acceptances of the offer, acquired or unconditionally contracted to acquire not less than 90 per cent. in value of the shares to which the offer relates and in a case where the shares to which the offer relates are voting shares, not less than 90 per cent. of the voting rights carried by those shares. The offeror would effect the compulsory acquisition by sending a notice to outstanding shareholders advising that it will compulsorily acquire their shares and, six weeks from the date of the notice, pay

the consideration for the shares to the Company to hold on trust for the outstanding shareholders. The consideration offered to shareholders whose shares are compulsorily acquired under the Act must, in general, be the same as the consideration available under the takeover offer.

Sell out rights

- 7.3 Section 983 of the Act permits a minority shareholder to require an offeror to acquire its shares if the offeror has acquired or contracted to acquire shares in the Company which amount to not less than 90 per cent. in value of all the voting shares in the Company and carry not less than 90 per cent. of voting rights. Certain time limits apply to this entitlement. If a shareholder exercises its rights under these provisions, the offeror is bound to acquire those shares on the terms of the offer or on such other terms as may be agreed.

Takeovers

- 7.4 The Company is subject to the City Code. Accordingly, the Shares are subject to the rules regarding mandatory takeover offers set out in the City Code. Under rule 9 of the City Code, when (i) a person acquires shares which, when taken together with shares already held by him or persons acting in concert with him, carry 30 per cent. or more of the voting rights of a company subject to the City Code; or (ii) any person who, together with persons acting in concert with him, holds not less than 30 per cent. but not more than 50 per cent. of the voting rights of the Company subject to the City Code and such person, or any person acting in concert with him, acquires additional shares which increase his percentage of the voting rights then, in either case, that person, together with the person acting in concert with him, is normally required to make a general offer in cash, at the highest price paid by him, or any person acting in concert with him, for shares in the Company within the preceding 12 months, for all the remaining equity share capital of the Company.

8. Taxation

Introduction

- 8.1 The information in this section is based on the Directors' understanding of current UK tax law and HM Revenue & Customs' published practice as at the date of this document, both of which are subject to change at any time. It should be regarded as a summary of the tax treatment likely to be afforded UK resident investors holding their Ordinary Shares in the Company as investments. It does not constitute legal or tax advice and potential investors are, therefore, strongly recommended to consult a professional adviser regarding their own tax position and the consequences of making an investment in the Company.

Taxation of dividends

- 8.2 The taxation of dividends paid by the Company and received by an investor resident for tax purposes in the UK is summarised below.

- 8.3 Under current UK tax legislation no tax is withheld from dividends paid by the Company.

(a) Individuals

A UK resident individual shareholder in receipt of dividends is treated as receiving income of an amount equal to the sum of the dividend and its associated tax credit. The tax credit currently equates to 10 per cent. of the gross dividend, being the combined amount of the dividend and the tax credit (the tax credit therefore representing one-ninth of the net dividend).

The gross dividend is subject to income tax as the top slice of the individual's income and is taxed at the individual's marginal rate of income tax. The tax credit is available to set against the resulting liability (if any) to income tax.

An individual liable to income tax at the basic rate will be liable to tax on the gross dividend at a rate of 10 per cent. ("the dividend ordinary rate" which is a special rate of tax set for basic rate taxpayers in receipt of dividend income). Accordingly the tax credit will satisfy the income tax liability of such an individual.

An individual liable to income tax at the higher rate will pay tax on the gross dividend at a rate of 32.5 per cent. ("the dividend upper rate" which is a special rate of tax set for higher rate taxpayers in receipt of dividend income). After taking into account the tax credit of 10 per cent. a higher rate taxpayer will be liable to additional income tax of 22.5 per cent. of the gross dividend, which equates to 25 per cent. of the actual or net dividend.

An individual liable to income tax at the additional rate will pay tax on the gross dividend at a rate of 37.5 per cent. ("the dividend additional rate" which is a special rate of tax set for additional rate taxpayers in receipt of dividend income). After taking into account the tax credit of 10 per cent., an additional rate taxpayer will be liable to additional income tax of 27.5 per cent. of the gross dividend, which equates to 30.55 per cent. of the actual or net dividend.

(b) *Trustees*

UK resident trustees of a discretionary trust in receipt of dividends are liable to income tax at a rate of 37.5 per cent. ("the dividend trust rate") of the gross dividend. After giving effect to the tax credit of 10 per cent. the trustees will be liable to additional income tax of 27.5 per cent. of the gross dividend, which equates to 30.55 per cent. of the actual or net dividend.

(c) *Companies*

Although a UK resident corporate shareholder is potentially liable to corporation tax on its dividend income, it is anticipated that the general exemption for dividends will be available to exempt from corporation tax corporate investors in receipt of dividends from the Company.

Taxation of Chargeable Gains

8.4 A sale or other disposal of the Ordinary Shares may, subject to any available reliefs and exemptions, give rise to a chargeable gain (or allowable loss) for the purposes of UK taxation of chargeable gains.

(a) *Individuals and Trustees*

Chargeable gains realised on a disposal of Ordinary Shares by an individual or trustee resident in the UK will be subject to capital gains tax which is charged at a rate of 28 per cent. for those individuals whose total income and gains exceed the income tax basic rate limit or 18 per cent. where total income and gains fall below the basic rate limit. A flat rate of 28 per cent. applies to trustees and personal representatives.

Shares of the same class acquired by the same person and in the same capacity are "pooled" and treated as a single asset growing or diminishing as shares of the same class are acquired or disposed. Accordingly on a part disposal of the relevant shareholding the gain (or loss) will be computed by reference to that proportionate part of the aggregate cost of the holding attributable to the shares disposed.

With effect from 6 April 2008 indexation relief is not available to individuals and trustees in computing any gain subject to capital gains tax.

(b) *Companies*

UK resident corporate shareholders are subject to corporation tax on their chargeable gains. Gains realised by such companies, as reduced by available indexation relief, are subject to corporation tax at the company's relevant rate. Indexation relief is deductible in computing any gain arising on a disposal of, or out of, the holding and is computed by reference to the movement in the Retail Price Index over the period of ownership applied to the cost of the holding, or that part of the holding, disposed. As for individuals and trustees, shares of the same class held by a corporate shareholder are "pooled".

Inheritance Tax

- 8.5 The Ordinary Shares are considered, potentially, to qualify for business property relief for the purposes of inheritance tax. Shares in an unquoted company (other than an investment company or one which carries on a business consisting wholly or mainly of dealing in securities, stocks, shares, land and buildings) potentially attract full relief (as business property) from inheritance tax where the shares have been held for two years prior to the chargeable transfer for inheritance tax purposes. For these purposes an unquoted company includes a company whose shares are admitted to trading on AIM.

Stamp duty and stamp duty reserve tax

- 8.6 Under current UK legislation relating to stamp duty and stamp duty reserve tax no liability to stamp duty or stamp duty tax reserve will arise on the allotment of new Ordinary Shares by the Company under the Placing or the Subscription.
- 8.7 A transfer or sale of Ordinary Shares whether outside or within CREST will not give a liability to stamp duty or stamp duty reserve tax. The Ordinary Shares are considered to represent “marketable securities” and “chargeable securities” for stamp duty and stamp duty reserve tax purposes respectively. The transfer of such securities are exempt from charge where they are admitted to trading on a Recognised Growth Market. The AIM has been designated by HMRC as a Recognised Growth Market such that the exemptions from stamp duty and stamp duty reserve tax are available on a transfer or sale of the Ordinary Shares.

Relief under the Enterprise Investment Scheme (“EIS”)

- 8.8 HM Revenue & Customs has provided advance assurance that, on the basis of the information provided to it, the Company is a Qualifying Company and the shares offered for subscription are Eligible Shares for the purposes of the Enterprise Investment Scheme. Although it is anticipated that such a confirmation will be provided, as at the date of this document HM Revenue and Customs had not responded to this “request for assurances”.

It is anticipated that qualifying Individual subscribers for Ordinary Shares in the Company should, depending on their individual circumstances, be able to obtain income tax relief under the EIS, subject to the limitations referred to in this document and on the basis that the Company is and will continue to be a Qualifying Company.

The EIS legislation is complex, and the Company cannot undertake that its shares will qualify for relief or, on the assumption relief is obtained, continue to qualify for relief in future, although there is no present intention to take any action which would result in relief being withdrawn.

Income tax relief, capital gains exemption and capital gains tax deferral together comprise tax reliefs available under the EIS legislation. Reliefs can only be claimed by a Qualifying Individual who subscribes for Eligible Shares in a Qualifying Company, save that capital gains tax deferral may also be claimed by certain trustees. An investor cannot claim relief in respect of any amount subscribed in excess of £1,000,000 in any tax year (this limit applying to the aggregate of all potentially eligible shares and not to each share issue), save that capital gains tax deferral may be claimed without limit.

(a) *Income tax relief*

Qualifying Individuals can credit an amount equal to 30 per cent. of the amount subscribed for Eligible Shares against their total liability to income tax for the tax year in which the shares are issued. The relief is available against a UK income tax liability irrespective of whether or not the investor is resident in the UK. Where income is insufficient to obtain relief at 30 per cent., relief will be given to the extent it reduces the income tax liability to nil.

Example

	£
Gross investment in shares	10,000
Less: income tax relief at 30 per cent.	(3,000)
Net cost of investment	7,000

A Qualifying Individual who invests in the relevant shares in a Qualifying Company can elect to treat any number of shares up to the full number issued to them as if the shares had been issued in the previous year.

(b) *Capital gains tax relief*

To the extent EIS income tax relief is available and is not or is not liable to be withdrawn, any capital gain accruing to the original investor on the disposal of his or her shares is exempt from capital gains tax, provided that the shares have been held for at least three years.

<i>Example</i>	£
Realised value of shares after 3 years	25,000
Less: original gross investment	(10,000)
Tax Free Gain	15,000

(c) *Capital gains tax deferral*

The liability to capital gains tax arising on the disposal of any asset may be deferred by investing the gain in Eligible Shares. The investment must be made within the period beginning one year before and ending three years after the event which gives rise to the gain being deferred.

Although there is a limit of £1,000,000 for income tax relief and capital gains tax relief (see (a) and (b) above) there is no limit on the amount of gains that can be deferred.

<i>Example</i>	£
Gross investment	500,000
Less income tax relief (30% of £500,000)	(150,000)
Cost of investment	350,000
Capital gains tax liability deferred *	(140,000)
Net initial cost of investment	210,000

*Assumed at 28 per cent.: the gain is deferred until there is a chargeable event, such as a disposal of the shares or, if earlier, breach of the EIS rules.

Withdrawal of Relief under the EIS

If any of the conditions under which the Company satisfies the requirements of a Qualifying Company for the purposes of the EIS cease to be satisfied at any time beginning with the date of issue of the Ordinary Shares and ending three years later (or three years from commencement to trade if this gives a longer period) the EIS income tax relief is withdrawn and/or the deferred gains come back into charge, as the case may be. The withdrawal of the EIS income tax relief would also result in the capital gains tax relief being unavailable on a subsequent disposal of the Ordinary Shares.

Relief is also wholly or partially withdrawn and the deferred gains come back into charge if, within the three year period, the investor receives value from the Company or otherwise ceases to be eligible for relief. Value is received from the Company if, for example, it repurchases or redeems any shares, or makes the investor a loan or provides a benefit or facility to the investor.

In the case of capital gains tax deferral relief, the deferred gain comes back into charge on the disposal of the shares other than to a cohabiting spouse or civil partner.

Loss Relief

If a loss arises to an individual investor on a disposal of the Ordinary Shares, the net loss, after taking the EIS income tax relief into account, may be set against income or chargeable gains of the individual investor.

A loss arising on a disposal of the Ordinary Shares (whether by an individual or trustee) should be available to relieve any chargeable gain which has been the subject of capital gains tax deferral relief but which comes back into charge as a consequence of the disposal.

9. Significant Shareholders

9.1 Except for the interests of those persons set out in this paragraph and in paragraph 10.1 below, the Directors are not aware, at the date of this document, of any interest which immediately following Admission would amount to 3 per cent. or more of the Company's issued share capital:

<i>Name</i>	<i>Existing Ordinary Shares</i>	<i>Percentage of current ordinary share capital</i>	<i>Ordinary Shares on Admission</i>	<i>Percentage of ordinary share capital on Admission</i>
Andrea Stecconi	1,608,086	34.4	1,608,086	26.4
Defenx Nominees*	1,380,500	29.5	1,733,154	28.4
Angelo Motti	426,890	9.1	426,890	7.0
Safe Active SRL	337,500	7.2	337,500	5.5
Chris Luty**	250,000	5.3	285,000	4.7
CSS Parties***	287,527	6.2	314,554	5.2

*Held as nominee for the Private Placement investors and certain Subscribers. Save for Chris Luty, as disclosed above, no one Shareholder within Defenx Nominees holds at the date of this document or will hold on Admission 3 per cent. or more of the Company's issued share capital.

**Held within Defenx Nominees.

***Including CSS Alpha Fund Limited. CSS Capital Managers LLP holds 2,400,000 Deferred Shares which are convertible into a maximum of 300,000 Ordinary Shares subject to the Company's articles. The Deferred Shares have not been included in this figure.

9.2 No major holder of Ordinary Shares, either as listed above, or as set out in paragraph 10 below, has voting rights different from other holders of Ordinary Shares. The holders of Deferred Shares have no voting rights other than in relation to a class meeting. Andrea Stecconi has agreed to adhere to certain restrictions in relation to his shares and procure the adherence of certain of his associates as set out in the Relationship Agreement.

10. Directors', Senior Managers' and other interests

10.1 The interests of the Directors, the Senior Managers, their immediate families, civil partners (as defined in the Civil Partnership Act 2004) (if any), and persons connected with them, within the meaning of sections 252 to 254 of the Act, in the share capital of the Company at the date of this document and immediately following Admission, all of which are beneficial are:

<i>Director/ Senior Manager</i>	<i>Existing Ordinary Shares</i>	<i>Percentage of current ordinary share capital</i>	<i>Ordinary Shares on Admission</i>	<i>Percentage of ordinary share capital on Admission</i>
Anthony Reeves	31,250	0.7	31,250	0.5
Andrea Stecconi	1,608,086	34.4	1,608,086	26.4
Guido Branca	25,002	0.5	25,002	0.4
Philipp Prince	25,000	0.5	40,000	0.7
Leonard Seelig	25,000*	0.5	25,000	0.4
Mauro Celentano	99,766	2.1	99,766	1.6
Angelo Motti	426,890	9.1	426,890	7.0

*12,500 Ordinary Shares are held by Mr Seelig's wife, Beverlee Seelig but are attributed to him in the table above.

10.2 Additionally, the Directors and the Senior Managers hold the following Options over Ordinary Shares pursuant to the EMI Option Scheme and Unapproved Option Agreements:

<i>Director</i>	<i>Date of grant</i>	<i>Aggregate no. of Options granted</i>	<i>Exercise Price</i>	<i>Lapse Date</i>
Anthony Reeves	on Admission	15,625	Issue Price	10 years from grant
Guido Branca	22 July 2015	83,000 (vesting on grant and over 20 months)	80p per share	22 July 2025
	on Admission	125,000	Issue Price	10 years from grant
Philipp Prince	22 July 2015	42,000 (vesting on grant and over 36 months)	80p per share	22 July 2025
	on Admission	125,000	Issue Price	10 years from grant
Leonard Seelig	on Admission	12,500	Issue Price	10 years from grant
Mauro Celentano	on Admission	62,500	Issue Price	10 years from grant
Total		465,625		

10.3 Except as disclosed in paragraphs 10.1 and 10.2, none of the Directors nor any person connected with them, within the meaning of sections 252 and 254 of the Act, is interested in the share capital of the Company, or in any related financial products referenced to the Ordinary Shares.

10.4 There are no outstanding loans granted by any member of the Group to any Director, nor has any guarantee been provided by any member of the Group for their benefit.

10.5 The Group has entered into the following arrangements with its Directors and Senior Managers:

10.5.1 a non executive appointment letter with Anthony Reeves and the Company dated 7 October 2015 pursuant to which Anthony Reeves was appointed as Non Executive Director of the Company and Chairman of the Board with effect from 1 October 2015 for an annual fee of £24,000 payable monthly in arrears. Anthony is also entitled to a £19,500 bonus conditional on Admission. The appointment is terminable on three months' notice by either party and may be terminated immediately if, among other things, Anthony is in material breach of the terms of appointment. Anthony is eligible to participate in any share option plan introduced by the Company from time to time;

10.5.2 a service agreement with Andrea Stecconi and the Company dated 21 July 2015, pursuant to which Andrea was appointed as Chief Executive of the Company for an annual fee of £20,000 rising to £30,000 from Admission, payable monthly in arrears. Andrea is to devote 10 per cent. of his working time to the Company and the other 90 per cent. of his working time to the Subsidiary under his Swiss employment contract. The agreement is terminable on six months' notice on either side. Andrea is entitled to a bonus of £5,000 a month until Admission (which is capped at £75,000). No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Andrea is in material breach of the terms of the appointment. Andrea Stecconi has also entered into a Swiss employment contract with the Subsidiary dated 1 July 2015 under which Andrea is employed as the general manager of the Subsidiary for an annual salary of £90,000 per annum. Andrea may receive a performance bonus at the Subsidiary's discretion;

10.5.3 a service agreement with Guido Branca and the Company dated 21 July 2015, pursuant to which Guido was appointed as Managing Director of the Company for an annual fee of £60,000 rising to £120,000 from Admission, payable monthly in arrears. Guido is entitled to a bonus of £5,000 a month until Admission (which is capped at £75,000). The agreement is terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Guido

is in material breach of the terms of the appointment Guido is eligible to take part in the EMI Option Scheme;

- 10.5.4 a service agreement with Philipp Prince and the Company dated 21 July 2015, pursuant to which Philipp was appointed as Finance Director of the Company for an annual fee of £60,000 increasing to £120,000 from Admission, payable monthly in arrears. Philipp is entitled to a bonus of £5,000 a month until Admission (which is capped at £45,000). The agreement is terminable on three months' notice on either side. No compensation is payable for loss of office and the appointment may be terminated immediately if, among other things, Philipp is in material breach of the terms of the appointment. Philipp is eligible to take part in the EMI Option Scheme;
- 10.5.5 a non executive appointment letter with Leonard Seelig and the Company dated 7 October 2015 pursuant to which Leonard was appointed as Non Executive Director of the Company with effect from 1 October 2015 for an annual fee of £24,000 payable monthly in arrears. Leonard is also entitled to a £16,000 bonus conditional on Admission. The appointment is terminable on three months' notice by either party and may be terminated immediately if, among other things, Leonard is in material breach of the terms of appointment. Leonard is eligible to participate in any share option plan introduced by the Company from time to time.
- 10.5.6 an employment agreement between the Subsidiary and Mauro Celentano, dated 1 July 2015, pursuant to which Mauro is employed on a full time basis as the Technical Director of the Subsidiary for an annual salary of CHF 108,000. The agreement is terminable on 6 months' notice by either party and contains customary non-compete provisions. Mauro is entitled to a CHF 40,000 bonus conditional on Admission and may receive an annual performance bonus at the Subsidiary's discretion;
- 10.5.7 an employment agreement between the Subsidiary and Angelo Motti, dated 1 July 2015, pursuant to which Angelo is employed on a full time basis as the Commercial Director of the Subsidiary for an annual salary of CHF 96,000. The agreement is terminable on 6 months' notice by either party and contains customary non-compete provisions. Angelo is entitled to a CHF 50,000 bonus conditional on Admission, a quarterly sales related bonus of CHF 3,000 and may receive an annual performance bonus at the Subsidiary's discretion.
- 10.6 The aggregate remuneration paid or due and benefits in kind granted to the Directors for the period from 1 January 2015 to Admission, under the arrangements in force at the date of this document, amount to £152,749. It is estimated that the aggregate remuneration payable to the Directors from the date of Admission to 31 December 2015 under arrangements that are in force and that will come into effect on Admission will amount to £204,500. As at the date of this document there are unpaid fees owing to the Directors of £96,471 and to a former director of £10,000.
- 10.7 Except as set out above, there are no liquidated damages or other compensation payable by the Company upon early termination of the contracts of the Directors. Except as disclosed in paragraph 10.5 above, none of the Directors has any commission or profit sharing arrangements with the Company.
- 10.8 Other than as set out above, the total emoluments of the Directors will not be varied as a result of Admission.
- 10.9 Except as disclosed in paragraph 10.5 above, there are no existing or proposed service contracts between the Company and any of the Directors which are not terminable on less than 12 months' notice, nor have any of their letters of appointment or service contracts been amended in the six months prior to the date of this document.

10.10 In addition to their directorships of the Group, the Directors are or have been members of the administrative, management or supervisory bodies or partners of the following companies or partnerships (which, unless otherwise stated, are incorporated in the UK) within the five years prior to the publication of this document:

	<i>Current</i>	<i>Past</i>
Anthony Reeves	City & Central Services Limited Cloudtag Inc. Cloudtag Active Limited Levrett plc Spur Lodge Limited Energy Works Advisory Ltd.	Berkeley Scott Limited Juvenile Diabetes Research Foundation Limited PAS1 Limited Paystream EBT Limited Paystream My Max Holdings Limited Quantica Group Limited Quantica Limited R K Group Limited The Chelsea Past Players' Trust Fitness and Health (Holdings) Limited TPP Newman Limited Courseleader UK Limited The Kellan Group plc
Andrea Stecconi	North Investment SA Staff srl	Exa Media Spa Best Computer Srl
Guido Ascanio Branca	None	D Fog Ltd Invento Ltd OTX plc Nonox plc Nonox Ltd Lognet Information Technologies plc CSS Capital Managers LLP Mobilistics Ltd
Philipp Prince	None	BDO LLP
Leonard Seelig	APC Technology Group Plc Minimise Energy Cygnus Resources Fairfield Bio Energy Windyfields Oakdene Resources Seelig Partners	

10.11 Other than disclosed in this paragraph 10, no Director has:

- 10.11.1 had any convictions in relation to fraudulent offences or unspent convictions in relation to indictable offences;
- 10.11.2 had a bankruptcy order made against him or entered into an individual voluntary arrangement;
- 10.11.3 been a director of any company or been a member of the administrative, management or supervisory body of an issuer or a senior manager of an issuer which has been placed in receivership, compulsory liquidation, creditors' voluntary liquidation, administration, or company voluntary arrangement or which entered into any composition or arrangement with its creditors generally or any class of its creditors whilst he was acting in that capacity for that company or within the 12 months after he ceased to so act;
- 10.11.4 been a partner in any partnership placed into compulsory liquidation, administration or partnership voluntary arrangement where such director was a partner at the time of or within the 12 months preceding such event;

- 10.11.5 been subject to receivership in respect of any asset of such Director or of a partnership of which the Director was a partner at the time of or within 12 months preceding such event; or
- 10.11.6 been subject to any official public criticisms by any statutory or regulatory authority (including designated professional bodies) nor has such Director been disqualified by a court from acting as a director of a company or from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer.
- 10.12 Guido Branca was formerly a director of Spintronics Plc between 2008 and 2009 which was placed into administration on 15 May 2009 and was subsequently dissolved in 2011. Guido Branca was also formerly a director of ZeroPM srl between 2004 and 2005 which was placed into liquidation in 2005. In both cases, all creditors were fully paid.
- 10.13 Anthony Reeves was a director of Courseleader UK Limited from July 2000 until April 2002. The company went into liquidation proceedings in May 2002 with debts of approximately £500,000. Mr. Reeves was a director of PAS1 Limited which was put into members' voluntary liquidation in December 2012 with no assets or liabilities. Mr. Reeves was a director of Brighter Prospects (Recruitment Services) Limited which was put into liquidation proceedings in May 2009 with a deficit to creditors of £1.4 million. Mr Reeves was a director of Fitness and Health (Holdings) Limited from January 2001 until October 2002, which went into a creditors voluntary liquidation in October 2002 with a deficit of £131,000. He was a director of TPP Newman Limited from March 2006 until July 2008, which went into administration leading to a creditors voluntary liquidation in July 2008 with a deficit of £2,540,000.
- 10.14 No Director has been interested in any transaction with the Company which was unusual in its nature or conditions or significant to the business of the Company during the current financial year which remains outstanding or unperformed.
- 10.15 In the case of those Directors who have roles as directors of companies which are not a part of the Group, although there are no current conflicts of interest, it is possible that the general duties under chapter 2 of Part 10 of the Act and fiduciary duties owed by those Directors to companies of which they are directors from time to time may give rise to conflicts of interest with the duties owed to the Group. Except as mentioned above, there are no potential conflicts of interest between the duties owed by the Directors to the Company and their private duties or duties to third parties.
- 10.16 Except for the Directors, the Board does not believe that there are any other senior managers who are relevant in establishing that the Company has the appropriate expertise and experience for the management of the Company's business.
- 10.17 Save as set out below and in Parts 3(B) and 4(B) of this document, the Company has not entered into any related party transactions of the kind set out in the standards adopted according to the Regulation (EC) No. 1606/2002 from incorporation up to the date of this document.
- Since 1 July 2015, the Subsidiary continued to pay Andrea Stecconi £1,295 (CHF 2,000) per month in respect of its offices in Switzerland. The Directors are satisfied that this transaction is on arm's length terms.
- 10.18 For each of the Directors, the date of expiration of the current term of office (if applicable) and the period during which the Director has served in that office is as follows:

<i>Director</i>	<i>Office</i>	<i>Date of expiration of current term of office</i>	<i>Period of service in office</i>
Anthony Reeves	Director	Next annual meeting of shareholders	1 October 2015 – ongoing
Andrea Stecconi*	Director	At the 2018 annual general meeting	3 June 2014 – ongoing
Guido Branca	Director	At the 2018 annual general meeting	9 May 2014 – ongoing
Phillipp Prince	Director	Next annual meeting of shareholders	21 July 2015 – ongoing
Leonard Seelig	Director	Next annual meeting of shareholders	1 October 2015 – ongoing

*Andrea was also director of the Company for the period from 11 April 2014 to 9 May 2014.

11. The Company's EMI Option Scheme and Unapproved Option Agreements

11.1 EMI Option Scheme

The Company has established the EMI Option Scheme, in order to provide an incentives to employees (including Directors) of the Company to achieve longer term objectives of the Company, to give suitable recognition to the ability and industry of such persons and to attract and retain in the employ of the Company persons of experience and ability, by providing them with the opportunity to acquire an increased proprietary interest in the Company.

The rules of the EMI Option Scheme may be summarised as follows:

Grant of options

No amount is payable on grant of an option.

Subscription price

The price per share to be paid on exercise of an option will be the market value as agreed with the Share Valuation Division of HM Revenue & Customs at the time of the grant of the option and as detailed in the option certificate.

Exercise of options

Options may be exercised in whole or part in accordance with the rules and any objective exercise conditions imposed by the Company. Earlier exercise is permitted notwithstanding that performance conditions have not been met if the option holder dies (where exercise is permitted by his personal representatives for 12 months) or earlier if determined by the Company.

Where the grantee becomes bankrupt or otherwise deprived of legal or beneficial ownership of the option, the option will lapse.

Takeovers

The grantee may agree with an acquiring company to release his rights in exchange for a new option provided the market value of the shares at the date of grant is the same as for the shares under the old option and as such will be treated as having been granted at the date of the old option.

Adjustment of options

If a reorganisation of the Company is effected, the number of shares subject to option and the exercise price may be adjusted as the Company may determine. This may be retrospective if relevant to an already exercised option.

Costs

Costs of administration of the scheme are to be borne by the Company.

Termination

If the EMI Option Scheme is terminated the existing options will remain in full force. The EMI Option Scheme is not intended to form any contract of employment and individuals who participate will not have any rights to damages for any loss, or potential loss of benefit, in the event of termination of office.

11.2 Unapproved Options

Under the terms of the Unapproved Option Agreements, the Company has granted options over Ordinary Shares to its non executive directors from Admission and exercisable at the Issue Price.

The Unapproved Options will become exercisable:

1. in respect of one third of the shares under option on the first anniversary of the date of grant; and
2. in respect of the remaining shares under option, 1/24th of which on a monthly basis following the first anniversary of the date of grant until the third anniversary of the date of grant.

The Unapproved Options may be exercised in whole or in part in accordance with the terms of the Unapproved Option Agreements.

The Unapproved Options are not permitted to be exercised when its exercise is prohibited or would be a breach of any law or regulation including any share dealing code of the Company.

The Unapproved Options may also not be exercised if the optionholder is subject to any disciplinary proceedings by the Group or the optionholder is in breach of any of its duties to the Group.

The optionholder may also not exercise the Unapproved Options if the optionholder ceases to be a non executive director of the Company (or director of any Group company) or is under notice of termination of his appointment unless the Board permits otherwise.

If the Board considers that a change of control is likely to occur, the Board may determine (in its discretion) that the Unapproved Options may be exercised prior to the offeror obtaining control of the Company and also that if the Unapproved Options are not exercised that they will lapse. On the occurrence of a change of control the Unapproved Options may be exercised (at not less than the minimum agreed proportion) within 90 days of the offeror obtaining control of the Company. An acquiring company may also agree to replace the Unapproved Options with options in the acquiring company.

The Unapproved Options will lapse on the tenth anniversary of the grant date. The Unapproved Options will also lapse if the grantee becomes bankrupt.

If there is any variation in the share capital of the Company, the Board shall adjust the number of shares subject to the Unapproved Option or the exercise price as the Board considers fair and appropriate.

- 11.3 As at the date of this document, there are 437,500 EMI Options issued and outstanding under the EMI Option Scheme and 28,125 Unapproved Options issued and outstanding under the Unapproved Option Agreements. Further details of the outstanding Options are set out in paragraphs 5.7, 5.8 and 10.2 of this Part 5.

12. Material contracts

The following material contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Company or the Subsidiary in the two years immediately preceding the date of this document or are other contracts that contain provisions under which any member of the Group has an obligation or entitlement which is material to the Group as at the date of this document:

Acquisition of the Subsidiary

12.1 Defenx Acquisition agreement between the Company and the shareholders of the Subsidiary dated 3 June 2014 as amended on 10 June 2014

The Company agreed to acquire the entire issued share capital of the Subsidiary from its shareholders for consideration to be satisfied by the issue of 22,816,716 ordinary shares with a nominal value of £0.00225. The shareholders of the Subsidiary gave the Company the usual warranties in relation to the Subsidiary, limited to the amount raised in the Private Placement. This agreement is governed by English law.

2014 Private Placement

12.2 CSSE Agreement

On 21 October 2013 the Subsidiary entered into an engagement letter with Charles Street Securities Europe LLP (CSSE), whereby CSSE was appointed as the Group's non-exclusive financial adviser in respect of the Private Placement and also to provide ongoing investment monitoring services.

- 12.2.1 CSSE received a corporate finance fee of £25,000 for financial advice and an additional fee of £25,000 in connection with the Private Placement. CSSE also received a placing commission of between 8 and 10 per cent. depending on the level of subscriptions made by each investor.

In addition, the Company agreed to issue to CSS Capital Managers LLP (CSSCM) 2,000,000 ordinary shares at par value and such number of Deferred Shares as represent 20 per cent. of the ordinary shares subscribed for under the Private Placement at nominal value.

12.2.2 CSSE is also entitled to an ongoing financial advisory fee of £2,500 per quarter until such time as the agreement is terminated.

The Company is also required to pay CSSE additional commission of between 8 and 10 per cent. if it obtains financing from an investor sourced by CSSE within two years of the Private Placement.

Under the terms of the agreement, CSSE is entitled to appoint one non-executive director to the Board so long as the agreement is in force. Guido Branca was initially appointed by CSSE in that role and served in that office until March 2015 following which he ceased to act for CSSE although continued to act as a director of the Company. Since that time, CSSE has not exercised its right to appoint a director.

The agreement can be terminated by the Company following Admission or when a commercially realistic cash offer is made to all CSSE sourced shareholders.

Contracts relating to the business of the Group

12.3 Licence agreement between the Subsidiary and Agnitum Limited (Agnitum), dated 7 September 2009, as amended

The Subsidiary has entered into licence agreements with Agnitum, pursuant to which Agnitum has granted the Subsidiary a non-exclusive, non-transferable worldwide licence to distribute and re-sell certain PC security software. The Subsidiary is required to pay a royalty fee to Agnitum. In addition, the Subsidiary is required to spend a minimum amount on marketing the products.

The agreement is effective until 7 September 2018 and will automatically extend for consecutive one year periods unless either party serves a termination notice. The agreement is also terminable by mutual consent at any time and by Agnitum if the Subsidiary is in breach of any term of the agreement and such has not been cured.

12.4 Supply agreement between the Subsidiary and VirusSign Inc., (VirusSign) dated 12 December 2013

The Subsidiary entered into an agreement with VirusSign Inc., pursuant to which VirusSign agreed to supply the Subsidiary with Android list service samples for updating the Group's products. The agreement is a one month rolling contract.

12.5 Agreements for development and assignment of software between the Subsidiary and HQR Right Software Srl (HQR)

HQR agreed to develop software for the Subsidiary including Android, iOS and NAS products.

HQR was engaged on an exclusive basis and assumed non-competition obligations for the terms of the agreements and for five years after their termination or completion. HQR agreed to transfer and assign to the Subsidiary all its title and rights in any intellectual property rights embedded in the software including the relevant source-codes.

The agreements may be terminated by the Company on 60 days' written notice and either party may terminate it in the event of the other party's material breach, if not cured in a timely manner.

12.6 Software licence, development, hosting and distribution agreement between the Subsidiary and Seagate Technology plc (Seagate), dated 18 June 2014 and novated effective 14 August 2015.

The Subsidiary agreed to create and host a Seagate-branded version of the Group's standard services and software. The Subsidiary agreed to grant Seagate a non-exclusive, worldwide, non-transferable licence of the Subsidiary's software for distribution and sublicensing with Seagate's products. Seagate will also engage the Subsidiary to provide services to Seagate customers and to provide certain related development and support services to Seagate.

All of the rights and obligations of the Subsidiary were novated to the Company, effective as from 14 August 2015.

The Company is entitled to a royalty fee for each unit of the bundled product (comprising the licensed material and Seagate's products) sold or for the distribution by Seagate, less any bundled product returns. Seagate is entitled to receive from the Company royalty fees for its service for each completed online subscription renewal submitted to the Seagate service by a Seagate user.

The agreement contains customary representations, guarantee and indemnification provisions, as well as the Company's obligation to maintain certain insurance policies during the term of the agreement.

The agreement was entered into for an initial term of three years, which will automatically be renewed for additional one year periods unless either party notifies the other party in writing of its intent not to renew at least 90 days prior to the end of a current term. Each party may terminate the agreement in an event of a material breach. Seagate may also terminate the agreement without cause on 90 days' notice.

12.7 Software Licence and Distribution Agreement between LenovoEMC LTD (Lenovo) and the Subsidiary

Under the terms of the agreement, the Subsidiary granted Lenovo a non-exclusive worldwide licence to distribute the Defenx Lenovo product for a licence fee to be determined between the parties. The agreement is for a term of three years and can be extended for a further three additional years. Lenovo may terminate the agreement on 90 days' notice.

12.8 Software distribution agreement between the Subsidiary and Trainae JLT, (now known as GSPS) dated 21 October 2013, as amended on 15 July 2015

The Subsidiary granted GSPS the right to distribute certain products in the Middle East, United Arab Emirates, Brazil and Mexico through the channels of retailers, dealers and value added re-sellers. The distributor may appoint sub-distributors, subject to the Subsidiary's authorisation.

The parties agreed that GSPS has the discretion to set the resale prices of the products in the territory, provided that such resale prices allow the products to remain competitive on the relevant market.

The agreement was entered into for a term of one year, which is renewed automatically unless terminated by either party on 60 days' notice. The agreement is also subject to the underlying intellectual property rights licenses to Defenx remaining in effect.

12.9 Software distribution agreement between the Subsidiary and Media Web Com Srl (Media Web), dated 1 November 2014, as amended on 15 July 2015

The Subsidiary granted Media Web the non-exclusive rights to distribute certain products in the European Union, through the channels of PC shops and large-scale distribution.

The parties agreed that Media Web has the discretion to set the resale prices of the products in the territory, provided that such resale prices allow the products to remain competitive on the relevant market.

The agreement was entered into for a term of three years, with automatic renewal which is renewed automatically unless terminated by either party on 60 days' notice. The agreement is also subject to the underlying intellectual property rights licenses to Defenx remaining in effect.

12.10 Software distribution agreement between the Subsidiary and SafeActive Srl (SafeActive), dated 1 March 2015, as amended on 15 July 2015

The Subsidiary granted SafeActive Srl the non-exclusive rights to distribute certain products in the European Union, through the channels of PC shops and large-scale distribution. The distributor also has the right to duplicate and sub-licence software.

The parties agreed that SafeActive has the discretion to set the resale prices of the products in the territory, provided that such resale prices allow the products to remain competitive on the relevant market.

The agreement was entered into for a term of three years, with automatic renewal which is renewed automatically unless terminated by either party on 60 days' notice. The agreement is also subject to the underlying intellectual property rights licences to Defenx remaining in effect.

12.11 Software distribution agreement between the Subsidiary and Africoncept Sagl (Africoncept), dated 22 May 2015

The Subsidiary granted Africoncept the non-exclusive rights to distribute certain products through the channels of PC shops and large-scale distribution in the Democratic Republic of Congo and Romania and certain other countries to be agreed between the parties.

The distributor may set the resale prices of the products in the territory, provided that such resale prices allow the products to remain competitive on the relevant market.

The agreement was entered into for a term of one year, with automatic renewal which is renewed automatically unless terminated by either party on 60 days' notice. The agreement is also subject to the underlying intellectual property rights licences to Defenx remaining in effect.

12.12 Software distribution agreement between the Subsidiary and Colony Enterprises Ltd. (Colony), dated 10 July 2015

The Subsidiary granted Colony the right to distribute certain products worldwide, through distribution via information technology and mobile technology.

The distributor may set the resale prices of the products in the territory, provided that such resale prices allow the products to remain competitive on the relevant market.

The agreement was entered into for a term of one year, with automatic renewal which is renewed automatically unless terminated by either party on 60 days' notice. The agreement is also subject to the underlying intellectual property rights licences to Defenx remaining in effect.

12.13 Software Distribution agreement between the Company and Montara Limited trading as Total Import Solutions (Total imports), dated 13 May 2015

The Company entered into a distribution agreement with Total Imports under which the Company granted Total Imports the exclusive right to distribute certain products of the Company in the United Kingdom and Ireland and the non exclusive right to distribute the Company's products outside such territories for a term of two years. Each party may terminate the agreement by a 90 days' notice to the other party. Payments to Total Imports will be calculated on the basis of licence keys activated by Total Imports or its resellers.

12.14 Content Licence Agreement between the Company and H3G S.p.A. (H3G), dated 19 May 2015

The Company granted H3G a licence to sell Defenx Mobile and PC Anti-Virus and Security Suite software.

The Company has granted H3G certain customary warranties and agreed to indemnify H3G.

Either party may terminate the agreement in the event of a breach by the other party of its obligations under the agreement, which is not (or cannot be) remedied within a pre-determined period.

12.15 Developer agreement between the Subsidiary and Digital River GmbH (Digital River) and dated 26 August 2014

Under the terms of the agreement, Digital River agreed to resell Defenx products on Digital River's e-commerce platform, share-it!. Digital River is required to pay the Subsidiary, the purchase price less its margin and commission of the sale of certain products. The agreement is for an initial term of two years with automatic renewal for successive one year periods. The agreement may be terminated on 30 days' notice.

12.16 CSS Alpha (BVI) Limited (CSS Alpha) Loan Agreement

On 20 September 2015, the Company, the Subsidiary and Andrea Stecconi entered into a loan agreement with CSS Alpha (as lender), under which CSS Alpha agreed to make available a £400,000

facility to the Company for a commitment fee of £40,000. The Company has not drawn down any funds under the agreement and the agreement will lapse on Admission. The Company will pay CSS Alpha the commitment fee from the proceeds of the Placing.

12.17 Intercompany loan agreement between the Company and the Subsidiary, dated 1 August 2014

Under the terms of the agreement, the Company agreed to lend the Subsidiary a loan of up to £1,000,000. The loan will bear interest at a rate of 2.5 per cent. per annum, which, may be capitalised to the loan. The loan is for a term of five years and the Subsidiary is permitted to make early repayments.

Agreements relating to Admission and the Placing and the Subscription

12.18 Nominated Adviser Agreement

On 27 November 2015, the Company and Strand Hanson entered into a nominated adviser agreement with effect from Admission. The Company agreed amongst other things to comply with its legal obligations and those of AIM and the London Stock Exchange and to consult and discuss with Strand Hanson all of its announcements and statements and to provide Strand Hanson with any information which Strand Hanson believes is necessary to enable it to carry out its obligations to the Company or the London Stock Exchange as nominated adviser.

12.19 Broker Agreement

On 27 November 2015, the Company and WH Ireland entered into a broker agreement under which WH Ireland agreed to act as the Company's broker from Admission.

12.20 Placing Agreement

On 27 November 2015, the Placing Agreement was entered into between the Company (1), the Directors (2), Strand Hanson (3) and WH Ireland (4), pursuant to which WH Ireland agreed to act as the Company's placing agent and to use its reasonable endeavours to procure subscribers for the Placing Shares (but not the Subscription Shares) at the Issue Price and Strand Hanson agreed to use its reasonable endeavours to procure Admission. The Placing Agreement provides that, conditional upon completion of the Placing and Admission:

12.20.1 WH Ireland shall receive an initial research fee of £20,000 and on Admission a further corporate finance fee of £20,000;

12.20.2 WH Ireland will receive a commission of 6 per cent. of the gross funds raised in the Placing;

12.20.3 Strand Hanson shall receive (a) a £20,000 signing fee and (b) a £187,000 success fee on Admission of which part shall be applied by Strand Hanson to subscribe for Ordinary Shares to the value of £60,000 at the Issue Price; and

12.20.4 Strand Hanson will be issued with the Warrants under the terms of the Warrant Agreement.

The Company has agreed to pay all other costs and expenses relating to the Placing and the application for Admission.

The Placing Agreement is conditional upon, among other things, Admission having occurred and applications having been received from persons in respect of all the Placing Shares on or before 3 December 2015. The Placing Agreement contains warranties given by the Company and the Directors in favour of WH Ireland and Strand Hanson, and indemnities given by the Company and the executive Directors, in relation among other things to the accuracy of the information in this document and other matters relating to the Company. It also contains provisions entitling WH Ireland and Strand Hanson to terminate the agreement prior to Admission if, among other things, a breach of any of the warranties occurs or on the occurrence of an event materially and adversely affecting the position of the Company;

In addition, each of the Directors, have agreed with the Company, Strand Hanson and WH Ireland not to dispose of any Ordinary Shares for a period of one year from Admission subject to certain limited exceptions. The Directors have also agreed (subject to limited exceptions) that for a further period of 12 months, any disposal of their Ordinary Shares will be through WH Ireland (or the Company's broker from time to time) in such orderly manner as they shall reasonably determine.

12.21 CSS Subscription Engagement Letter

An engagement letter was entered into dated 6 November 2015 under which Charles Street Securities Europe LLP (“CSS”) agreed to act as financial adviser and (via an affiliate) a placing agent to the Company in relation to the raising of up to £500,000, with an over-allocation of up to £200,000, by way of the subscription at the Issue Price for Ordinary Shares by certain investors procured by CSS. CSS is obliged to use reasonable efforts to procure subscribers and its obligations and the fundraising are conditional among other things on Admission. The Company has given an indemnity in customary terms to CSS in relation to its appointment. CSS has agreed as part of its appointment to approve one or more financial promotions for the purposes of Section 21 of FSMA for use in the fundraising of which a near final draft of this document may form part. CSS will on Admission receive a £5,000 documentation fee and commission of 10 per cent. on the amount raised in the CSS fundraising (or 8 per cent. on each subscription in excess of £100,000) plus the reimbursement of reasonable costs and expenses. In certain circumstances on termination for cause prior to Admission CSS shall be entitled to £5,000 plus commission of up to 5 per cent. of commitments received by them.

12.22 Relationship Agreement

A summary of the Relationship Agreement is set out in paragraph 14 of Part 1 of this document.

12.23 Warrant Agreement

Under the Warrant Agreement, dated 26 November 2015, entered into by the Company, the Company agreed to issue Strand Hanson 60,989 Warrants (based on 1 per cent. of the Enlarged Share Capital at Admission).

The Warrants are convertible for a period of five years from Admission at the Issue Price. The Warrants are assignable to associates of Strand Hanson.

12.24 Lock-in and Orderly Market Agreements

Under the lock-in and orderly market agreements dated 27 November 2015, each of Angelo Motti, Mauro Celentano and Marco Moschetta have agreed with the Company, Strand Hanson and WH Ireland not to dispose of any Ordinary Shares for a period of one year from Admission, and the CSS Parties 6 months from Admission, subject to certain limited exceptions. Angelo Motti, Mauro Celentano and Marco Moschetta have also agreed that for a further period of 12 months, and the CSS Parties 6 months from Admission (subject to limited exceptions), any disposal of their Ordinary Shares will be through WH Ireland (or the Company’s broker from time to time) in such orderly manner as they shall reasonably determine. In addition under an orderly marketing agreement dated 27 November 2015, CSS Alpha Fund Limited has agreed that for a period of 6 months from Admission, any disposal of its Ordinary Shares will (subject to limited exceptions) be through WH Ireland (or the Company’s broker from time to time) in such orderly manner as they shall reasonably determine.

12.25 Registrars Agreement

Pursuant to an agreement dated 18 August 2015 between the Company and the Registrar, the Registrar has agreed to provide registry services for the Company. The agreement is terminable on three months’ notice on either side.

12.26 Subscription Agreements

On 27 November 2015, certain parties entered into agreements to subscribe for 977,378 Ordinary Shares at the Issue Price conditional on Admission.

13. Working capital

Taking into account the net proceeds of the Placing and the Subscription, the Company and the Directors are of the opinion, having made due and careful enquiry, that the Group will have sufficient working capital for its present requirements, that is, for at least 12 months from the date of Admission.

14. Litigation

The Group is not involved in any governmental, legal or arbitration proceedings in the 12 months preceding the date of this document which may have or have had in the recent past, a significant effect on the Group’s

financial position or profitability nor, so far as the Directors are aware, are any such proceedings pending or threatened by or against the Group.

15. Intellectual property

Save as disclosed in this document and in particular in paragraph 7 of Part 1 and in paragraph 12 of this Part 5, there are no patents, intellectual property rights, licences or any industrial, commercial or financial contracts which are or may be material to the business or profitability of the Group.

16. Property, plant and equipment

16.1 The Company does not own any premises.

16.2 The Company occupies a property at Lake View House, Wilton Drive, Warwick, Warwickshire CV34 6RG pursuant to a licence with Pure Offices Ltd. The licence is for a term of one year with no break clause and provides for an annual licence fee of £6,000 per annum.

16.3 The Subsidiary occupies a property at Via Caslaccio 4, Ticino 6828 Balerna, Switzerland pursuant to a lease made out to Andrea Stecconi dated 1 July 2013 with Immobiliare Caslaccio SA. The lease is for a term of one year automatically renews for another year with a six months' break clause and provides for an annual rent of £15,544 (CHF 24,000) per annum which is paid by the Subsidiary.

16.4 Save as disclosed in this document, the Company is not aware of any material environmental issues or risks affecting the utilisation of the Group's tangible fixed assets or its operations.

17. Employees

17.1 The Group employed 3 employees as at 31 December 2012, 3 employees as at 31 December 2013 and 4 employees as at 31 December 2014 and 6 employees as the date of this document. The Group also hires consultants from time to time.

17.2 4 employees are based in Switzerland and 2 in the UK.

18. Significant changes

Save as disclosed in the document, there has been no significant change in the financial or trading position of the Group since 31 December 2014, the date to which the most recent financial information is available.

19. General

19.1 No exceptional factors have influenced the Company's activities.

19.2 Except as disclosed in this document, there have been no significant authorised or contracted capital commitments at the date of publication of this document.

19.3 The expenses of Admission and the Placing and the Subscription are estimated at approximately £690,000 and are payable by the Company.

19.4 The Company's audit committee is comprised of Leonard Seelig (Chairman), Anthony Reeves and Philipp Prince. The audit committee is to meet at least two times a year to consider the integrity of the financial statements of the Company, including its annual and interim accounts; the effectiveness of the Company's internal controls and risk management systems; auditor reports; and terms of appointment and remuneration for the auditor.

19.5 The Company's remuneration committee is comprised of Anthony Reeves (Chairman) and Leonard Seelig. The remuneration committee is to meet at least two times a year and has as its remit the determination and review of, amongst others, the remuneration of executives on the Board and any share incentive plans of the Company

- 19.6 Except as stated in this document and for the advisers named on page 6 of this document and trade suppliers, no person has received, directly or indirectly, from the Company within the 12 months preceding the date of this document or has entered into any contractual arrangements to receive, directly or indirectly, from the Company on or after Admission, fees totalling £10,000 or more or securities in the Company with a value of £10,000 or more calculated by reference to the Issue Price or any other benefit with a value of £10,000 or more at the date of Admission.
- 19.7 Strand Hanson has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which they appear.
- 19.8 WH Ireland has given and not withdrawn its written consent to the issue of this document with references to its name in the form and context in which they appear.
- 19.9 Fladgate LLP has given and not withdrawn its written consent to the issue of this document with references to its name and report in the form and context in which they appear.
- 19.10 Petruzzino Law Firm has given and not withdrawn its written consent to the issue of this document with references to its name and report in the form and context in which they appear.
- 19.11 The reporting accountants, Haysmacintyre, have given and not withdrawn their written consent to the issue of this document with the inclusion in it of their report and letter and references to them and to their name in the form and context in which they respectively appear. Haysmacintyre is a member firm of the Institute of Chartered Accountants in England and Wales. Haysmacintyre has no material interests in the Company.
- 19.12 Where information contained in this document has been sourced from a third party, the Company confirms that such information has been accurately reproduced and, so far as the Company is aware and is able to ascertain from the information published by that third party, no facts have been omitted which would render the reproduced information inaccurate or misleading.
- 19.13 The Company's accounting reference date is 31 December.
- 19.14 The financial information relating to the Company contained in this document does not comprise statutory accounts for the purposes of section 498 of the Act.
- 19.15 The New Ordinary Shares will be issued and allotted under the laws of England and their currency will be pounds Sterling.
- 19.16 The auditors for the period covered by the Group's historical financial information set out in Part 3 were haysmacintyre, a member firm of the Institute of Chartered Accountants in England and Wales whose address is set out on page 6 of this document.
- 19.17 The Issue Price represents a premium of £1.462p above the nominal value of an Ordinary Share which is £0.018.
- 19.18 There is no market or trading facility for the Existing Ordinary Shares.
- 19.19 It is expected that CREST accounts will be credited as applicable on the date of Admission. Where investors have requested to receive their Ordinary Shares in certificated form, temporary documents of title will not be issued pending despatch of share certificates. Share certificates will be despatched by first-class post within 14 days of the date of Admission.

Dated: 27 November 2015

