

NARF INDUSTRIES PLC (FORMERLY CYBA PLC)

Interim report for 6 month period ended

30 June 2022

CHAIRMAN'S STATEMENT

I am pleased to present the results for the interim period to 30 June 2022.

Financial review

The Company's primary focus during the period was the funding and completion of the acquisition of Narf Industries LLC and Narf Industries PR LLC for a total consideration of \$25.6 million which was announced to the market in March 2022. These results therefore mainly reflect the costs of the transaction and only include the results of our operating Group for the quarter ended 30 June 2022. Accordingly, the comparative numbers, both for the previous interim period and the prior audited accounts show the results of the Company prior to the acquisition.

On 20 June 2022 the Company announced the change of its name to Narf Industries plc and the appointment of Steve Bassi as its Chief Executive Officer and I would refer shareholders to yesterday's corporate update for a more detailed description of the Company and its main revenue streams as well as this year's revenue expectations and next year's forecast.

Immediately following the completion of the acquisition, the Company announced the signing of a licensing agreement with one of the world's largest research institutes, SRI International ("SRI"). This agreement related to its suite of cyber defence technologies for industrial control systems which form part of the Company's flagship product TIGR. TIGR is a hardware and software product developed to apply continual integrity monitoring and detect even stealthy cyberattacks deep inside critical infrastructure Industrial Control System ("ICS") devices. As a result of the agreement SRI became a significant shareholder in Narf and we are delighted to have them as our partner as we commence the commercialisation of TIGR in the Industrial Control System Market, in particular within the US Oil & Gas and Electricity distribution utilities sector.

Outlook

Narf is poised to become a market-leading supplier of cybersecurity products at a time when the need couldn't be clearer. The board is excited about the potential of the opportunities available to the Company and looks forward to delivering further news as events unfold.

We look forward to updating shareholders on our progress in due course.

Robert Mitchell
Chairman

DIRECTORS REPORT AND STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE CONDENSED INTERIM REPORT AND CONDENSED FINANCIAL STATEMENTS

The results of the Group have been addressed above in the Chairman's statement. The loss for the interim period was \$168,073 (interim period to 30 June 2021 (unconsolidated): \$1,178,529) and the Group's unaudited net assets as at 30 June 2022 were \$26,248,878 (30 June 2021 (unconsolidated); \$2,721,468).

Directors

The following directors held office during the period:

Robert Mitchell
Rory Heier
Steven Bassi
John Herring

Responsibility Statement

The Directors confirm that to the best of their knowledge:

- a) the condensed set of financial statements has been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting';
- b) the interim management report includes a fair review of the information required by DTR 4.2.7R – namely an indication of important events that have occurred during the first six months and their impact on the condensed interim financial information, and a description of principal risks and uncertainties for the remaining six months of the financial year; and
- c) the interim management report includes a fair review of the information required by DTR 4.2.8R - disclosure of material related parties' transactions in the first six months and any material changes therein).

Cautionary Statement

This Interim Management Report (IMR) has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed. The IMR should not be relied on by any other party or for any other purpose.

Going Concern

The Directors' assessment of going concern is detailed in Note 2.

Principal Risks and Uncertainties

The principal risks and uncertainties affecting the business activities of the Group remain those detailed in the Prospectus dated 17 February 2022, a copy of which is available on the Company website at <https://narfgroup.com/investor-relations/corporate-documents>. The Board considers that these remain a current reflection of the risks and uncertainties facing the business for the remaining six months of the financial year.

By order of the Board

Rory Heier
Director

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	(Consolidated) Six months ended 30 June 2022 (Unaudited) US\$	(Unconsolidated) Six months ended 30 June 2021 (Unaudited) *US\$	(Unconsolidated) Year ended 31 December 2021 (Unaudited) **US\$
Notes			
Continuing operations			
Revenue	990,750		
Operating expenses	(3,859,703)	(1,178,455)	(2,003,637)
Operating Loss	(2,868,953)	(1,178,455)	(2,003,637)
Foreign exchange gain on investments	2,701,006	-	-
Finance costs	(126)	(74)	39
Loss before taxation	(168,073)	(1,178,529)	(2,003,598)
Income tax expense	-	-	-
Loss for the period attributable to equity holders of the parent company	(168,073)	(1,178,529)	(2,003,598)
Earnings per share			
Earnings per share (basis and diluted) attributable to the equity holders (pence)	3	(0.2c)	(0.3c)
	(0.01c)		

The Group has no items of other comprehensive income.

* - Previously reported numbers have been converted from GBP£ to USD\$ at the average exchange rate for the period of 0.7205

** - Previously reported numbers have been converted from GBP£ to USD\$ at the average exchange rate for the period of 0.7409

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	(Consolidated) 30 June 2022 (Unaudited) US\$	(Unconsolidated) 30 June 2021 (Unaudited) *US\$	(Unconsolidated) 31 Dec 2021 (Unaudited) **US\$
<i>Notes</i>			
Non-current assets			
Intangible assets	23,053,842	-	-
Tangible assets	1,218,714	-	-
Total Non-current assets	24,272,556	-	-
Current assets			
Trade and other receivables	1,207,847	2,038,980	1,945,204
Cash and cash equivalents	1,511,152	1,227,878	274,982
Total current assets	2,718,999	3,266,858	2,220,186
Total assets	26,991,555	3,266,858	2,220,186
Liabilities			
Current liabilities			
Trade and other payables	742,677	545,390	311,078
Total current liabilities	742,677	545,390	311,078
Net current assets	1,976,322	2,721,468	1,909,108
Total liabilities	742,677	545,390	311,078
Capital and reserves attributable to shareholders			
Share capital	4 204,286	86,225	84,293
Share premium	4 31,167,428	7,397,554	7,297,380
Warrants reserve	-	33,325	32,578
Accumulated losses	(5,122,836)	(4,795,636)	(5,505,143)
Total capital and reserves	26,248,878	2,721,468	1,909,108
Total equity and liabilities	26,991,555	3,266,858	2,220,186

Company number: 11701224

* - Previously reported numbers have been converted from GBP£ to USD\$ at the spot exchange rate of 0.7243

** - Previously reported numbers have been converted from GBP£ to USD\$ at the spot exchange rate of 0.7409

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital US\$	Share premium US\$	Warrant reserve US\$	*Forex reserve US\$	Accumulated losses US\$	Total US\$
At 1 July 2021 (Unaudited)/(Unconsolidated)	86,225	7,397,554	33,325	-	(4,795,636)	2,721,468
Loss for the period	-	-	-	-	(825,069)	(825,069)
Foreign exchange movement	(1,932)	(100,174)	(747)	-	115,562	12,709
At 31 December 2022 (Unaudited)/(Unconsolidated)	84,293	7,297,380	32,578	-	(5,505,143)	1,909,108
Loss for the period	-	-	-	-	(168,073)	(168,073)
Issue of shares	128,420	25,531,334	(6,110)	-	-	25,653,644
Share issue costs	-	(931,726)	-	-	-	(931,726)
Warrants expired	-	-	(23,212)	-	-	(23,212)
Foreign exchange movement	(8,427)	(729,560)	(3,256)	-	550,380	(190,863)
At 30 June 2022 (Unaudited)/(Consolidated)	204,286	31,167,428	-	-	(5,122,836)	26,248,878

*Full analysis of the impact of the Foreign exchange movements will be provided for the audited annual accounts for the period ended 31 December 2022

CONSOLIDATED STATEMENT OF CASH FLOWS

	(Consolidated) Six Months Ended 30 June 2022 (Unaudited) US\$	(Unconsolidated) Six Months Ended 30 June 2021 (Unaudited) US\$	(Unconsolidated) Year Ended 31 Dec 2021 (Unaudited) US\$
OPERATING ACTIVITIES			
Loss for the period before taxation	(168,073)	(1,178,529)	(2,003,598)
(Increase)/decrease in trade and other receivables	(495,296)	(10,408)	219,986
(Decrease)/increase in trade and other payables	241,877	40,638	(186,344)
Share based payment	(23,212)	-	-
Foreign exchange movements	(26,167)	34,462	30,539
Depreciation and amortisation	585,123	-	-
Net cash generated from/(used in) operating activities	114,252	(1,113,837)	(1,939,417)
FINANCING ACTIVITIES			
Proceeds from share issues	5,053,644	2,755,200	2,755,200
Costs related to share issue	(931,726)	(137,760)	(265,076)
Net cash inflow from financing activities	4,121,918	2,617,440	2,490,124
INVESTING ACTIVITIES			
Increase in prepaid consideration	-	(2,000,000)	(2,000,000)
Investment in subsidiary	(3,000,000)	-	-
Net cash outflow from investing activities	(3,000,000)	(2,000,000)	(2,000,000)
Net increase/(decrease) in cash and cash equivalents	1,236,170	(496,397)	(1,449,293)
Cash and cash equivalents at beginning of period	274,982	1,724,275	1,724,275
Cash and cash equivalents at end of period	1,511,152	1,227,878	274,982

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. ORGANISATION AND TRADING ACTIVITIES

The principal activity of Narf Industries plc (the “Company”) together with its operating subsidiaries (together, the “Group”) is high-end threat intelligence. Its strategy is focussed on building a group capable of offering Cyber and Cybersecurity solutions in the US and beyond. The Company is domiciled in the United Kingdom and incorporated and registered in England and Wales as a public limited company. The Company’s registered office is 5 Fleet Place, London EC4M 7RD. The Company’s registered number is 11701224.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted and applied in the preparation of these interim Group Financial statements are set out below.

These have been consistently applied to all the periods presented unless otherwise stated:

Basis of accounting

These interim financial statements of Narf Industries plc (the “Group”) have been prepared in accordance with UK adopted international accounting standards (“UK-adopted IAS”) applied in accordance with the provisions of the Companies Act 2006.

The interim financial statements have been prepared under the historical cost convention on the basis of the accounting policies as set out in the Group’s audited annual financial statements and are presented in US Dollars the presentational and functional currency of the Group. The Group has applied IAS 34 in the preparation of these interim financial statements.

This announcement was approved and authorised by the Board of directors on 29 September 2022. Copies of this interim report can be found on the Company’s website at <https://narfgroup.com/investor-relations/corporate-documents>.

These condensed interim financial statements for the six months ended 30 June 2022 are unaudited and do not constitute fully prepared statutory accounts. The comparative figures for the year ended 31 December 2021 are extracted from the 2021 audited unconsolidated financial statements of the Company. The independent auditor’s report on the 2021 financial statements was not qualified.

Going concern

Any consideration of the foreseeable future involves making a judgement, at a particular point in time, about future events which are inherently uncertain. The ability of the Group to carry out its planned business objectives is dependent on its continuing ability to raise adequate financing from equity investors and/or the achievement of profitable operations.

The Directors have a reasonable expectation that the Group will be able to achieve the above in order to meet any future obligations and thus to continue operating for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the interim financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Basis of consolidation

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

3. LOSS PER SHARE

The basic earnings per share is based on the loss for the period divided by the weighted average number of shares in issue during the period. The weighted average number of ordinary shares for the Company the period ended 30 June 2022 assumes that all shares have been included in the computation based on the weighted average number of days since issue. Since the Group has made a loss in the current and each of the prior periods, the warrants in issue are not dilutive.

	six months to 30 June 2022 US\$	six months to 30 June 2022 US\$	Year to 31 Dec 2021 US\$
Loss attributable to owners of the Group (unaudited):	168,073	1,178,529	2,003,598
Weighted average number of ordinary shares in issue for basic earnings	1,243,631,762	548,969,444	588,086,664
Weighted average number of shares in issue for fully diluted earnings	1,243,631,762	548,969,444	588,086,664
LOSS PER SHARE (CENTS PER SHARE)	0.01	0.2	0.3
BASIC AND FULLY DILUTED:			
- from continuing and total operations (cents)	0.01	0.2	0.3

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

4. SHARE CAPITAL AND SHARE PREMIUM

The following table is presented in US Dollar equivalents:

	Ordinary shares of £0.0001 each Number	Share Capital \$	Share Premium \$
At 1 July 2021	624,525,000	86,225	7,397,554
At 31 December 2021	624,525,000	84,293	7,297,380
On 14 March 2022 the Company issued 300 million ordinary shares of £0.0001 each at a price of 2p per share under a placing	300,000,000	33,707	5,815,000
On 14 March 2022 the Company issued 699.6 million ordinary shares of £0.0001 each at a price of 2p per share in partial payment for Narf industries LLC and Narf Industries PR LLC	699,600,000	78,606	16,609,000
On 1 April 2022 the Company issued 7.5 million ordinary shares of £0.0001 each at a price of 1.0p per share on exercise of warrants	7,500,000	843	82,890
On 16 May 2022 the Company issued 59,856,100 ordinary shares of £0.0001 each at a price of 2.0p per share as part of the SRI International subscription	59,856,100	6,725	1,341,089
27 May 2022 the Company issued 1,000,000 ordinary shares of £0.0001 each at a price of 2.0p per share as settlement of fees	1,000,000	112	22,069
At 30 June 2022	1,692,481,100	204,286	31,167,428

5. BUSINESS COMBINATIONS

On 17 March 2022, the Company acquired 100% of Narf Industries LLC and Narf Industries PR LLC. These acquisitions were made at a combined acquisition price of \$25.6 million and were financed through prepaid investment consideration of \$2 million, a cash payment to the former owners of \$3 million and \$20.6 million in Ordinary shares at an effective issue price of 2p per share. This is a transformative deal for Narf Industries plc and represents a significant building block in the Company's continued evolution. The deal adds substantial intellectual property and high quality individuals to the Group and will be earnings accretive from the second half of 2022.

The assets acquired have been restated within the measurement period, in accordance with IFRS, however the Directors are still considering the treatment of the subsidiaries under IFRS and the treatment is subject to change.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

5. BUSINESS COMBINATIONS (continued)

	Amount recognised on acquisition \$
Total intangible fixed assets in acquired businesses	17,563,918
Total tangible fixed assets in acquired businesses	1,293,761
Total current assets in acquired businesses	981,298
Total liabilities in acquired business	(238,977)
Identifiable assets less liabilities	19,600,000
Goodwill	6,000,000
Consideration	25,600,000
Satisfied by:	
Cash	3,000,000
Prepaid investment consideration	2,000,000
Shares	20,600,000
	25,600,000

6. POST PERIOD END EVENTS

There were no significant events subsequent to the balance sheet date.