

Cyberhawk Innovations Limited

Annual Report and Financial Statements

Year Ended

31 March 2022

Company Number SC340484



Cyberhawk Innovations Limited

Company Information

Directors	Christopher Fleming Philip Buchan Andrew Camwath Matts Lundgren John Corniskey Lucy Armstrong Daniel Wild
Company secretary	Thorntons Law LLP
Registered number	SC340484
Registered office	Kinburn Castle St Andrews Fife KY16 9DR
Trading Address	EICA Ratho South Platt Hill EH28 8AA
Independent auditor	BDO LLP Citypoint 65 Haymarket Terrace Edinburgh EH12 5HD
Banker	Clydesdale Bank 30 St Vincent Street Glasgow G1 2HL Royal Bank of Scotland St Andrew Square Edinburgh EH2 2AD
Solicitor	Thomtons Law LLP Whitehall House 33 Yeaman Shore Dundee DD1 4BJ

Cyberhawk Innovations Limited

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Cyberhawk Innovations Limited

Strategic Report For the Year Ended 31 March 2022

The Directors present their Strategic Report together with the audited financial statements for the year ended 31 March 2022.

Business review

Cyberhawk Innovations Limited is the UK based trading company of the Cyberhawk group. As well as trading directly with external customers, the Company also supports the operations of its wholly owned subsidiaries (Cyberhawk Inc in the USA and Cyberhawk MENA QFC LLC in Qatar), charging appropriate arms length fees which are recorded as other operating income.

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

The year to 31 March 2022 was another year of growth for Cyberhawk Innovations with an increase of 16% in revenues from £4.4m to £5.1m.

All software development is currently expensed as incurred but management will continue to review the appropriateness of this policy as software continues to become an increasing proportion of the Company's cost base.

The operating loss for the year was £217k, down from an operating profit of £797k in the previous year. Operating results are stated after goodwill amortisation of £3k (2021 - £Nil) and depreciation of £306k (2021 - £255k) meaning our EBITDA reached £92k (2021 - £933k).

Principal risks and uncertainties

The Board maintains a risk register and principal risks are reviewed and actions put in place to mitigate risk where necessary. Managing the impact and uncertainty brought about by Covid was once again a priority area of risk management during the year, albeit to a lesser extent as the year progressed.

We also continue to actively diversify in terms of both our service portfolio through developing a range of software led solutions and the sectors and geographies that we support.

Financial key performance indicators

The following financial KPI's demonstrate the performance in the year.

	2022 £000	2021 £000	Movement %
Revenue	5,128	4,419	16
Gross profit	836	773	8
EBITDA	92	933	-90
Operating (loss)/profit	-217	797	-127
(Loss)/profit before tax	-274	695	-139
(Loss)/profit for the financial period	-175	608	-129

EBITDA and Operating profit within Cyberhawk Innovations is stated after full absorption of all software development costs which are expensed as incurred. The strategic drive to increasingly invest in software led client solutions that will ultimately benefit the full Cyberhawk group has resulted in a year on year reduction in EBITDA of £841k and operating profit of £1,014k. This was a calculated and measured investment plan that is supported by investors in the parent company (Cyberhawk Holdings Ltd).

Cyberhawk Innovations Limited

Strategic Report (continued) For the Year Ended 31 March 2022

Sustainability

The business is acutely aware of the need to minimise any impact we have on the environment but also on the positive contribution of our services to our customers to deliver on their own sustainability programmes. Through replacing traditional asset inspection methods of rope access or the use of helicopters we believe our services contribute hugely to both removing people from hazardous environments and also in reducing carbon emissions. Increasingly we are also focussed on wildfire prevention programmes and protecting the environment from the devastation this causes. Sustainability is now at the heart of our strategic agenda and increasingly becoming central to our reporting and performance measurement.

Other key performance indicators

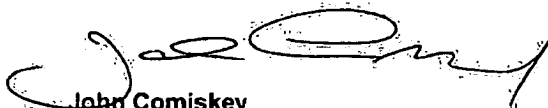
The business has actively diversified its portfolio over the past year and the revenue analysis by activity and by geographical base is also seen as a key indicator on progressing our strategic objectives.

The UK business has continued to support the successful development of both wholly owned subsidiaries during the year (Cyberhawk Inc in the USA and Cyberhawk MENA QFC LLC in Qatar).

This report was approved by the board on

5/10/22

and signed on its behalf.


John Comiskey
Director

Cyberhawk Innovations Limited

Directors' Report For the Year Ended 31 March 2022

The Directors present their report and the financial statements for the year ended 31 March 2022.

The principal activity of the Company is to deliver inspection services on critical energy assets using unmanned aerial vehicles to capture the data and using proprietary cloud based software, iHawk, to deliver insightful results.

Going concern

The Directors have prepared forecasts for a period greater than 12 months from the date of signing these financial statements.

The operational implications of Covid were absorbed successfully throughout the two years to March 2022 and, whilst they undoubtedly did dilute our margins, we adapted quickly and sustainably. Precautionary measures were taken to protect cashflows when uncertainty was at its highest, however, operating cashflows remained strong and we remained fully compliant with our bank covenants throughout the year.

Whilst we do not envisage a contraction of demand for our services, we could if necessary absorb a significant contraction and maintain positive cashflow. We also have the added benefit of an increasing geographical spread which reduces the impact of travel restrictions.

Our client base is typically large multi-national, reputable energy sector clients and our services are typically considered essential. Combined with our very strong order book, the risks of any liquidity concerns becoming critical are considered extremely remote.

In terms of stress testing the future business model, we do have a profitable core business and a recurring customer base. We are also currently re-investing most of our positive cashflow into developing future income streams. If for some currently unforeseeable reason we were to reverse our growth momentum, we would have the option of halting any discretionary future focussed investment to preserve cash and protect the business.

The Board remains confident that there are no reasonably foreseeable circumstances under which the Group and the Company cannot continue to operate as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

Results and dividends

The loss for the year, after taxation, amounted to £175,387 (2021 - profit £607,707).

There were no dividend proposed during the year (2021 - £Nil).

EBITDA for the year was down by 90% to a £90k. After amortisation of goodwill, notional interest on loan notes, bank interest and depreciation, the loss for the year before tax amounted to £274k (2021 profit of £695k). The loss for the year, after taxation, amounted to £175k (2021, profit of £608k).

Directors

The Directors who served during the year were:

Christopher Fleming
Philip Buchan
Richard Round (resigned 20 April 2022)
Andrew Carnwath
Ian Jones (resigned 7 October 2021)
Matts Lundgren
John Comiskey
Lucy Armstrong (appointed 7 October 2021)
Daniel Wild (appointed 7 October 2021)

Cyberhawk Innovations Limited

Directors' Report (continued) For the Year Ended 31 March 2022

Matters covered in the Strategic Report

Required disclosures in relation to the Company's financial and other key performance indicators, business review and principal risks and uncertainties have been included within the Group's Strategic Report.

Financial risk management objectives and policies

The Company uses various financial instruments which include cash, and various items, such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to raise finance for the Company's operations. The existence of these financial instruments exposes the Company to a number of financial risks and are described in more detail below.

- Currency risk

The Company is exposed to foreign exchange risk. The Company's policy is to minimise the use of complex financial instruments, but in some instances does make selective use of forward contracts to hedge currency risks. Foreign exchange differences on retranslation of these assets and liabilities are taken to profit or loss.

- Liquidity risk

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs. The objective is to ensure a mix of funding methods offering flexibility and cost effectiveness to match the needs of the Company. Currently the Company has no loans (with the exception of the amount it owes its immediate parent company, Cyberhawk Holdings Limited) or overdrafts, and makes use of hire purchase and finance leases where possible.

- Interest rate risk

The Company has no external debt through bank borrowing and its overdrafts are not considered significant and thus its exposure to interest rate risk is limited. The Company does have balances held in deposit accounts at times, however, the interest received from these is not material.

- Credit risk

The principal credit risk arises from its trade debtors. In order to manage credit risk the directors set limits for customers based on a combination of payment history and third party credit references. Credit limits are reviewed by the credit controller on a regular basis in conjunction with their debt ageing and collection history.

Future developments

The need for the solutions that are provided by Cyberhawk is expected to grow exponentially over time. Ageing energy infrastructure, a transition to greater reliance on electric power grid networks and an increasing demand for environmentally friendly asset management solutions all combine to grow demand for our services.

The Cyberhawk Group will look to continue to consolidate and expand our inspection services across all 3 of our Operational bases (UK, USA and Qatar). In addition, the investment in developing our proprietary software led solutions will continue to accelerate and over time we anticipate a significant increase in the proportion of our business that is software led. Customers are increasingly looking for end to end asset management solutions and that is what we continue to develop.

Cyberhawk Innovations Limited

Directors' Report (continued) For the Year Ended 31 March 2022

Disclosure of information to auditor

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

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


Auditor

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

This report was approved by the board on

5/10/22

and signed on its behalf.


John Comiskey
Director

Cyberhawk Innovations Limited

Directors' Responsibilities Statement For the Year Ended 31 March 2022

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

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

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

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

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

Cyberhawk Innovations Limited

Independent Auditor's Report to the Members of Cyberhawk Innovations Limited

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Company's affairs as at 31 March 2022 and of its loss for the year then ended;
- the financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Cyberhawk Innovations Limited ("the Company") for the year ended 31 March 2022 which comprise the Statement of Comprehensive Income, the Balance Sheet, the Statement of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Cyberhawk Innovations Limited

Independent Auditor's Report to the Members of Cyberhawk Innovations Limited (continued)

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

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

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared are consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report and Directors' Report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Cyberhawk Innovations Limited

Independent Auditor's Report to the Members of Cyberhawk Innovations Limited (continued)

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

- performing analytical procedures to identify unusual or unexpected relationships that may indicate risks of material misstatements due to fraud. Areas of identified risk were then tested substantively;
- assessing the design and implementation of the control environment to identify areas of material weakness to focus the design of our testing;
- assessing the design and implementation of controls over the IT Systems relevant to financial reporting;
- determining whether the accounting policies and presentation adopted in the financial statements are in accordance with applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice);
- identifying whether there are instances of potential bias in areas with significant degrees of judgement and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- addressing the risk of fraud through management override of controls by testing the appropriateness of a sample of journal entries and other adjustments; assessing whether the judgements made in accounting estimates are indicative of a potential bias; and evaluating the business rationale of significant transactions that are unusual or outside the normal course of business;
- vouching balances and reconciling items in key control account reconciliations to supporting documentation as at 31 March 2022; and
- carrying out detailed testing, on a sample basis, of transactions and balances agreeing to appropriate documentary evidence to verify the completeness, existence and accuracy of the reported financial statements.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

Cyberhawk Innovations Limited

Independent Auditor's Report to the Members of Cyberhawk Innovations Limited (continued)

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Alastair Rae (Senior Statutory Auditor)
For and on behalf of BDO LLP, statutory auditor
Edinburgh
United Kingdom
06 October 2022

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

Cyberhawk Innovations Limited

Statement of Comprehensive Income For the Year Ended 31 March 2022

	Note	2022 £	2021 £
Turnover	4	5,129,509	4,418,739
Cost of sales		(4,293,119)	(3,646,180)
Gross profit		836,390	772,559
Administrative expenses		(2,544,703)	(1,644,325)
Other operating income	5	1,491,392	1,668,905
Operating (loss)/profit	6	(216,921)	797,139
Interest receivable and similar income		-	436
Interest payable and similar charges	10	(56,890)	(102,328)
(Loss)/profit before tax		(273,811)	695,247
Tax on (loss)/profit	11	98,424	(87,540)
(Loss)/profit for the financial year		(175,387)	607,707

There was no other comprehensive income for 2022 (2021 - £Nil).

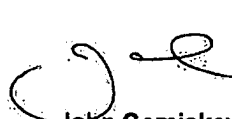
The notes on pages 14 to 32 form part of these financial statements.

Cyberhawk Innovations Limited
Registered number: SC340484

Balance Sheet
As at 31 March 2022

	Note	2022 £	2022 £	2021 £	2021 £
Fixed assets					
Intangible assets	12		7,343		10,490
Tangible assets	13		564,304		580,244
Investments	14		21,032		21,032
			<u>592,679</u>		<u>611,766</u>
Current assets					
Debtors: amounts falling due after more than one year	15	234,577	-		
Debtors: amounts falling due within one year	15	1,999,304		3,446,862	
Cash at bank and in hand		151,680		615,038	
		<u>2,385,561</u>		<u>4,061,900</u>	
Creditors: amounts falling due within one year	16	(1,533,443)		(1,671,940)	
Net current assets			<u>852,118</u>		<u>2,389,960</u>
Total assets less current liabilities			<u>1,444,797</u>		<u>3,001,726</u>
Creditors: amounts falling due after more than one year	17		(502,086)		(1,883,628)
Net assets			<u>942,711</u>		<u>1,118,098</u>
Capital and reserves					
Called up share capital	21		9		9
Share premium account	22		2,132,842		2,132,842
Profit and loss account	22		(1,190,140)		(1,014,753)
Total equity			<u>942,711</u>		<u>1,118,098</u>

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


John Comiskey
Director

5/10/22

The notes on pages 14 to 32 form part of these financial statements.

Cyberhawk Innovations Limited

Statement of Changes in Equity For the Year Ended 31 March 2022

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2021	9	2,132,842	(1,014,753)	1,118,098
Comprehensive loss for the year				
Loss for the year	-	-	(175,387)	(175,387)
At 31 March 2022	9	2,132,842	(1,190,140)	942,711

Statement of Changes in Equity For the Year Ended 31 March 2021

	Called up share capital	Share premium account	Profit and loss account	Total equity
	£	£	£	£
At 1 April 2020	9	2,132,842	(1,622,460)	510,391
Comprehensive income for the year				
Profit for the year	-	-	607,707	607,707
At 31 March 2021	9	2,132,842	(1,014,753)	1,118,098

The notes on pages 14 to 32 form part of these financial statements.

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

1. General information

Cyberhawk Innovations Limited is a private company limited by shares incorporated in Scotland, UK. The address of the registered office is given on the Company information page and the nature of the Company's operations and its principal activities are set out in the Strategic Report and Directors' Report.

2. Accounting policies

2.1 Basis of preparation of financial statements

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

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

The presentational and functional currency of these financial statements is GBP. Values are rounded to the nearest pound.

The following principal accounting policies have been applied:

2.2 Financial Reporting Standard 102 - reduced disclosure exemptions

The Company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by the FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland":

- the requirements of Section 7 Statement of Cash Flows;
- the requirements of Section 3 Financial Statement Presentation paragraph 3.17(d);
- the requirements of Section 11 Financial Instruments paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44 to 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c);
- the requirements of Section 12 Other Financial Instruments paragraphs 12.26 to 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 33 Related Party Disclosures paragraph 33.7.

This information is included in the consolidated financial statements of Cyberhawk Holdings Limited as at 31 March 2022 and these financial statements may be obtained from Companies House.

2.3 Exemption from preparing consolidated financial statements

The Company is a parent company that is also a subsidiary included in the consolidated financial statements of a larger group by a parent undertaking established under the law of any part of the United Kingdom and is therefore exempt from the requirement to prepare consolidated financial statements under section 400 of the Companies Act 2006.

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

2. Accounting policies (continued)

2.4 Going concern

The Directors have prepared forecasts for at least 12 months from the date of signing these financial statements.

The operational implications of Covid were absorbed successfully throughout the two years to March 2022 and, whilst they undoubtedly did dilute our margins, we adapted quickly and sustainably. Precautionary measures were taken to protect cashflows when uncertainty was at its highest, however, operating cashflows remained strong and we remained fully compliant with our bank covenants throughout the year.

Whilst we do not envisage a contraction of demand for our services, we could if necessary absorb a significant contraction and maintain positive cashflow. We also have the added benefit of an increasing geographical spread which reduces the impact of travel restrictions.

Our client base is typically large multi-national, reputable energy sector clients and our services are typically considered essential. Combined with our very strong order book, the risks of any liquidity concerns becoming critical are considered extremely remote.

In terms of stress testing the future business model, we do have a profitable core business and a recurring customer base. We are also currently re-investing most of our positive cashflow into developing future income streams. If for some currently unforeseeable reason we were to reverse our growth momentum, we would have the option of halting any discretionary future focussed investment to preserve cash and protect the business.

The Board remains confident that there are no reasonably foreseeable circumstances under which the Group and the Company cannot continue to operate as a going concern. Accordingly, the financial statements have been prepared on a going concern basis.

2.5 Foreign currency translation

Transactions and balances

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

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

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

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

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

2. Accounting policies (continued)

2.6 Revenue

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

Rendering of services

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

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

2.7 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

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

The Company has taken advantage of the optional exemption available on transition to FRS 102 which allows lease incentives on leases entered into before the date of transition to the Standard (1 April 2017) to continue to be charged over the period to the first market rent review rather than the term of the lease.

2.8 Leased assets: the Company as lessee

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

2.9 Finance costs

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

2.10 Borrowing costs

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

2. Accounting policies (continued)

2.11 Pensions

Defined contribution pension plan

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

The contributions are recognised as an expense in profit or loss when they fall due. Amounts not paid are shown in accruals as a liability in the Balance Sheet. The assets of the plan are held separately from the Company in independently administered funds.

2.12 Intangible assets

Intangible assets are initially recognised at cost. After recognition, under the cost model, intangible assets are measured at cost less any accumulated amortisation and any accumulated impairment losses.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.13 Tangible fixed assets

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

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

Depreciation is provided on the following basis:

Leasehold improvements	- 20% straight line
Plant and machinery	- 25% straight line
Motor vehicles	- 25% straight line
Office equipment	- 20 to 50% straight line

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

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

2.14 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

2. Accounting policies (continued)

2.15 Debtors

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

2.16 Cash and cash equivalents

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

2.17 Creditors

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

2.18 Financial instruments

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

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

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

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

Financial assets and liabilities are offset and the net amount reported in the Balance Sheet when there is an enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Derivatives, including interest rate swaps and forward foreign exchange contracts, are not basic financial instruments. Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of derivatives are recognised in profit or loss in finance costs or income as appropriate. The company does not currently apply hedge accounting for interest rate and foreign exchange derivatives.

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

2. Accounting policies (continued)

2.19 Hedge accounting

The Company uses foreign currency forward contracts to manage its exposure to fair value risk on its liabilities. These derivatives are measured at fair value at each balance sheet date.

To the extent the cash flow hedge is effective, movements in fair value are recognised in other comprehensive income and presented in a separate cash flow hedge reserve. Any ineffective portions of those movements are recognised in profit or loss for the year.

Gains and losses on the hedging instruments and the hedged items are recognised in profit or loss for the year. When a hedged item is an unrecognised firm commitment, the cumulative hedging gain or loss on the hedged item is recognised as an asset or liability with a corresponding gain or loss recognised in profit or loss.

2.20 Current taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in profit or loss except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

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

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

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

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

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

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

In the application of the Company's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

In preparing these financial statements, the Directors have made the following judgements:

- **Revenue recognition**

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

- **Tangible and intangible fixed assets**

The Directors determine whether there are indicators of impairment of the Company's tangible and intangible assets. Factors taken into consideration in reaching such a decision include the economic viability and expected future financial performance of the asset and where it is a component of a larger cash-generating unit, the viability and expected future performance of that unit.

- **Assessing whether a lease is an operating or finance lease**

The Directors determine whether leases entered into by the Company either as a lessor or a lessee are operating or finance leases. These decisions depend on an assessment of whether the risks and rewards of ownership have been transferred from the lessor to the lessee on a lease by lease basis.

The Directors have assessed there to be the following key sources of estimation uncertainty:

- **Tangible fixed assets**

Tangible fixed assets, are depreciated over their useful lives taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In re-assessing asset lives, factors such as technological innovation, product life cycles and maintenance programmes are taken into account. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values.

- **Debtors recoverability**

An estimate is made by the Directors of the likelihood of recoverability of trade debtors at the Balance Sheet date, based upon the age of the debt in question and the payment history/credit rating of the customer. For any balance considered irrecoverable, provision is made against the debtor. The remaining debtor balance at the year end is not provided for, is therefore considered fully recoverable at the Balance Sheet date.

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

4. Turnover

An analysis of turnover by class of business is as follows:

	2022 £	2021 £
Inspection and surveying	4,084,659	3,256,649
iHawk software	1,044,850	1,162,090
	<u>5,129,509</u>	<u>4,418,739</u>

Analysis of turnover by country of destination:

	2022 £	2021 £
United Kingdom	3,407,050	2,865,340
Rest of Europe	631,995	781,786
Rest of the world	1,090,464	771,613
	<u>5,129,509</u>	<u>4,418,739</u>

5. Other operating income

	2022 £	2021 £
Other operating income	12,168	177,935
Management recharge to Cyberhawk Inc.	1,479,234	1,490,970
	<u>1,491,392</u>	<u>1,668,905</u>

6. Operating (loss)/profit

The operating (loss)/profit is stated after charging:

	2022 £	2021 £
Depreciation of tangible fixed assets	305,647	255,935
Amortisation of intangible assets	3,147	-
Other operating lease rentals	47,913	20,298
Contributions to defined contribution pension scheme	190,264	82,328

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

7. Auditor's remuneration

	2022 £	2021 £
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	<u>16,800</u>	<u>15,800</u>
Fees payable to the Company's auditor in respect of:		
Audit of parent company and consolidation	12,700	6,900
Taxation compliance services	9,800	9,425
	<u>22,500</u>	<u>16,325</u>

8. Employees

	2022 £	2021 £
Wages and salaries	3,560,165	3,257,304
Social security costs	426,950	110,008
Cost of defined contribution scheme	190,264	97,985
	<u>4,177,379</u>	<u>3,465,297</u>

The total amount paid in respect of remuneration to key management personnel was £508,705 (2021 - £683,217).

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

	2022 No.	2021 No.
Employees	<u>87</u>	<u>70</u>

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

9. Directors' remuneration

	2022 £	2021 £
Directors' emoluments	464,181	372,101
Company contributions to defined contribution pension schemes	17,647	17,074
	<u>481,828</u>	<u>389,175</u>

During the year retirement benefits were accruing to 5 Directors (2021 - 4) in respect of defined contribution pension schemes.

The highest paid Director received remuneration of £162,188 (2021 - £134,555)

The value of the Company's contributions paid to a defined contribution pension scheme in respect of the highest paid Director amounted to £4,663 (2021 - £6,117)

10. Interest payable and similar charges

	2022 £	2021 £
Bank interest payable	5,620	-
Loans from group undertakings	47,000	95,707
Finance leases and hire purchase contracts	4,270	6,621
	<u>56,890</u>	<u>102,328</u>

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

11. Taxation

	2022 £	2021 £
Corporation tax		
Adjustments in respect of previous periods	(24,077)	(26,926)
	<u>(24,077)</u>	<u>(26,926)</u>
Foreign tax		
Foreign tax on income for the year	9,937	30,976
	<u>9,937</u>	<u>30,976</u>
Total current tax	<u>(14,140)</u>	<u>4,050</u>
Deferred tax		
Origination and reversal of timing differences	(66,314)	83,490
Effect of tax rate change on prior periods	22,413	-
Effect of tax rate change on opening balances	(40,383)	-
Total deferred tax	<u>(84,284)</u>	<u>83,490</u>
Taxation on (loss)/profit on ordinary activities	<u>(98,424)</u>	<u>87,540</u>

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

11. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is lower than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
(Loss)/profit on ordinary activities before tax	(273,811)	695,247
(Loss)/profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	(52,024)	132,097
Effects of:		
Fixed asset differences	1,406	1,678
Expenses not deductible for tax purposes	219	535
Adjustments to tax charge in respect of prior periods	(24,077)	(26,926)
Other timing differences leading to a decrease in taxation	-	(687)
Adjustments to brought forward values	-	(2,627)
Other permanent differences	-	(5,885)
Adjustment to tax charge in respect of previous periods - deferred tax	6,498	-
Remeasurement of deferred tax for changes in rates	(40,383)	-
Foreign tax credits	9,937	30,976
Deferred tax not recognised	-	(41,621)
Total tax (credit)/charge for the year	(98,424)	87,540

Factors that may affect future tax charges

Increases in the UK Corporation tax rate from 19% to 25% (19% effective from 1 April 2017, and 25% effective from 1 April 2023) have been substantively enacted. This will impact the company's future tax charge accordingly. The value of the deferred tax asset at the balance sheet date has been calculated using the applicable rate when the asset is expected to be realised.

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

12. Intangible assets

	Domain name £
Cost	
At 1 April 2021	10,490
At 31 March 2022	10,490
Amortisation	
Charge for the year	3,147
At 31 March 2022	3,147
Net book value	
At 31 March 2022	7,343
At 31 March 2021	10,490

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

13. Tangible fixed assets

	Leasehold improvements £	Plant and machinery £	Motor vehicles £	Office equipment £	Total £
Cost					
At 1 April 2021	198,323	830,120	85,759	467,958	1,582,160
Additions	-	198,285	59,825	109,029	367,139
Disposals	-	(180,190)	(31,603)	(102,289)	(314,082)
At 31 March 2022	198,323	848,215	113,981	474,698	1,635,217
Depreciation					
At 1 April 2021	55,287	564,786	79,306	302,537	1,001,916
Charge for the year	39,665	133,580	16,999	115,403	305,647
Disposals	-	(106,056)	(29,812)	(100,782)	(236,650)
At 31 March 2022	94,952	592,310	66,493	317,158	1,070,913
Net book value					
At 31 March 2022	103,371	255,905	47,488	157,540	564,304
At 31 March 2021	143,036	265,334	6,453	165,421	580,244

At 31 March 2022, the net book value of assets held under finance leases or hire purchase agreements was £37,161 (2021 - £105,256).

14. Fixed asset investments

	Investments in subsidiary companies £
Cost	
At 1 April 2021	21,032
At 31 March 2022	21,032

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

14. Fixed asset investments (continued)

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Registered office	Class of shares	Holding
Cyberhawk Inc.	11111 Katy Fwy 910, Houston, TX 77043	Ordinary	100%
Cyberhawk MENA QFZ LLC	Wing 2, Level 1 Business & Innovation Park, Ras Bufontas, Doha, Qatar	Ordinary	100%

The principle activity of the subsidiaries are the same as the Company.

The aggregate of the share capital and reserves as at 31 March 2022 and the profit or loss for the year ended on that date for the subsidiary undertakings were as follows:

Name	Aggregate of share capital and reserves £	Profit £
Cyberhawk Inc.	1	1
Cyberhawk MENA QFZ LLC	1	1

15. Debtors: amounts falling due within one year

	2022 £	2021 £
Due after more than one year		
Deferred taxation	234,577	-
	234,577	-
Due within one year		
Trade debtors	1,281,100	830,547
Amounts owed by group undertakings	475,624	2,074,403
Other debtors	48,549	59,867
Prepayments and accrued income	194,031	331,752
Deferred taxation	-	150,293
	1,999,304	3,446,862

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

15. Debtors: amounts falling due within one year (continued)

16. Creditors: amounts falling due within one year

	2022 £	2021 £
Bank overdrafts	84,170	21,529
Trade creditors	117,581	138,838
Other taxation and social security	147,221	310,029
Obligations under finance lease and hire purchase contracts	33,666	61,346
Other creditors	55,551	21,604
Accruals and deferred income	1,034,466	1,118,594
Foreign exchange swap (note 19)	60,788	-
	1,533,443	1,671,940

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

17. Creditors: amounts falling due after more than one year

	2022 £	2021 £
Net obligations under finance leases and hire purchase contracts	18,561	50,666
Amounts owed to group undertakings	483,525	1,832,962
	502,086	1,883,628

The amounts due to group undertakings are repayable on or before March 2024 and bear interest at the SONIA rate plus 4%.

18. Hire purchase and finance leases

Minimum lease payments under hire purchase fall due as follows:

	2022 £	2021 £
Within one year	33,666	61,346
Between 1-5 years	18,561	50,666
	52,227	112,012

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

19. Foreign exchange hedge

	2022 £	2021 £
Financial liabilities		
Derivative financial instruments measured at fair value through profit or loss	60,788	-
Derivative financial instruments measured at fair value through profit or loss comprise the foreign exchange swaps.		

20. Deferred taxation

	2022 £
At beginning of year	150,293
Credited to profit or loss	84,284
Utilised in year	-
At end of year	234,577

The deferred tax asset is made up as follows:

	2022 £	2021 £
Accelerated capital allowances	(28,885)	(92,122)
Tax losses carried forward	256,040	239,557
Short term timing difference	7,422	2,858
	234,577	150,293

21. Share capital

	2022 £	2021 £
Allotted, called up and fully paid		
3,817 A Preference shares of £0.001 each	4	4
4,311 Ordinary A shares of £0.001 each	4	4
171 Ordinary B shares of £0.001- each	-	-
1,292 Ordinary shares of £0.001 each	1	1
	9	9

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

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

22. Reserves

The Company's capital and reserves are as follows:

Called up share capital

Called up share capital represents the nominal value of the shares issued.

Share premium account

The share premium account represents the excess consideration received from the issue of share capital.

Profit and loss account

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

23. Contingent liabilities

The Company has granted a fixed and floating charge covering all the property or undertaking of the Company, along with an unlimited intercompany guarantee with the other Group companies to cover all bank borrowings with the Clydesdale Bank PLC. At 31 March 2022 the Group had total loans with the Clydesdale Bank PLC with a total principal value of £1,676,471 (2020 - £2,147,059).

The Company has granted a floating charge covering all the property or undertaking of the Company to Magnesium Capital Nominees Limited, as security trustee. This relates to subordinated loan notes issued by Cyberhawk Holdings Limited which at 31 March 2022 had a total principal value of £6,783,694 (2021 - £6,783,694).

24. Pension commitments

The Company operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Company in an independently administered fund. The pension cost charge represents contributions payable by the Company to the fund and amounted to £190,264 (2021 - £82,328). Contributions totalling £28,755 (2021 - £15,040) were payable to the fund at the Balance Sheet date and are included in creditors.

25. Commitments under operating leases

At 31 March 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022 £	2021 £
Not later than 1 year	57,267	37,690
Later than 1 year and not later than 5 years	23,857	78,000
	<u>81,124</u>	<u>115,690</u>

Cyberhawk Innovations Limited

Notes to the Financial Statements For the Year Ended 31 March 2022

26. Related party transactions

The Company has taken advantage of the exemption available in Section 33.1A of FRS 102 whereby it has not disclosed transactions with the ultimate parent company or any wholly owned subsidiary undertaking of the group.

27. Controlling party

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