

ECSC GROUP PLC

Annual Report Year Ended 31 December 2021

PROVIDING CYBER SECURITY EXPERTISE
and ARTIFICIAL INTELLIGENCE



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"These results show a clear return to growth across the Group, both within Managed Detection and Response and Assurance divisions.

It is also pleasing to see that the percentage of Group revenue from MDR recurring revenue has now grown to nearly half from being about a quarter at the IPO.

This confirms the ongoing requirements for all organisations to maintain their cyber security defences and breach detection capability. We continue to emerge from the challenges of the Covid-19 pandemic in a stronger position"

David Mathewson

Non-Executive Chairman

Company Information

Directors

David Mathewson (Non-Executive Chairman)

Ian Mann (Chief Executive Officer)

Lucy Sharp (Chief Operating Officer)

Gemma Basharan (Chief Financial Officer)

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Financial Highlights

81%

**Assurance
repeat revenue**
(2020: 73%)

£2.9m

**MDR revenue up
6% to £2.9m**
(2020: £2.7m)

£0.2m
PROFIT

Adjusted EBITDA*
profit £0.2m
(2020: £0.4)

£6.14m

**Organic revenue growth
8% increase to £6.14m**
(2020: £5.66m)

£1.17m

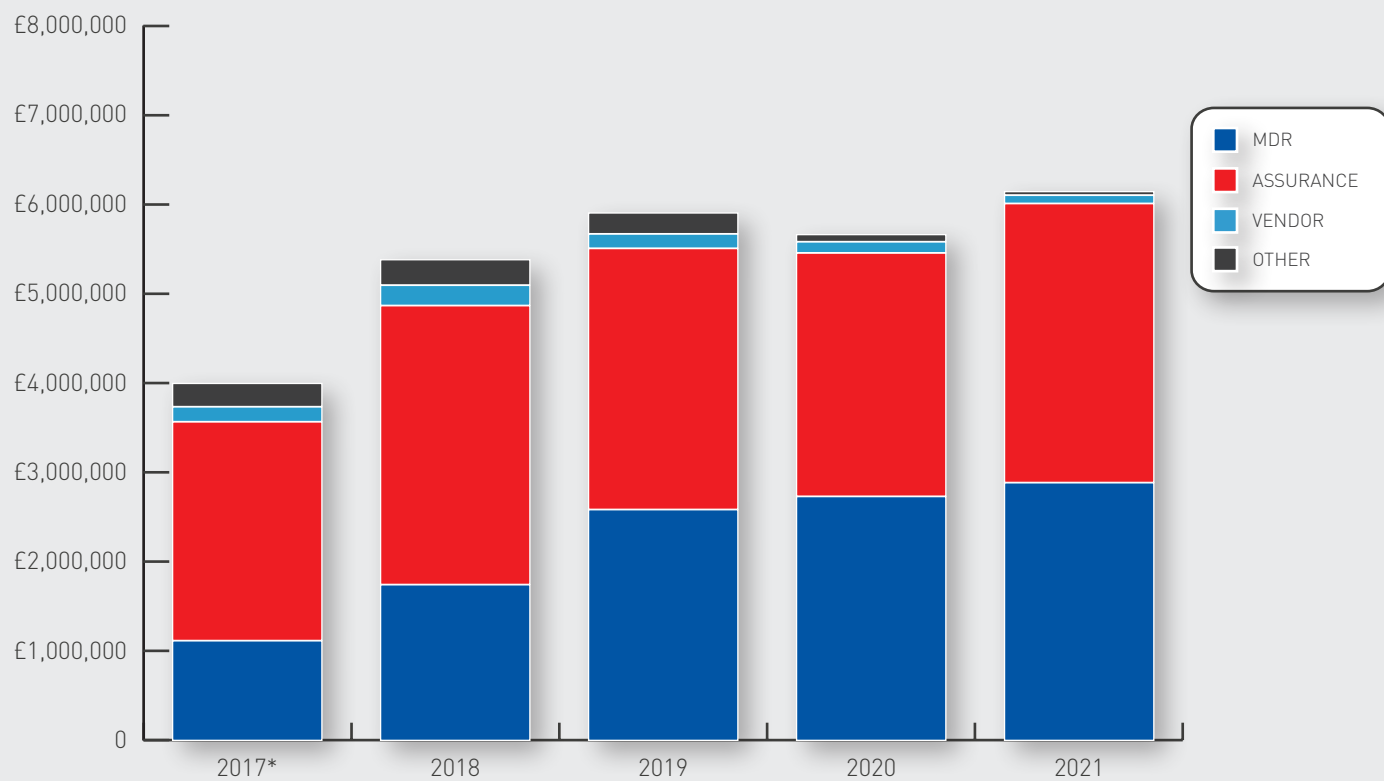
**Cash at period end
£1.17m**
(31 Dec 2020: £1.12m)

11%

**Partner Revenue
Proportion
Increased to 11%**
(2020: 4%)

* Adjusted EBITDA excludes one-off charges and share based charges

Organic Growth Since IPO



* Restated for IFRS 15

Global Offering



Chairman's Statement

These results show a clear return to growth across the Group, both within Managed Detection and Response ("MDR") and Assurance divisions. It is also pleasing to see that the percentage of Group revenue from MDR recurring revenue has now grown to nearly half from being about a quarter at the IPO. This confirms the ongoing requirements for all organisations to maintain their cyber security defences and breach detection capability. We continue to emerge from the challenges of the Covid-19 pandemic in a stronger position.

Despite some ongoing impact caused by the pandemic and the economic risks associated with Brexit, the Group has continued to demonstrate resilience and financial progress based on quality of delivery and unrivalled client reputation and retention. I am proud of the way the team has adapted and innovated as business practices continue to change, affecting both sales and delivery processes.

The ongoing risk of ransomware and its potentially catastrophic impact, combined with the multi-million-pound fines related to the UK General Data Protection Regulation (UK-GDPR), substantiate that all organisations must build resilience into their cyber security protection, detection and response capabilities. ECSC remains a trusted partner to help organisations of all sizes achieve this.

The continued growth in 24/7/365 detection services, delivered through the Security Operations Centres (SOCs) in the UK and Australia, supported by the ECSC Kepler Artificial Intelligence (AI), shows the importance of early breach detection to contain an incident and limit damaging consequences such as ransomware. For all but the largest global organisations, the outsourcing of this critical function continues to be the logical choice, and ECSC has the technology, people, and certified processes to deliver.

The Group's successful agreement of a £1.0m new growth loan demonstrates additional confidence in our operations and results.

On behalf of the board, I would like to thank all of our clients, partners, team, advisors, and investors for their continued support throughout a challenging year for us all.

ECSC continues to be well-positioned in the growing cyber security marketplace, and we are now firmly back on our organic growth strategy and related recruitment activities.



David Mathewson
Non-Executive Chairman
22 March 2022

Chief Executive Officer's Review

The Group made good progress during the 2021 financial year, and we are pleased to report a return to growth in both divisions, and continued to be Adjusted EBITDA positive.

The Assurance division has also seen a significant increase in repeat revenue from existing clients, confirming the exceptional service quality and value perceived by clients in their breach prevention and certification activities.

Post Covid-19 Challenges and Opportunities

The Covid-19 pandemic has demanded changes to both our sales and delivery processes, presented the opportunity to challenge existing beliefs and, in the process, re-engineer operations to reflect new realities.

A good example of this is our sales process that, pre-pandemic, relied extensively on multiple face-to-face meetings. The necessities of our Covid-19 response meant that we had to rapidly change this approach and embrace remote, video-based, sales and scoping processes. As a result, we have completely re-engineered the sales operation and supporting functions, reflecting the new working patterns of our clients and reducing the direct sales headcount, whilst increasing sales in the process.

We have then extended a wider strategic review of our core strengths and associated target clients to facilitate a better fit with more profitable services lines and client relationships.

Inflationary Pressures

2021 saw significant inflationary pressures and wage expectations of skilled and experienced cyber security professionals. As a result, we have instigated a formal annual pricing review. This resulted in increases in daily consulting rates averaging 10% in August 2021. We anticipate this price pressure to continue with the current global uncertainties and resulting UK and global inflation. ECSC's committed staff policy is to pay in the top 20% of market rates for each role, combined with industry leading career development.

Current Ukraine Conflict

Many clients are concerned about the potential for an increase in cyber attacks originating from Russia. These concerns may be well-placed, and confirm the importance of achieving and maintaining an appropriate level of cyber security protection and breach detection for all organisations.

Growth Strategy

We are confident that the organic growth strategy of ECSC remains appropriate. Despite the continued challenges of 2021, we are seeing the results of process re-engineering and a focus on our core expertise and delivering value to our clients in preventing, detecting, and responding to, cyber security breaches.



Ian Mann

Chief Executive Officer

22 March 2022

Chief Executive Officer's Review cont.

Key Performance Indicator Table

Performance Indicator	Rationale	2021	2020	2019	Management Comment
Revenue Growth	Measurement of the success of the organic growth strategy	8%	(4%)	10%	The Group saw an increase in Assurance and MDR revenue due to further investment in the organic growth strategy and recovery from Covid.
Managed Detection and Response Recurring Revenue Growth	Visibility of the success of increasing the percentage of revenue from long-term recurring revenues	7%	22%	27%	Continued growth due to new contract wins and contract expansions.
Managed Detection and Response Recurring Revenue Proportion	Visibility of the success of increasing the percentage of revenue from long-term recurring revenues	42%	43%	34%	In line with the strategy to increase this proportion.
Managed Detection and Response Order Book	Combined measurement of new client contracts together with renewals of existing client contracts	£2.2m	£2.6m	£2.6m	The management team's favoured overall measure of progress in managed services.
Managed Detection and Response Gross Margin	Delivery efficiency measurement	61%	73%	68%	Indicative of increased leveraging of IPO investment in capacity.
Assurance Repeat Revenue	Quasi-recurring from longer-term consulting clients	81%	73%	73%	Indicative of strong client retention and continued trust in ECSC quality.
Assurance Gross Margin	Delivery efficiency measurement	63%	58%	54%	A reflection on capacity required for growth and management of consultant workload.
Research and Development (of revenue)	Continued investment in technology and intellectual property development	15%	14%	13%	A new measure introduced to show continued investment in technologies for the future.



Ian Mann, CEO, Security Operations Centre, Yorkshire

Employee Engagement Survey 2021

“I am able to have a work life balance and it’s a life changer”

“I LOVE the way ECSC values it’s employees”

82
HEADCOUNT



55%



45%

“The Senior Management Team gives total respect and support to employees’ ideas and values”

“I wholly enjoy my role and see myself working here for many years to come”

Sample response to our latest Employee Engagement Survey

Chief Operating Officer's Overview

Our primary focus, as always, is that of our people and their ongoing development. We recognise happy people are key to providing exceptional service to our clients. Across the business each and every individual has been recruited for their 'A-player' attitude and constantly goes above and beyond for each other and our clients. Our people are regularly recognised by both their peers and clients and are rewarded consistently for their efforts.

A Thriving Consulting Team

At the start of the pandemic we were able to swiftly re-engineer all our consulting services to be delivered remotely. This transformation into remote delivery has brought about considerable benefits and more efficient ways of working. In 2021 the reduction in travel to client sites has enabled a significant increase in diary efficiency when resourcing consulting engagements, to the extent that consultant utilisation was consistently over the targeted 85%* each month even in these challenging times.

This reduction in travel has helped to improve the quality of life of our consultants, who no longer need to be away from home for long periods, thus allowing more personal and professional development time. The shift has also enabled the recruitment of talent from a much broader geographic pool, accelerated collaboration with our clients due to response times and all but removed re-chargeable expenses.

Looking to the future we will continue to be client-led and have a flexible approach to delivery dependent on our clients' own circumstances and remote working practices, as well as gaining continual feedback from our team on what is working well.

Maintaining a Strong Culture

As a result of the pandemic more than half our team now work remotely. We have been very aware that this new approach, as for many businesses, could have been a significant challenge for our culture and team engagement. However, due to the resilience and hard work of the team, an increased focus on communication and a strong team spirit, we are delighted to say that employee engagement (by reference to a survey in December 2021) has remained reassuringly high: 94% of respondents of our recent survey said they were proud of the Company and its brand, with 98% stating they enjoy working within their teams.

Internally, throughout the pandemic, we have ensured the whole team feels included, with regular check-ins from colleagues and line managers, as well as face-to-face briefings and updates wherever possible, with a focus on continued motivation and wellbeing. We see this more flexible way of working continuing into the future.

Developing The Team for the Future

Whilst there has been a lot of speculation in the past few years on the increased movement within the jobs market and its impact on the technology sector, with reportedly almost a quarter of workers actively changing their job post pandemic**, this has not been our experience; our retention has remained at a consistently high level at 85% in 2021. We have put a lot of effort into developing our existing teams, ensuring professional development and progression for each and every individual through continued learning, in order to maximise performance and build even stronger colleague and client relationships in these potentially testing times.

Our recruitment efforts have been aligned to our growth plans and, like most organisations, we have found it slightly more challenging than pre-pandemic times to find the right candidates.

Chief Operating Officer's Overview cont.

As a result, we have introduced new methods of sourcing talent, such as further cementing our links with local colleges and universities, holding careers events, targeted campaigns via social media, and working with a select number of external recruiters for the more challenging roles to fill.

In these changing times we have taken the opportunity to review and update our Employee Value Proposition (EVP), which now has even more of an emphasis on not only providing learning and development opportunities in the current role, but actively developing team members in readiness for the next step in their career, be that in their current team or a different part of the business. In essence, we are building a talent pipeline for the future and in doing so both retaining and attracting good quality candidates, those we term our 'A- Players'; people we would enthusiastically re-hire.



Lucy Sharp
Chief Operating Officer
22 March 2022

* to individuals' consulting utilisation target, typically 16.5 chargeable days per month.
**A survey of 6,000 workers by the recruitment firm Randstad UK



What We Do



Incident response
'emergency' service



Remotely manage client
cyber security devices
from ECSC's Security
Operations Centre (SOC)



Cyber security reviews



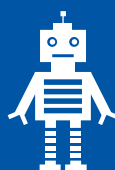
Consultancy to help
clients achieve ISO 27001
information security
certification



Technical penetration
testing of cyber security



Advise and assess clients
for certification to the
Payment Card Industry
Data Security Standard
(PCI DSS)



Develop Artificial
Intelligence (AI)



Cyber Essentials
Certifications

What We Do

For most organisations, understanding their cyber security responsibilities is often complex and challenging, with new threats discovered daily. The priority given by organisations to cyber security has changed significantly since we started 20 years ago, helped most recently by the introduction of the General Data Protection Regulation (GDPR), the mandatory reporting of breaches to the Information Commissioner's Office (ICO) and increased fines. Given the legal responsibility now placed on organisations to protect personal data, the sensible approach for most is to seek external help.

Despite the complexities of cyber security, a consultative approach remains at the heart of ECSC's offering. All communications are carried out in a format and language that is easy to be understood by all.

ECSC's range of services can be broken down into three basic categories.



Despite regular scaremongering by certain product vendors, press releases from organisations that have suffered a breach, and at times the media, all breaches are preventable. We confidently make this statement based on 20 years experience in incident response.

An organisation's primary strategy should be breach prevention. ECSC helps in a number of ways. The most common is to test cyber security using similar techniques to those used by hackers. In the industry, this is referred to as penetration testing or ethical hacking. Finding the vulnerabilities before a hacker does and remedy accordingly.



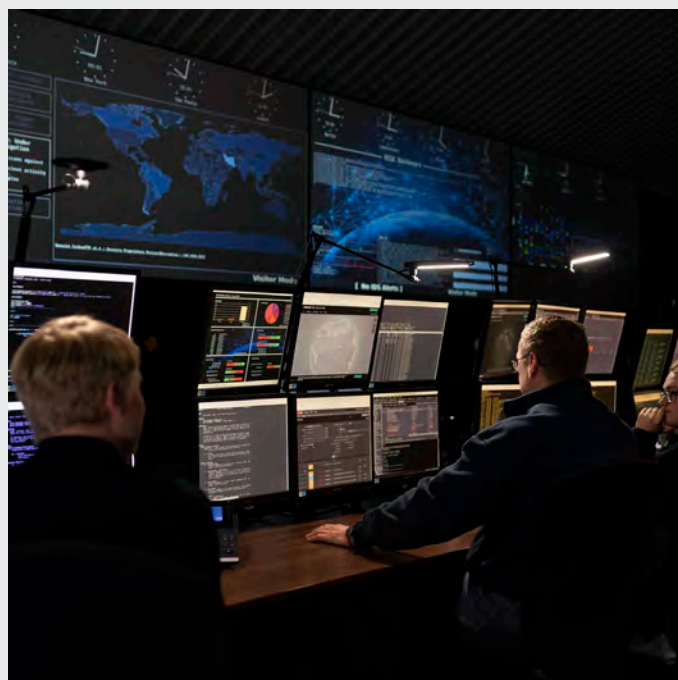
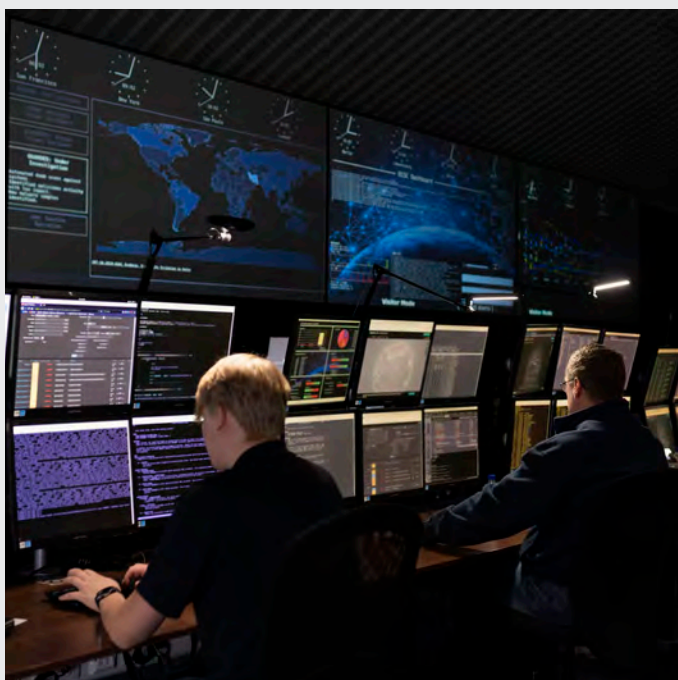
Although it may be possible to prevent all breaches, it is also sensible to have an ability to detect breaches. Done correctly, this means that incidents can usually be contained before expensive data-loss occurs. Additionally, under GDPR, there is a requirement to be able to detect breaches.

ECSC's full 24/7/365 cyber security monitoring, alerting, and analysis from the both UK and Australian Security Operations Centres provides our managed service clients with peace of mind.



Although it makes little sense for all but the largest organisations to build, and try and retain, an internal incident response capability, it does make sense to have a relationship with external experts that can respond 24/7.

ECSC's 20 years of incident experience mean that we can assist our clients from the smallest and simplest event, to the most complex incident requiring extensive investigation, an on-site team, and guidance with external stakeholder and regulator communications.



ECSC Group plc, Security Operations Centre, Yorkshire

The ECSC Story

“Great communication across the team”.

Information Assurance Specialist
Builders Merchant

The ECSC story begins in the dotcom boom of the late 1990s. Ian Mann was conducting government consultancy and running one of the first UK Cisco training academies, teaching the first generation of Internet engineers. Having just completed an MBA, as most people do, Ian was looking to start his own business. He noticed that the security element of the network training was the biggest challenge for most students and therefore concluded that this would be a growing need for organisations as they began to fully utilise the Internet.

With the financial help of his credit cards, two re-mortgages, family and friends, and a few work colleagues, ECSC was born. ECSC's second recruit was Lucy Sharp (now COO) who Ian employed as a school leaver.

Initially testing the security of organisations new connections to the Internet, and responding to security incidents, very quickly clients began to enquire whether ECSC could manage this critical area. So, in 2001, managed services began; taking internally developed technologies originally developed for ECSC's own use, and developing them for application in client environments.

As the industry began to mature, and international standards began to emerge, ECSC then started supporting clients' efforts to achieve and manage a range of certifications. Although focusing fully on ECSC, Ian continued to do some advisory work for the UK's GCHQ, and more recently trained their new cyber security recruits in the art of people hacking (having authored two books on the subject of social engineering).

The next significant appointment was Ian Castle, who joined in 2003 as CTO to co-ordinate the research and development that forms the foundation of the already award winning ECSC proprietary technology and managed services. The next current senior management appointments came in 2007, when Paul Lambsdown took charge of the sales function, Gemma Basharan joined the finance team in 2011, and Clare Macdonald established the marketing team in 2013.

Despite numerous offers to buy the business, in 2016 ECSC decided to raise the first institutional investment via an initial IPO on the London Stock Exchange AIM market. This investment enabled the establishment of new Security Operations Centres in the UK and Australia in 2017, giving true

24/7/365 'eyes on glass' cyber security monitoring, without the need for engineers to work night shifts.

ECSC has continued to go from strength to strength as a public company, delivering on its organic growth strategy and successfully building its Managed Services and Consultancy Services divisions. The Group continues to acquire new clients, deliver quality service and develop and enhance its technologies.

Reflecting the growth of the business, the Company was listed as one of SC Magazine's global top 50 companies in the cyber security market in 2018 and went on to expand its Bradford Head Office that same year, taking on 3 additional units.

In recent years the Group has won a number of significant industry awards, including the PCI Award for Excellence for AI, Most Innovative Cyber Security CEO, Outsourcing Company of the Year at the National Technology Awards, and Managed Service Provider 2021 at the computing excellence security awards.

Today, the senior management team have over 80 years combined experience within ECSC.

Typical Client Journey

A client journey with ECSC tends to start from one of three starting points:



Although it is rare that a fully 24/7 managed solution is a starting point, it is increasingly the destination. Clients recognise that it is almost impossible to recruit and retain this level of expertise in-house, but do require the benefits associated with a 24/7 managed solution.

The ECSC approach has always been to understand the client's requirements, give honest, practical advice, and deliver effective solutions that contribute to building long-term partnerships based on trust and value.

Typical Client Challenges

Cyber security brings many and varied new challenges for organisations of all sizes and complexities. They cut across vertical sectors and traditional competencies.

There are some common features in the challenges that we help our clients to solve:

DIFFICULTY IN RECRUITING AND RETAINING SPECIALIST SKILLS IN CYBER SECURITY	THE RATE OF COMMUNICATION AND INFORMATION TECHNOLOGY CHANGE	UNDERSTANDING THE COMMON MYTHS PROPAGATED BY SOME VENDORS AND/OR THE MEDIA
<p>This may be due to the cost of funding a specialist role, or not having the right environment to attract them. With a general skills shortage, qualified and experienced people have the choice of roles and will tend to be attracted by the variety and challenge, plus the chance to further develop their skills, not just by the money.</p> <p>However, it can also be a case that organisations won't need some skills full-time, only at specific times. For example, it makes little sense for most organisations to try and recruit people skilled in emergency incident response - an organisation may only need this once a year.</p>	<p>The increasing pace of change can nearly always be associated with new cyber security vulnerabilities.</p> <p>Despite what they say, technology providers do not make security a priority over their profits.</p> <p>For example, in the last 12-months, people migrating IT systems into the cloud have accounted for 90% of the breaches we have been called out to resolve.</p>	<p>These include the belief that breaches cannot be prevented (in 20 years of incident response, we have never seen or heard of a breach that was not preventable).</p> <p>Another common myth is that hackers target organisations because they are looking for specific targets. The reality is that most breaches are a result of organisations making technical or people mistakes that are then spotted and exploited by malicious hackers.</p>

Client Perspective

It is fair to say that all ECSC clients want to prevent cyber security breaches. However, they also want more than this. They usually require a range of services that have some common elements:

EASY TO UNDERSTAND DELIVERY OUTPUTS THAT EXPLAIN CYBER SECURITY IN A LANGUAGE THEY UNDERSTAND	AN ONGOING PARTNERSHIP BUILT ON TRUST
<p>Easy to understand delivery outputs that explain cyber security in a language they understand.</p> <p>This may be an ECSC Cyber Security Review that maps and grades technical weaknesses into a language that non-technical executives can understand. This custom ECSC approach is now proven to be the best way for non-technical senior managers to understand current risks, and measure progress towards a more defensible position.</p> <p>Another example is where we summarise complex penetration testing (ethical hacking) into a simple Pass/Fail result that managers and business owners can understand, with prioritised findings - each graded by risk. This allows clients to address findings in order of priority.</p>	<p>It is common for our partnership with a client to develop over many years. Their requirements evolve as their technology usage changes, new threats emerge and they recognise the value that our expertise can bring to their organisation.</p> <p>In most cases, small initial engagements develop, and in many cases these evolve into full 24/7/365 outsourced managed services.</p>
VALUE	EMERGENCY RESPONSE
<p>Delivering the intended outcomes efficiently and professionally. Clients value the benefits of 20 years experience across the range of consulting, managed services and incident response. An unrivalled mix for any UK provider. This means less risk for clients than selecting new entrants.</p>	<p>If the worst happens, ECSC clients (and non clients) benefit from an experienced and calm response by an expert team. Early expert involvement in potential breaches means that incidents can usually be contained before expensive data-loss or system disruption occurs.</p> <p>If an incident does escalate, ECSC helps in all aspects of response management from the technical response and investigation to stakeholder and regulator communications.</p>

Research and Development

Our continued investment in Research and Development takes many forms, all of which are of crucial importance to our continued success:

WHAT THE HACKERS ARE DOING	MANAGED SYSTEMS	INTERNAL SYSTEMS
<p>Each day, globally, there are about 40 new technical 'vulnerabilities' discovered and published. Keeping track of these, and how they relate to an organisation's IT system, is complex. In reality only a small number of these are critical but extensive experience is needed to recognise the important trends and developments.</p> <p>Within ECSC we review new vulnerabilities formally every 8 hours, 365 days a year and relate them to our systems, systems managed for clients, and wider IT environments. We do this, so that our clients do not need to.</p> <p>Whilst technology continues to advance, most new offerings are designed to be pioneering and functional with security taking a back-seat. This means, new IT developments, such as cloud services, have introduced significant new vulnerabilities, resulting in an increased need for our incident response services.</p>	<p>With managed security devices deployed since 2001, ECSC has a long track record of intellectual property development, and delivering systems that work for our clients.</p> <p>The release of our Kepler Artificial Intelligence (AI) technology is an example, where we can process billions of pieces of security information from client's IT systems and allow our Security Operations Centres to operate with efficiency and speed.</p> <p>Although some people over hype AI, we see this as enhancing the effectiveness of real experts, but not yet replacing the need for skilled, experienced people.</p>	<p>Given the sensitivity of our client data, ECSC does not allow any third-parties to store or process our information.</p> <p>Therefore, continued development of our internal systems is important to allow us to refine processes and enhance our effectiveness.</p> <p>Our integrated management systems mean that we have complete process control from the start of our marketing activities through to assurance delivery and fully managed services.</p>

Evolving Threats

Cyber security has evolved, as have the risks to every organisation. There is now the recognition that personal data has value, and with that comes a legal requirement to keep it secure.

Organisations also recognise that an increasing reliance on information technology means that a breach can have immense impact on day-to-day operations.

Originally, before the term 'cyber security' was invented, most hacking was conducted by enthusiasts - often with no malicious intent. For example, the first computer virus was actually an experiment in a university that worked too well and spread globally.

However, as more and more organisations and individuals connected to the Internet, criminals recognised the potential to exploit technology weaknesses, knowing the law enforcement agencies would have difficulties catching them.

As a result, we have seen huge increases in hacking that results in criminal behaviour. The most common being:



RANSOMWARE. Where the hacker encrypts data and demands a ransom to give you access to your own data. For an individual this may be their photo collection, whereas for an organisation it may be to cripple their whole IT system.



STEALING DATA. Information has value, as it can form the basis of fraud. Therefore, credit card information and other personal data will always be a target as it can be sold on.

More recently, nation state hackers have gained significant media coverage, and, quite rightly, attention from the areas of government tasked with protecting critical national infrastructure. However, for most organisations they are not a target for this activity. The reality remains that hacking is not targeted, rather it exploits mistakes and weaknesses identified by scanning the Internet for known vulnerabilities and also tricking IT users into causing breaches.

Therefore, organisations need help in keeping up-to-date with the continually changing threat landscape, and understanding and controlling the potential impact of users being caught out. ECSC remains at the leading edge of both these critical areas.

Market Opportunities

The EU General Data Protection Regulation (GDPR), enacted in the UK in May 2018 by a new Data Protection Act (DPA) represents the most significant legal protection to personal data in more than a decade. This new legislation impacts the cyber security market place in three main ways:

1. Mandatory Reporting

Organisations now have to report breaches of personal data to the Information Commissioner's Office (ICO) within 72 hours of being made aware.

This means that breaches can no longer be hidden and kept 'in-house'. Organisations should seek expert assistance to ensure that they have responded appropriately to avoid substantial fines.

2. New Maximum Fines

Increased from the previous £500,000 maximum to 10m Euros or 2% of total worldwide turnover.

3. Direct ICO Liability for Third-Parties

Previously IT providers could hide behind their agreed terms and conditions, with liability limits, if they caused a cyber security breach. The advent of GDPR gives them an independent liability to the ICO with the same maximum fines.

In addition, the GDPR states that third-party 'processors' must apply cyber security in relation to the risks present, not in proportion to their charges. This means all IT outsourcing organisations have to re-examine their approach to cyber security risk.

Other factors are also driving more market opportunities, including:

- The uptake of cloud IT services, where applying 'traditional' cyber controls can be difficult or impossible, and providers often lack the expertise to design security into their cloud offerings.
- Ongoing skills shortages in cyber security make more clients seek external help, either to test their security, help implement specific projects, or to outsource their cyber security management.
- The pace of IT system changes and new developments shows no sign of slowing. History shows that the quicker technology changes, the more cyber security vulnerabilities are introduced and the more breaches occur.



£8.3
BILLION

UK cyber security market
estimated at over £8 billion



Proliferation of breaches
making cyber security a
strategic governance issue
for company boards



UK legislation (GDPR) now
in force making immediate
breach reporting
mandatory and fines up to
2% of global turnover



STRATEGIC REPORT

Financial Review

Principal Activities

The principal activity of the Group during the year continued to be the provision of professional cyber security services, including Assurance, MDR and the sale of Vendor Products.

Comparative Financial Information

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue		
Assurance	3,123	2,724
MDR	2,886	2,732
Vendor Products	93	125
Other	42	82
	6,144	5,663
Gross Profit		
Assurance	1,965	1,576
MDR	1,757	1,994
Vendor Products	15	25
Other	(63)	(47)
	3,674	3,548
Adjusted EBITDA*		
Other Income	282	297
Sales & Marketing Costs	(2,018)	(1,713)
Administration Expenses	(1,773)	(1,757)
	165	375
EBITDA**		
Share Based Payments	(100)	(101)
Exceptional Items	(145)	(65)
	(80)	(209)
Depreciation and Amortisation	(400)	(480)
Adjusted Operating Loss*	(235)	(105)
Operating Loss	(480)	(271)

* Adjusted Operating Loss and Adjusted EBITDA excludes exceptional charges and share based charges.

** EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation

(As defined in note 26 in the Financial Statements).

Financial Review cont.

Revenue & Organic Growth

In the year ended 31 December 2021, total revenue increased by 8% to £6.14m (2020: £5.66m). Within this, our Assurance division saw strong sales with revenue growing by 15% to £3.12m (2020: £2.72m).

The MDR division also saw a growth in revenue of 6% in the year to £2.89m (2020: £2.73m). This includes recurring revenue which rose to £2.59m (2020: £2.42m), workshop and event revenue of £0.02m (2020: nil) and Incident Response revenue which fell to £0.28m (2020: £0.31m).

Vendor Products revenue in the year fell by 26% to £0.09m (2020: £0.13m).

Margin Generation

Gross Profit for the year was £3.67m, yielding a 60% margin (2020: £3.55m, yielding a 63% margin). This small margin decrease was a consequence of a fall in the margin in the MDR division to 61% (2020: 73%) due to significant investment and significant wage inflation in that area of the business. The Board expects the MDR margin to increase in the future.

The Assurance margin rose to 63% in the year (2020: 58%). This was due to cost controls over the period. The Board expects the Assurance margin to continue at a similar level in the future.

EBITDA & Operating Loss

Adjusted EBITDA for the year, which excludes one-off charges and share based charges, was £0.17m (2020: £0.38m). EBITDA for the year was a loss of £0.08m (2020: profit of £0.21m). During 2020 the Group benefited from Government grants of £0.3m (£2021: nil).

Adjusted Operating Loss for the year, which excludes one-off charges and share based charges, was £0.23m (2020: loss of £0.11m). The Operating Loss in the year was £0.48m (2020: loss of £0.27m).

Cash Flow

Cash and cash equivalents increased by £0.05m (2020: £0.77m) to £1.17m (2020: £1.12m) as at 31 December 2021 primarily due to increase margin across the Assurance division and the proceeds from the £1.0m loan taken on during the year. During the year £0.40m was repaid of Covid-19 related government support received in 2020, £0.02m of government support remains outstanding as at 31 December 2021. The Group continued to invest in Research and Development during the year, receiving a refund of £0.21m (2020: £0.29m) from HMRC in respect of a surrender of R&D Tax Credits from earlier periods.

Intangible Asset

Intangible asset costs have increased to £1.47m (2020: £1.28m). This is offset by accumulated amortisation of £0.99m (2020: £0.82m). The Group's development cost for the year was £0.19m. The Net Book Value of Intangible Assets as at 31 December 2021 was therefore £0.48m (2020: £0.46m).

Tangible Asset

Property, plant and equipment (PPE) cost have increased to £0.98m (2020: £0.95m). This is offset by accumulated depreciation of £0.89m (2020: £0.81m). The Group's capital expenditure for the year was £0.03m. The Net Book Value of Tangible Assets as at 31 December 2021 was £0.09m (2020: £0.15m). The Group plans to increase investment in tangible assets in the future.

Trade and other receivables

Trade and other receivables decreased to £0.68m (2020: £0.81m) as at 31 December 2021. This includes £0.46m of Trade receivables (2020: £0.61m).

Trade and other payables

Trade and other payables decreased to £1.49m (2020: £2.09m) as at 31 December 2021. This includes £0.68m of deferred income (2020: £0.88m).

Financial Review cont.

Borrowings

In December 2021, the Group entered into a new five-year Growth loan facility with Growth Lending Limited. The net proceeds of this facility will be used for working capital purposes and to support the Group's overall organic growth strategy.

The new borrowing facility comprises of an initial advance upon completion of a £1.0m, with the option to draw down a further advance of £0.5m after six months, subject to an agreed level of adjusted EBITDA being achieved.

The facility term is 60 months with straight-line amortisation of the loan commencing after six months. The interest rate on each advance is at the higher of 9.0% per annum or the monthly average SONIA plus 7%. There is an arrangement fee of 1.5% of the facility amount paid on completion, with a 5% early prepayment charge.

The loan was arranged by Funding Friends Limited which received a fee of 1% of the loan on completion in respect of advisory fees. The Loan facility is secured by a fixed charge over the assets of the Company.

As at the year end the carrying value of the loan was £963k (2020: £nil) which is the principal amount of £1.00m stated after direct fees incurred and interest accrued to the year end.

Key Performance Indicators

The Key Performance Indicators are set out on page 9.

Capital reduction

On 26 August 2021, the Company completed a reduction of its share capital, whereby the entire amount of £6.1 million standing to the credit of the Company's share premium account was cancelled thereby creating distributable reserves, which will allow the Company to pay dividends or make distributions to its shareholders and/or undertake a

buyback of its ordinary shares in due course, should it be appropriate or desirable to do so.

The Capital Reduction has no effect on the overall net asset position of the Company.

Balance Sheet

The Group's Balance Sheet as at 31 December 2021 had Net Assets of £0.22m (2020: £0.65m). Retained Earnings and Distributable Reserves as at 31 December 2021 were a cumulative loss of £0.37m after the capital reduction (2020: cumulative loss of £5.94m).

Going Concern

The Directors have assessed the going concern status of the Group by reference to a number of factors. In particular, the Directors have considered the strong rate of growth in the cyber security market; the fact that business continues to attract new clients and is not overly dependent on any single client; the fact that the business continues to retain key staff, and that the Group has a secured new loan facility with Growth Lending Limited, the net proceeds of which will be used for working capital purposes and to support the Group's overall organic growth strategy. The new borrowing facility comprises of an initial £1.0m term loan received on 24 December 2021 and a further £0.5m loan to be drawn down after six months, subject an agreed level of adjusted EBITDA being achieved. The facility term is 60 months with an interest rate at the higher of 9% per annum or the monthly average SONIA plus 7%. The Board is positive about the future EBITDA trajectory of the Company and continues to manage the cash position of the Company carefully. These factors give the Directors confidence in relation to going concern.

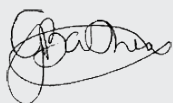
Financial Review cont.

The Board have included the above factors in determining its financial forecasts for the period through to December 2023. In those forecasts they have considered the available headroom against the facilities available to them and considered scenarios under which the level of revenue expected may not be achieved but taking in to account mitigating actions. The directors are satisfied that under reasonable downside scenarios they still have financial resources to met liabilities as they fall due.

For further information please see page 65.

Dividend

The Board has not declared a dividend for the year ended 31 December 2021 (2020: £nil).



Gemma Basharan
Chief Financial Officer
22 March 2022

Principal Risks and Uncertainties

ECSC Group plc ('ECSC' or 'the Company' or 'the Group') is exposed to a number of Macro, Business and Financial risks. The Board is responsible for ensuring that the Group has taken a proactive approach to the identification and mitigation of these risks in a timely manner.

Summary of Risks

The most significant risks to the Group are summarised in the table below. These risks are explained in further detail following the summary. The table does not include all the potential risks associated with Group activities and are not in any order of priority.

Principal Risks	Mitigating Actions/Factors	Change in the year
Economic conditions	Expenditure on cyber security has become non-discretionary in nature and is less sensitive to economic fluctuations	Increased
Rapid technological change	Investment in proprietary intellectual property	No change
Competition	Maintaining a broad, full-service offering	No change
Cyber security breach	Certifications to ISO 27001, PCI DSS and Cyber Essentials; avoidance of technologies associated with common security breaches	No change
Reputation	Consistent focus on legal, financial, regulatory and technological compliance	No change
Dependence on key personnel	Board and Senior Management structure and remuneration is designed to reduce the risks associated with the loss of any single person	No change
Ability to recruit and retain skilled personnel	Ongoing development of a wide range of employee benefits and incentives, career progression and technical development	Increased
Reliance on key systems	Disaster recovery and business continuity plans	No change
Client acquisition	Sale team training and development, partner programme, and expanded marketing activities.	No change
Client retention	Expanded service delivery function and service management layer	No change
Future funding requirements	Flotation on the Alternative Investment Market of the London Stock Exchange and undrawn loan facilities of £0.5m.	No change

Principal Risks and Uncertainties cont.

Macro Risks

Economic Conditions and uncertainty including COVID-19

The Group could be affected by national and international economic factors outside its control, including an economic slowdown, changes in the monetary and fiscal policies of the Government, exchange rate fluctuations, commodity price volatility, inflation, increases in interest rates and banking sector conditions.

Any economic downturn, either globally or locally, may have an adverse effect on the demand for the Group's services. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's activities and sales, restricting the Group's ability to realise a profit.

However, given the proliferation of cyber security breaches and the damage caused, in financial and reputational terms, expenditure by corporates on cyber security is increasingly of a non-discretionary nature, such that demand has become less sensitive to general economic fluctuations.

The recent COVID-19 global pandemic has brought additional challenges to the business environment. However during 2021 UK businesses saw an increase in cyber attacks and demand for cyber security services are expected to increase in the future

Geopolitical Risks

The Group's operations now or in the future may be adversely affected by factors outside the control of the Group, including election results, changes in Government policy, terrorist activities, labour unrest, civil disorder and political upheaval, war, subversive activities and sabotage, fires, floods, natural disasters and epidemics.

The Current conflict with Russia and Ukraine has brought additional challenges to the business environment including increase risk in inflation.

Other factors also include increase concerns over cyber attacks therefore demand for cyber security services are expected to increase in the near future.

Technology

The markets in which the Group operates are characterised by rapid technological change, changes in client requirements, frequent product and service introductions employing new technologies, and the emergence of new industry standards and practices that could render the Group's existing technology and services obsolete.

In order to compete successfully, the Group will need to continue to improve its services, and to develop and market new products that keep pace with technological change. This may place strain on the Group's capital resources, which may adversely impact the revenues and profitability of the Group.

The success of the Group depends on its ability to anticipate and respond to technological changes and client requirements in a timely and cost-effective manner. There can be no assurance that the Group will be able to effectively anticipate and respond to technological changes and client needs in the future.

Intellectual Property

In order to mitigate Technology risk and maximise its competitive advantage, the Group seeks to protect its intellectual property. Much of the Group's intellectual property is not of a nature that is capable of registration, so protection of intellectual property relies on maintaining the confidentiality of know-how, methodologies and processes which, in turn, are largely dependent on people. There is a risk that if the confidentiality of the Group's intellectual property were compromised, this could lead to a loss of competitive advantage. To mitigate this risk, the Group employs strict terms of confidentiality in its standard terms of employment.

The Group's software is largely developed in-house. However, some aspects of it are based on open-

Principal Risks and Uncertainties cont.

source licences such as the General Public License (a widely used form of license within the free and open-source code software domain), which oblige ECSC to provide access to the source code of the relevant software package if a client requests it. There is a limited risk that ECSC could be pursued by way of enforcement action in this area, which may have a material adverse effect on the Group's performance.

Competition

There can be no guarantee that the Group's current competitors or new entrants to the market will not bring superior technologies, products or services to the market, or equivalent products at a lower price, which may have an adverse effect on the Group's business. Such companies may also have greater financial and marketing resources than the Group. These competitive risks are mitigated by maintaining a full service offer, spanning Consulting and Managed Services, with a strategic focus on expanding the recurring revenue base from retained clients, underpinned by a proactive account management process.

Cyber Security Breach

As with all providers in this sector, the potential embarrassment and reputational impact of a major cyber security breach for ECSC itself is significant. However, ECSC manages this risk in a number of ways:

- External certification to international security standards, such as ISO 27001 and PCI DSS.
- Avoidance of technologies commonly targeted for attack – ECSC makes extensive use of Linux-based technologies, including all operational desktop PCs and laptops, and does not support Bring Your Own Device (BYOD) policies for any company business, including for Associate Consultants.
- The Company directs the same level of security expertise at its own security as to that of its clients, avoiding the common issue with IT

companies that their own internal IT is managed by a less capable internal team than their client-facing delivery team.

Reputation

The Group's reputation, in terms of the services it provides, the manner in which it conducts its business and the financial performance it achieves, are central to the Group's success.

The Group's services, and the software on which they are based, are complex and may contain undetected defects when first introduced. Such defects could damage the Group's reputation, ultimately leading to an increase in the Group's costs or reduction in its revenues.

Other issues that may give rise to reputational risk include, but are not limited to, failure to deal appropriately with legal and regulatory requirements in any jurisdiction (which may result in the issuance of a warning notice or sanction by a regulator or an offence being committed by a member of the Company or any of its employees or Directors), money-laundering, bribery and corruption, factually incorrect reporting, staff disputes, fraud (including on the part of clients), technological delays or malfunctions, the inability to respond to a disaster, lack of data privacy, and poor record-keeping.

In addition, failure to meet the expectations of clients, suppliers, employees, shareholders, regulators and other business partners may have a material adverse effect on the Group's reputation.

To mitigate these varied risks, the Group has adopted a strict and thorough approach to compliance, investing resources to meet relevant legal, financial, regulatory and technological standards and requirements.

Principal Risks and Uncertainties cont.

Dependence on Directors and Senior Management

The Group's performance is substantially dependent on the continued services and performance of its Directors and senior management. Although certain Directors and key personnel have entered into Service Agreements or Letters of Appointment with the Group, there can be no assurance that the Group will retain their services. The loss of the services of any of the Directors or key personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Group.

The risk of loss of a Director or member of senior management is mitigated by offering market competitive remuneration for key roles, including appropriate levels of equity incentivisation via the share option schemes of the Group.

Ability to Recruit and Retain Skilled Personnel

The Group believes that it has the appropriate incentivisation structures to attract and retain the calibre of employees necessary to ensure the growth and development of the Group. However, any difficulties encountered in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group. The ability to attract new employees with the appropriate expertise and skills cannot be guaranteed.

Reliance on Key Systems

The Group's dependency upon technology exposes it to significant risk in the event that such technology or the Group's systems experience any form of damage, interruption or failure.

The Group's systems are vulnerable to damage or interruption from events including:

- power loss and infrastructure failure;
- fire or physical destruction;
- computer hacking activities; and
- acts of criminal damage or terrorism.

Any malfunctioning of the Group's technology and

systems, or those of key third parties, even for a short period of time, could result in a lack of confidence in the Group's services, the termination of client contracts and potential claims for damages, with a consequential material adverse effect on the Group's operations and performance.

The Group has a well-considered, certified and regularly rehearsed disaster recovery and business continuity plan to mitigate this risk.

New Client Acquisition and Retention of Existing Clients

The Group's future success depends on its ability to increase sales of its services and products to new clients, increase sales to its existing clients, and maintain existing client contractual relationships.

The rate at which new and existing clients purchase services and existing clients renew their contracts depends on a number of factors, including the efficacy of the Group's services and the utility of the Group's new offerings, as well as factors outside of the Group's control, such as clients' perceived need for security solutions, the introduction of services by the Group's competitors that are perceived to be superior to the Group's services, end clients' IT budgets and general economic conditions. A failure to increase sales as a result of any of the above could materially adversely affect the Group's financial performance and position.

Failure to Develop, Launch and Market New Services

The Group's long-term growth and profitability is dependent on its ability to develop and successfully launch and market new services. The Group's revenues and market share may suffer if it is unable to successfully introduce new products in a timely fashion or if any new or enhanced products or services are introduced by its competitors that its customers find more advanced and/or better suited to their needs.

Principal Risks and Uncertainties cont.

While the Group continuously invests in research and development to develop products in line with client demand and expectations, if it is not able to keep pace with product development and technological advances, including shifts in technology in the markets in which it operates, or to meet client demands, this could have a material adverse effect on the Group's financial performance and position.

Financial Risks

Future Funding Requirements

Although not presently anticipated by the Directors, the Group may need in the future (more than twelve months) to raise equity or additional debt capital to fund future acquisitions, expansion and/or business development. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds, if raised, would be sufficient. If the Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon acquisition opportunities, expansion and/or business development.

This risk is partially mitigated by the Group's quotation on the Alternative Investment Market of the London Stock Exchange, which provides a conduit to equity investors and a further £0.5m loan to be drawn down after six months subject to an agreed level of adjusted EBITDA being achieved.

Statement by the Directors

Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of ECSC Group plc consider that, individually and together, that they have acted in the way which in good faith would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2021.

The Board looked to promote the Success of the Company, having regard to the long term, whilst taking into account the interests of all stakeholders. It is designed to secure the long-term financial viability of the Company to the benefit of its members and all stakeholders, and in doing so have regard (amongst other matters) to:

- the likely consequence of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environments;
- the desirability of the company maintaining a reputation for high standards of business conduct; and
- the need to act fairly as between shareholders of the Company.

The following paragraphs summarise how the Directors fulfil their duties:

Risk management

We provide business-critical service to our clients. As we grow, our business and our risk environment also becomes more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face and that we continue to evolve our approach to risk management.

For details on our principal risks and uncertainties and how we manage our risk environment, please see page 29.

Our People

The Board recognises that our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is of primary concern in the way we do business and is monitored extensively by the Board and taken into account in all major decision-making.

For further information please see pages 12-13.

During 2021 the Group entered into a borrowing facility with Growth Lending Limited. The borrowings will support the short to medium term health of the business and improve the ability to drive growth by investing in existing staff and creating new roles within the business.

Business Relationships

Our strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. To do this we need to continue to develop and maintain strong client relationships.

We also aim to act responsibly and fairly in how we engage with our clients and suppliers, co-operate with our regulators and act on feedback received from these stakeholders. All of these considerations are taken into account by the Board when making strategic decisions for the Company.

Community and environment

Our plan considered the impact of the company's operations on the community, the environment and our wider social responsibilities.

Statement by the Directors cont.

The Group wants to positively impact the lives of the people we work with and for, providing long-term benefits to its employees, customers, suppliers and individuals in our local and wider community. We will do this by acting in a socially responsible way; and encouraging our staff and business partners to strive for matching performance; encouraging our staff to be mindful of the effect of their actions on any natural resource.

Shareholders

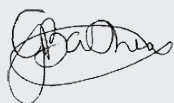
The Board is committed to openly engaging with our shareholders, as we recognise the importance of a continuing effective dialogue, with major institutional investors, private or employee shareholders. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

For further information on how we engage with our shareholders please see page 39.

As the Board of Directors, our intention is to behave responsibly to all stakeholders and to ensure that management operate the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours. Acting in this way will contribute to the delivery of our plan and we intend to maintain our reputation within the industry for responsible and compliant behaviour.

As the Board of Directors, our intention is also to make decisions which lead to the long-term success of the company whilst behaving responsibly toward our shareholders, treating them fairly and equally, so they benefit from the successful delivery of our strategy and plan.

On 26 August 2021, the Company completed a reduction of its share capital, whereby the entire amount of £6.1 million standing to the credit of the Company's share premium account will be cancelled thereby creating distributable reserves, which will allow the Company to pay dividends or make distributions to its shareholders and/or undertake a buyback of its ordinary shares in due course, should it be appropriate or desirable to do so.



Gemma Basharan
Chief Financial Officer
22 March 2022

Board of Directors

BOARD OF DIRECTORS



DAVID MATHEWSON
Non-Executive Chairman



IAN MANN
CEO



LUCY SHARP
COO



GEMMA BASHARAN
CFO



ELIZABETH GOOCH
Non-Executive Director

The Board of ECSC Group plc comprises three Executive Directors and two Non-Executive Directors. The Board has considered its independence and effectiveness, and is satisfied to the degree of competence and efficiency in place.

The Board is responsible for the formulation of business strategy, operational execution, financial performance and compliance. The Executive Directors are responsible for day-to-day operational and financial management, whilst the Non-Executive Directors are responsible for delivering effective corporate governance.

Board of Directors cont.

The profile of each Director is as follows:

David Mathewson – Non-Executive Chairman

David is a Chartered Accountant who has spent most of his career in merchant banking and as a non-executive director. He was an Executive Director of Noble Grossart Limited, Scotland's premier merchant bank, for many years. Previous non-executive roles include Chairman of Sportech Plc and he was also a Director of Playtech Group plc. During his tenure at Playtech, he was appointed Chief Financial Officer and oversaw the company move from AIM to the Main Market of the London Stock Exchange. He is currently a Non-Executive Director of AIM traded SEC Newgate SPA, an Italian company, also traded on AIM, and Chairman of Scram Group Ltd. The Board has reviewed David's time commitment from his other directorships and has concluded that they average six to seven working days per month. The Board is therefore comfortable that David has sufficient available capacity to carry out his duties as a Non-Executive Chairman of ECSC Group plc.

Ian Mann – Chief Executive Officer

Ian has over 19 years of experience in the cyber-security sector, having founded ECSC. He was previously an advisor for GCHQ, and established a Cisco Networking Academy for Dixons City Technology College. Ian's professional certifications include CISSP, PCI QSA, and ISO Lead Auditor. Ian holds a B.Eng. in Electrical and Electronic Engineering from the University of Nottingham, and an MBA from the Open University.

Lucy Sharp – Chief Operating Officer

Lucy has over 19 years of experience in the cyber-security sector, having joined ECSC at its inception. Lucy worked as an ISO 27001 consultant, leading this area prior to taking the position of Operations Director in 2012. Lucy has held a number of professional certifications, including CISSP, PCI QSA, and ISO Lead Auditor. Whilst working at ECSC, Lucy completed a Masters in Business Management at Leeds Metropolitan University.

Elizabeth Gooch MBE – Non-Executive Director

Elizabeth Gooch is an award-winning UK tech entrepreneur, having started her career in industry, joining Forward Trust (a subsidiary of Midland Bank) and then Birmingham Midshires Building Society, before establishing eg solutions in 1988. She pioneered the introduction of industrial production management methodologies into the service sector and invented the eg operational intelligence® software suite to embed these techniques into businesses. eg was listed on the Alternative Investment Market and was acquired by a major US Software Company in 2017. Elizabeth was named as one of The Telegraph's Most Disruptive Entrepreneurs and West Midlands Woman of the Year for her Outstanding Contribution to Technology. She was made a Member of the Order of the British Empire in the Queens Jubilee Birthday Honours 2012, in recognition of her achievements in delivering significant benefits for clients with the products she designed. Elizabeth is now CEO of The Tech Growth Factory; a company she established to assist the founders of small technology companies achieve their growth potential.

Gemma Basharan – Chief Financial Officer

Gemma is a Chartered Accountant who has over 14 years of financial experience both in the private and charity sector. Gemma joined ECSC in 2011 as a management accountant before taking the position of Financial Controller in 2016, and to Chief Financial Officer in April 2020.

Directors' Report for the year ended 31 December 2021

The Directors present their report and financial statements for the year ended 31 December 2021.

Principal Activities and Review of the Business

The principal activity of the Group during the year continued to be the provision of professional cyber security services. Future developments of the Group have been reviewed as part of the Strategic Report.

Principal Risks and Uncertainties

For information on the principal risks and uncertainties of the Group, please see pages 29 to 33 of the Strategic Report.

Results and Dividends

The loss for the period, after taxation, amounted to £0.53m (2020: loss of £0.27m). The Board has not declared a dividend for the year ended 31 December 2021 (2020: £nil).

Going Concern

The Directors are satisfied that the Group has sufficient financial resources to continue to operate for the foreseeable future, which is considered to be at least the 12 months from the date of approval of the financial statements. For this reason, the going concern basis is considered appropriate for the preparation of the financial statements (for more information see note 4.2 to the Financial Statements).

Research and Development

Research and development activities are grouped into three broad areas:

- Proprietary software, operating systems, applications, tools and documentation used to provide Managed Services.
- Proprietary software, tools and techniques used to provide Consulting Services.
- Core internal business systems to support revenue generating activities.

Chairman Corporate Governance Overview

As Chairman of the Board of Directors of ECSC Group plc it is my responsibility to ensure that ECSC has both sound corporate governance and an effective Board. As Chairman, my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner.

ECSC Group plc has adopted the QCA Corporate Governance Code in line with the London Stock Exchange's recent changes to the AIM Rules, requiring all AIM-listed companies to adopt and comply or explain non-compliance with a recognised corporate governance code. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and will disclose any areas of non-compliance in the text below. The Board believes that corporate governance is a framework which underpins the core values for running the business in which we all believe, including a commitment to open and transparent communications with stakeholders. Further details on Corporate Governance is on the Group's website at <https://investor.ecsc.co.uk/governance/corporate-governance.html>.

QCA Principles

1. Establish a strategy and business model which promotes long-term value for shareholders

The Board has concluded that the highest medium and long-term value can be delivered to its shareholders by a focused strategy for the Company. Details of the Business strategy can be found on page 8-9.

Directors' Report for the year ended 31 December 2021

2. Seek to understand and meet shareholder needs and expectations

The Group is strongly committed to the maintenance of good investor relations and seeks, wherever possible, to build a relationship of mutual understanding with both its institutional and private client investors. The Company communicates how it is governed and is performing through its Annual Report and Accounts, full-year and half-year announcements, regulatory announcements and its website: <https://investor.ecsc.co.uk/>. The Group have a dedicated email address investor@ecsc.co.uk for shareholder enquiries.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.

The Board recognises that the long-term success of the Group is reliant upon the efforts of the employees of the Group and its suppliers, regulators and other stakeholders. The Group prepares an annual strategic plan and detailed budget which considers a wide range of key resources and stakeholders. Everyone within the Group is a valued member of the team, and our aim is to help every individual achieve their full potential. We offer equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation. See employee survey, (pages 12-13) and social responsibility (page 41).

4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.

The Board attaches considerable importance to the Company's system of internal control and risk management. An ongoing process has been established for identifying, evaluating, and managing the significant risks faced by the Group. Details of key risks to the business can be found on page 29.

5. Maintain the board as a well-functioning, balanced team led by the Chair.

ECSC is controlled by the Board of Directors. There are two independent Directors; David Mathewson and Elizabeth Gooch. Their time commitment to ECSC are as follows:

- David Mathewson: devotes at least two full working days in each calendar month to perform the duties of office; and
- Elizabeth Gooch: reasonable endeavours to attend all meetings of the Board and/or committees of the Board of which she is a member and to attend all general meetings of the Company.

Details of the Board and the roles can be found on page 36.

6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.

The Directors have both a breadth and depth of skills and experience to fulfil their roles and deliver the strategy of the Group for the benefit of the shareholders over the medium to long-term. The Group believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills. The Directors continue to develop their skill set and keep up to date with current regulations in their prospective markets.

Details of the Directors' experience and areas of expertise are outlined on pages 36/37.

Directors' Report for the year ended 31 December 2021

7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.

The Board informally review board performance as part of the day to day running of the business. ECSC Group plc has yet to carry out a formal assessment of board effectiveness and the Board will keep this under consideration and put in procedures when it is felt appropriate.

The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM, and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

8. Promote a corporate culture that is based on ethical values and behaviours.

The company has clearly defined values upon which our culture and behaviours are based. These are outlined in the Chief Operating Officer's Overview on pages 12-13.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.

The Board is committed to, and ultimately responsible for, high standards of corporate governance, and has chosen to adopt the QCA Code. We review our corporate governance arrangements regularly and expect to evolve these over time, in line with the Group's growth. The Board delegates responsibilities to Committees and individuals as it sees fit, with the Chairman being responsible for the effectiveness of the Board, and the Executive Directors being accountable for the management of the Company's business and shareholder liaison.

10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Board is strongly committed to the maintenance of good investor relations and to having constructive dialogue with its shareholders. Executive Directors and Chair seek to meet with shareholders and other investors/potential investors at regular intervals during the year.

Committee Chairman

This report sets out information about the remuneration of the Directors of the Company for the year ended 31 December 2020. As a company admitted to AIM, ECSC Group is not required to prepare a Directors Remuneration report. However, the board supports the principle of transparency and has prepared this report in order to provide information to shareholders on Directors remuneration arrangements.

THE REMUNERATION COMMITTEE

Committee Composition

Elizabeth Gooch MBE was appointed chair of the Committee on 16 April 2018. The other member of the committee is David Mathewson.

Committee Responsibilities

The Remuneration Committee's primary purpose is to ensure that the remuneration packages of the senior and most highly rewarded team at ECSC Group are both aligned to the company's purpose and values and linked to the successful delivery of the company's long-term strategy.

Committee Meetings

The Remuneration Committee met at least four times in the period, with other board members in attendance as appropriate. The Committee's main activities during the year included:

-

Directors' Report for the year ended 31 December 2021

- Approved proposals for changes in the remuneration of Directors for the forthcoming period.
- Agreed individual share option awards;
- Agreed targets and performance measures for bonus payments for the forthcoming financial period; and
- Administered the group's share schemes.

In determining the Directors remuneration for the year, the Committee consulted Ian Mann, Chief Executive about its proposals.

Social Responsibility

ECSC Group plc's commitment to the continuous improvement of our Corporate and Social Responsibility (CSR) strategy is an integral part of our company's vision and values. We want ECSC Group plc to positively impact the lives of the people we work with and for, providing long-term benefits to its employees, customers, suppliers and individuals in our local and wider community. We do this by acting in a socially responsible way; encouraging our staff and business partners to strive for matching performance; and, encouraging our staff to be mindful of the effect of their actions on any natural resource.

ECSC is a sponsor of the GiveBradford 100 Club which is a network of like minded organisations wanting to address the challenges facing the district. The GiveBradford scheme have distributed over £1.5 million in grants in 2020/21 across the Bradford District, enabling positive change in the lives of hundreds of thousands of people in our communities.

As a team we hold regular charity collections such as the Bradford Christmas Tree appeal and arrange charity walks.

In support of our local community, both our CEO, COO and SOC Manager have recently visited local secondary schools, universities and colleges to

contribute to their careers events, and talked to students who have expressed an interest in a potential career in cyber security to give them some steerage. Our HR Director also acts as a mentor under the CIPD's scheme to assist those looking to return to the workplace, providing career advice, CV writing support, interviewing techniques, etc.

Charities are given discounted rates when engaging our services and where practicable we seek to support charities and/or clients in their CSR efforts e.g providing prizes for raffles, raising money for their causes and attending charity functions.

Environmental

ECSC Group plc recognises that it has a responsibility to the environment above and beyond regulatory requirements. Action on all parts of this policy will be the responsibility of all staff. The Management Team are committed to continuous improvements in our environmental performance.

Environmental regulations, laws and code of practice will be followed to ensure the continuous awareness of environmental issues and to maintain good practice in our operations.

Monitoring environmental performance will be part of our yearly board review. We monitor our energy consumption for improved environmental performance and monitor our use of paper, consumables and other office supplies to ensure a steady reduction in consumption. Employees are encouraged to move towards electric vehicles.

Directors in place /changes in the year

On 13 July 2021 Ian Castle stepped down from the Board. Ian will continue his role as Chief Technology Officer on a part-time basis.

Directors' Report for the year ended 31 December 2021

Directors' Interests and Remuneration

The Directors who held office during the period were as follows:

David Mathewson
Ian Mann
Lucy Sharp
Elizabeth Gooch
Ian Castle (Resigned 13 July 21)
Gemma Basharan

Audit Committee

The duties of the Audit Committee are to consider the relationship with the Company's auditor (appointment, re-appointment and terms of engagement), to review the integrity of the Company's financial statements, to keep under review the appropriateness of the Company's accounting policies, and to review the effectiveness and adequacy of the Company's internal financial controls. In addition, it will receive and review such reports as it from time to time requests from the Company's management and auditor. The Audit Committee meets at least twice a year and has unrestricted access to the Company's auditor. The Audit Committee comprises David Mathewson and Elizabeth Gooch and is chaired by David Mathewson.

Nomination Committee

The duties of the Nomination Committee are to consider the structure, size and composition of the Board and make recommendations to the Board with regard to any changes. It is also responsible for identifying and nominating candidates to fill Board vacancies as and when they arise. The Nomination Committee also makes recommendations to the Board concerning, among other things, plans for succession for both Executive and Non-Executive Directors. It meets at least twice a year. The Nomination Committee comprises Elizabeth Gooch and David Mathewson and is chaired by David Mathewson.

Disclosure Committee

The Disclosure Committee is the first point of contact with the NOMAD for all routine and non-routine matters which the NOMAD wishes to discuss with the Board and shall carry out duties to ensure the Company's compliance with the AIM Rules and Market Abuse Regulations. The Disclosure Committee meets twice a year and comprises David Mathewson and Elizabeth Gooch and is chaired by David Mathewson.

Attendance at Board and Committee meetings

There were 12 Board meetings held during the year, all of which were attended by Ian Mann, David Mathewson and Elizabeth Gooch. Lucy Sharp and Gemma Basharan attended 11 Board Meetings during the year.

The Audit Committee had two meetings during the year at which both Elizabeth Gooch and David Mathewson attended.

The following Directors had interests in the ordinary shares of the Company as at 31 December 2021:

Directors' Report for the year ended 31 December 2021

	Number of Ordinary Shares	% of Issued Share Capital
David Mathewson	35,419	0.35%
Ian Mann	2,322,735	23.21%
Lucy Sharp	242,635	2.42%
Elizabeth Gooch	50,000	0.50%
Gemma Basharan	4,214	0.04%

Details of the Directors remuneration are included in the Remuneration Report on pages 43-48.

Substantial Interests

At 31 December 2021, the Company had been notified, under the Disclosure guidance and Transparency Rules, of the following major shareholdings and the percentages of voting rights represented by such holdings, excluding the shareholdings and associated voting rights of the Directors noted above, as follows:

	Number of Ordinary Shares	% of Issued Share Capital
Unicorn Asset Management	1,448,946	14.48%
Ravinder Bahra	1,069,068	10.68%
Phil McLear	472,290	4.72%
Malcolm Hoare	300,300	3.00%

Annual General Meeting

The next Annual General Meeting will take place on 30 June 2022.

Statement of Disclosure of Information to Auditor

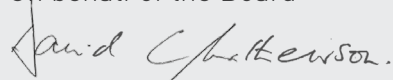
The Directors of the Company who held office at the date of approval of this Annual Report as set out above each confirm that:

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

Auditor

BDO LLP has indicated its willingness to continue as auditor. Accordingly a resolution proposing its reappointment as auditor will be put to the members at the next Annual General Meeting.

On behalf of the Board



David Mathewson

Non-Executive Chairman 22 March 2022

Remuneration Committee Report

As an AIM listed company ECSC Group plc is not required to comply with schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Nor is it required to comply with the principles relating to Directors remuneration in the UK Corporate Code 2018 ("the code"). The content of this report is unaudited unless stated.

Remuneration Policy

The objectives of the remuneration policy are to ensure that the overall remuneration of Executive Directors is aligned with the performance of the Group and preserves an appropriate balance of reward and shareholder value.

The Company's policy is to remunerate Directors appropriately such that they are sufficiently rewarded for their level of responsibility, the complexity of their role and to reflect their skills and experience.

The Remuneration Committee sets the level of Total Pay and other benefits for Executive Directors and other Senior Managers. It does this in line with its assessment of the appropriate market rate for the roles, aiming to attract and retain good candidates for these roles. The Company does not operate an Executive Annual Performance Bonus Scheme but does have a share based incentive scheme as outlined below.

The Committee is sensitive to pay and employment conditions elsewhere in the Cyber Security and general IT Software and Services markets, especially when determining Total Salary levels, and conducts regular salary benchmarking exercises using external advisers.

The committee has reviewed the Remuneration Policy for the forthcoming year and agreed the following amendments:

- to allow the Executive to determine Total Salary levels below £100,000 within the Group without reference to the Remuneration Committee
- to implement the policy adopted within the wider group of paying a Total Salary amount instead of a Basic Salary plus Executive Annual Performance Bonus Scheme.

Total Salary levels for the Executive were determined by calculating the average of the last three year's basic salary plus bonus awards to obtain a Total Salary amount and comparing this with external benchmarks. The benchmarking exercise was conducted by FIT Remuneration Consultants LLP and concluded that no change was required to the Total salary of the Chief Executive, an increase of £5,000 per annum should be awarded to the Chief Operating Officer and a £10,000 increase awarded to the Chief Financial Officer. The salary of the Chief Financial Officer is below market benchmarks and will be increased over time in line with performance.

The Committee agreed to implement the Total Salary policy adopted by the wider Group moving forwards and no bonus payments have been awarded for the financial year ended 31 December 2021.

The Committee has concluded that the remainder of the policy is appropriate for the forthcoming three year period.

Remuneration Committee Report cont.

Remuneration for Executive Directors

The main components of the remuneration arrangements for Executive Directors are as follows:

Purpose & Link to Strategy	Operation	Maximum Opportunity	Performance Conditions
Base Salary To provide fixed competitive remuneration that will attract and retain key employees and reflect their experience and position in the Group.	Reviewed annually taking into account industry-standard executive remuneration and pay levels elsewhere within the sector.	Salaries for the year ended 31 December 2021 are set out below.	None.
Benefits To provide market levels of benefits on a cost-effective basis.	Private health cover for the executive and their family, life insurance cover of two-times salary and a company car.	Private healthcare benefits are provided through third-party providers and therefore the cost to the Company may vary from year to year.	None.
Pension Providing post-retirement benefits.	The Group contributes to individual's personal pension schemes	10% of base salary	None.
Executive Share Options Plan Setting value creation through share growth as a major objective for Executive Directors and senior managers. Alignment of option holder interests with those of shareholders through delivery of shares.	The Group introduced a Share Option scheme during 2020. All the Executive Directors, participates in the EMI scheme. See below. No awards made in 2021.	N/A	N/A

The committee introduced a Long-Term Incentive Plan ("LTIP") for the Executive Directors during 2020:

Vesting Period	1 Year	2 Years	3 Years	4 Years	Total Ordinary Shares
Target Price	167 Pence	200 Pence	225 Pence	250 Pence	
Ian Mann	25,000	25,000	25,000	25,000	100,000
Lucy Sharp	25,000	25,000	25,000	25,000	100,000
Ian Castle	20,000	20,000	20,000	20,000	80,000
Gemma Basharan	20,000	20,000	20,000	20,000	80,000

Remuneration for Non – Executive Directors

Remuneration of the Non-Executive Directors is determined by the Board within the limits set by the Company's Articles of Association and is based on fees paid in similar companies, the skills required, and the expected time commitment required of each individual. Non-Executive Directors are not entitled to pensions, annual bonuses or employee benefits. They are entitled to participate in share option arrangements relating to the Company's shares and both were allocated 100,000 options on 20 April 2018. The options had an exercise price of 78 pence and are subject to a three year vesting period and the performance condition that the Company's closing mid-market share price must exceed 200 pence for 10 consecutive business days following the vesting date. The grant represented 2% of the current issued share capital of the company.

Remuneration Committee Report cont.

Each of the Non-Executive Directors has a letter of appointment stating his/her annual fee and that his/her appointment is initially for a term of three years, subject to re-appointment at the AGM and renewable for further periods of three years. Their appointment may be terminated with three months written notice at any time.

Name of Director	Salary or Fees	Benefit-in-Kind	Pension	Share Based Payments	Year ended 31	Year ended 31
	Paid £'000				December 2021 £'000	December 2020 £'000
Ian Mann	225	2	23	16	266	239
Lucy Sharp	135	5	14	21	175	220
Gemma Basharan	90	-	9	16	115	93
Ian Castle*	50	-	5	11	66	156
David Mathewson	63	-	-	3	66	73
Elizabeth Gooch	40	-	-	3	43	48
Total	603	7	51	70	731	829

*Ian Castle resigned as a director 13 July 21

Notes:

- Benefits-in-Kind includes the provision of Company Cars and Private Medical insurance; and
- Share Based Payments are stated at the cost of the award recognised in the financial period.

Ian Mann, Chief Executive is the highest paid Director.

Employee Benefit Expense (including Directors) during the periods amounted to:

	GROUP Year ended 31 December 2021 £'000	GROUP Year ended 31 December 2020 £'000	COMPANY Year ended 31 December 2021 £'000	COMPANY Year ended 31 December 2020 £'000
Wages and Salaries - Gross	4,420	4,269	4,237	4,033
Government Grants	-	(292)	-	(203)
Wages and Salaries	4,420	3,977	4,237	3,830
Social Security Costs	550	452	492	404
Pension Contributions	218	179	194	161
Share Based Payments	100	101	100	101
	5,288	4,709	5,023	4,496

During 2020 the Group has benefited from £0.2m of Coronavirus Job Retention Scheme (CJRS) and £0.1m of Australia grants. (see note 4.5). No grants were received in 2021.

Remuneration Committee Report cont.

Directors Interests

Details of the Directors Shareholdings are included in the Director's Report on page 43.

Share Incentives

The Company operates an Enterprise Management Incentive ('EMI') Scheme. The EMI Scheme provides the opportunity for eligible Directors and employees to buy ECSC ordinary shares at a future date in accordance with the scheme rules. The options are subject to the option holder's continuing employment, are not transferable, and have a life of 10 years. All grants under the scheme are subject to approval by the Remuneration Committee.

In August 2020 the Company cancelled over 588,040 Ordinary Share options to 20 employees, following the cancellation the Company granted options over 588,040 new Ordinary Shares to the same Company employees, at an exercise price of 65 pence per share. The exercise price was set by reference to the average mid-market share price being the closing market price on 20 August 2020 in accordance with HMRC guidelines. There was a performance condition attaching to this grant, ordinary shares trade at a mid-market minimum price of 167 pence per share over 10 consecutive business days.

In August 2020 the Company also granted over 450,000 new Ordinary Shares to 32 employees, at an exercise price of 69 pence per share, subject to a 1- 4 year vesting period. The exercise price was set by reference to the average mid-market share price being the closing market price on 27 August 2020 in accordance with HMRC guidelines. There was a performance condition attaching to this grant, ordinary shares trade at a mid-market minimum price of 167 pence per share over 10 consecutive business days.

Outstanding Share Based Awards

The outstanding Share Based Awards of the Directors as at 31 December 2021 are:

Name Of Director	Type Of Reward	Date Of Grant	Granted	Cancelled/ Lapsed In Year	Vested In Year	Not Vested End Of Year	Market Price At Grant	Exercise Price
Lucy Sharp	Share Option	Aug 21, 2020	144,758	-	-	144,758	65.0p	65.0p
Lucy Sharp	Share Option	Sep 28, 2020	100,000	-	-	100,000	69.0p	69.0p
Ian Mann	Share Option	Sep 28,2020	100,000	-	-	100,000	69.0p	69.0p
Gemma Basharan	Share Option	Aug 21, 2020	64,651	-	-	64,651	65.0p	65.0p
Gemma Basharan	Share Option	Sep 28,2020	80,000	-	-	80,000	69.0p	69.0p
Elizabeth Gooch	Share Option	Apr 18, 2018	100,000	-	-	100,000	79.0p	78.0p
David Mathewson	Share Option	Apr 18, 2018	100,000	-	-	100,000	79.0p	78.0p

The closing mid-market price of the Group's shares at 31 December 2021 was 74.0 pence (2020: 67.5 pence). During the financial year the share price reached a high of 95.0 pence and a low of 67.5 pence (2020: high of 145.0 pence and a low of 60.0 pence).

Remuneration Committee Report cont.

Directors Service Contracts

The Service contracts and letters of appointment of Directors include the following terms:

Executive Directors	Date of Appointment	Notice Period
Ian Mann	13 April 2018	6 months
Lucy Sharp	02 November 2012	6 months
Gemma Basharan	25 March 2020	6 months

Non-Executive Directors	Date of Appointment	Notice Period
David Mathewson	18 April 2018	3 months
Elizabeth Gooch	16 April 2018	3 months

Statement of Voting at General Meeting

Approval

This report was approved by the Directors and signed by order of the Board.



Elizabeth Gooch MBE

Chairman of the Remuneration Committee

22 March 2022

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual 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 UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006. Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for the reporting period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; 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.

Financial information is published on the Company's website. The maintenance and integrity of this website is the responsibility of the Directors. The work carried out by the Company's auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website.

It should be noted that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



David Mathewson
Non-Executive Chairman
22 March 2022



INDEPENDENT AUDITOR'S REPORT

Independent auditor's report to the members of ECSC Group plc

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2021 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with UK adopted international accounting standards;
- the Parent Company financial statements have been properly prepared in accordance with UK adopted international accounting standards and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ECSC Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2021 which comprise Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements 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 UK adopted international accounting standards and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Basis for opinion

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

Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, 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. Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and examining the Board's Going concern paper, alongside supporting forecasts for the next two years.
- Challenging Director's assumptions, such as revenue pipeline, as used in the forecast period through review of the historic forecast accuracy, comparing forecasts to post year end results, cost performance, current business trends and pipeline/contract analysis.

Independent auditor's report to the members of ECSC Group plc

- Considering the Board's probable scenarios of sensitivities, to understand the robustness of the forecast trading model and the headroom available to the Group and Parent Company.
- Review of the available cash and financing facilities within the Group, and evaluation of management's downside sensitivities on cash flow headroom, incorporating a review of financial covenants compliance and headroom analysis throughout the forecast period.
- Review of the disclosures made in the financial statements and in the strategic report. We assessed whether these adequately disclose the basis of the judgements taken and the view formed by the Directors with respect to going concern.

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 Group and the Parent 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.

Independent auditor's report to the members of ECSC Group plc

Overview

Coverage	100% (2020: 100%) of Group loss before tax 100% (2020: 100%) of Group revenue 100% (2020: 100%) of Group total assets		
Key audit matters		2021	2020
	Capitalised development costs	✓	☒
	Going concern assessment	☒	✓
	Going concern assessment is no longer considered to be a key audit matter having regard to the refinancing that the parent company has undertaken during the year as set out in the going concern accounting policy in note 4.2 to the financial statements.		
Materiality	Group financial statements as a whole £123k (2020: £105k) based on 2% (2020: 1.85%) of revenue - refer to 'Our application of materiality' section below for details.		

An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Independent auditor's report to the members of ECSC Group plc

Financial information relating to the Parent Company was subject to a full scope audit by the Group audit team, and certain specific procedures were performed in relation to the Australian operating subsidiary by the Group audit team; covering 100% of the revenue, loss before tax and total assets of the Group for the year.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows on page 64.

Independent auditor's report to the members of ECSC Group plc

Key audit matter		How the scope of our audit addressed the key audit matter
<p>Valuation of development costs</p> <p>The group's accounting policies on impairment of internally generated development costs are shown in notes 4.10 and 5 to the financial statements and related disclosures are included in note 12.</p>	<p>The Group capitalises internally generated development costs which are included within intangible assets.</p> <p>All intangible assets are tested for impairment when indicators of impairment exist. Impairment is determined with reference to the higher of fair value less costs to sell or value in use. Significant assumptions are made in estimating future cash flows about future events including future market conditions and future growth rates.</p> <p>The Group has continued to make an operating loss in the current year and we identified a risk over the potential impairment of these assets as a result of this, and accordingly we considered this to be a key audit matter.</p>	<p>Our audit work included, but was not restricted to:</p> <ul style="list-style-type: none"> • Considering indicators of impairment at a Group level by comparing the market capitalisation of the Group to the consolidated net assets at 31 December 2021. • Performing procedures to assess and challenge the assumptions underpinning the Board's impairment assessment model over specific projects capitalised, as detailed below: • Enquiry of project managers outside of the finance function to understand the commercial purpose of specific projects capitalised; • Testing the mathematical accuracy of impairment assessment calculations and the integrity of the underlying data; • Agreeing forecast cash flows to Board approved budgets (as reviewed in the going concern review) and reviewing the reasonableness of the assumptions adopted based upon our knowledge of the business; • Challenging the growth assumptions adopted by the Directors' for future periods by considering whether these were reasonable against market expectations; • Considering the sensitivity to changes in the assumptions; and • Assessing the discount rate applied, with reference to an incrementation borrowing rate relevant to the Group, and also review of relevant sensitivities. <p>Key observations</p> <p>Following the procedures performed as set out above we are satisfied that for the assumptions made by the Directors' in assessing whether there is an impairment of internally generated developments costs at 31 December 2021 were reasonable.</p>

Independent auditor's report to the members of ECSC Group plc

Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2021 £'000s	2020 £'000s	2021 £'000s	2020 £'000s
Materiality	123	105	122	104
Basis for determining materiality	2% of revenues	1.85% of revenues	2% of revenues	1.85% of revenues
Rationale for the benchmark applied	We considered revenue to be the most appropriate measure of performance for users of financial statements, given the volatility in loss before tax.			
Performance materiality	86	79	85	78
Basis for determining performance materiality	70% (2020: 75%) of materiality, based upon there being a limited number of areas subject to significant estimation uncertainty and no significant errors identified in the prior period.			

Component materiality

We set materiality for the one significant component of the Group (being the Parent company) based on a percentage of 98% (2020: 96%) of Group materiality, which is considered aligned with the size and our assessment of the risk of material misstatement of that component. In the audit of the component, we further applied performance materiality levels of 70% (2020: 75%) of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £5,160 (2020: £4,320). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Group Strategic Report, Directors' Report and Consolidated Financial Statements, 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

Independent auditor's report to the members of ECSC Group plc

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

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

Strategic report and Directors' report	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements. <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
Matters on which we are required to report by exception	<p>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:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or the Parent Company financial statements are not in agreement with the accounting records and returns; or certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.

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 Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report to the members of ECSC Group plc

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:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industries in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Group's compliance with laws and regulations that have a significant impact on the financial statements to be UK company law, UK tax legislation, the accounting framework and ISO security standards, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included enquiries of management and of the Directors, reviewing the financial statement disclosures agreeing to underlying supporting documentation where necessary, review of Board meeting minutes and review of any applicable correspondence with legal counsel or tax authorities.

Our assessment of the susceptibility of the financial statements to fraud was through management override of controls and revenue recognition which was addressed through detailed testing. We addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year, testing for inappropriate payments being made, testing of significant estimates (included capitalised development costs, as set out in the key audit matters section of this report) and evaluating whether there was evidence of bias in the financial statements by the Directors that represented a risk of material misstatement due to fraud. We addressed the risk of inappropriate revenue recognition, including testing a sample of revenue transactions across the year to ensure these are recorded in the correct period and were not fictitious in nature.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Independent auditor's report to the members of ECSC Group plc

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

Use of our report

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

A handwritten signature in black ink that reads "BDO LLP" followed by a horizontal line.

Neil Ebdon (Senior Statutory Auditor)

For and on behalf of BDO LLP, Statutory Auditor

Leeds, UK

22 March 2022

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

Consolidated Statement of Comprehensive Income

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue	6	6,144	5,663
Cost of Sales		(2,470)	(2,115)
Gross Profit	6	3,674	3,548
Other Income	7	282	297
Sales & Marketing Costs		(2,018)	(1,713)
Administration Expenses		(2,418)	(2,403)
Operating Loss before Exceptional Items and Share Based Payments		(235)	(105)
Share Based Payments	23	100	101
Exceptional Items	27	145	65
Operating Loss	8	(480)	(271)
Finance Cost		(42)	(48)
Loss before Taxation	26	(522)	(319)
Taxation Charge/(Credit)	10	(5)	50
Loss for the Year		(527)	(269)
Other Comprehensive Income		-	-
Total Comprehensive Income for the Year		(527)	(269)
Attributed to Equity Holders of the Company		(527)	(269)
Loss per Share	11	pence	pence
Basic Loss per Share		(5.3)	(2.7)
Diluted Loss per Share		(5.3)	(2.7)

All operations are continuing. Total comprehensive income being attributable to equity holders of the parent. The accompanying accounting policies and notes form an integral part of these financial statements.

Details of the exceptional items are included in note 27.

Consolidated Statement of Financial Position

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
ASSETS			
Non-current Assets			
Intangible Assets	12	483	455
Property, Plant and Equipment	13	88	148
Right-of-use Assets	18	613	746
Deferred Tax Asset	10	147	118
Total Non-current Assets		1,331	1,467
Current Assets			
Inventory	14	9	9
Trade and Other Receivables	15	675	811
Corporation Tax Recoverable		289	216
Cash and Cash Equivalents	16	1,168	1,122
Total Current Assets		2,141	2,158
TOTAL ASSETS		3,472	3,625
LIABILITIES			
Current Liabilities			
Trade and Other Payables	17	(1,489)	(2,085)
Borrowings	19	(105)	-
Lease Liability	18	(107)	(143)
Total Current Liabilities		(1,701)	(2,228)
Non-current Liabilities			
Deferred Tax Liability	10	(124)	(90)
Borrowings	19	(858)	-
Lease Liability	18	(568)	(659)
Total Non-current Liabilities		(1,550)	(749)
TOTAL LIABILITIES		(3,251)	(2,977)
NET ASSETS		221	648
EQUITY			
Equity attributable to Owners of the Parent:			
Share Capital	20	100	100
Share Premium Account	20	-	6,098
Share Option Reserve	20	492	392
Retained Earnings	20	(371)	(5,942)
TOTAL EQUITY		221	648

The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2022 and were signed on its behalf by:



Gemma Basharan

Director

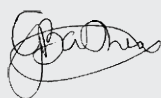
22 March 2022

ECSC Group plc
Registered Number: 03964848

Company Statement of Financial Position

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
ASSETS			
Non-current Assets			
Intangible Assets	12	483	455
Property, Plant and Equipment	13	88	147
Right-of-use Assets	18	600	711
Deferred Tax Asset	10	147	118
Total Non-current Assets		1,318	1,431
Current Assets			
Inventory	14	9	9
Trade and Other Receivables	15	743	887
Corporation Tax Recoverable		289	216
Cash and Cash Equivalents	16	1,165	1,119
Total Current Assets		2,206	2,231
TOTAL ASSETS		3,524	3,662
LIABILITIES			
Current Liabilities			
Trade and Other Payables	17	(1,561)	(2,163)
Borrowings	19	(105)	-
Lease Liability	18	(93)	(119)
Total Current Liabilities		(1,759)	(2,282)
Non-current Liabilities			
Deferred Tax Liability	10	(124)	(90)
Borrowings	19	(858)	-
Lease Liability	18	(567)	(645)
Total Non-current Liabilities		(1,549)	(735)
TOTAL LIABILITIES		(3,308)	(3,017)
NET ASSETS		216	645
EQUITY			
Equity attributable to Owners of the Parent:			
Share Capital	20	100	100
Share Premium Account	20	-	6,098
Share Option Reserve	20	492	392
Retained Earnings	20	(376)	(5,945)
TOTAL EQUITY		216	645

For the year ended 31 December 2021, Loss after Taxation for the Company was £529k (2020: loss of £270k). The financial statements were approved and authorised for issue by the Board of Directors on 22 March 2022 and were signed on its behalf by:



Gemma Basharan
Director
22 March 2022

ECSC Group plc
Registered Number: 03964848

Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings/ (Losses) £'000	Total £'000
Balance as at 31 December 2019	91	5,661	291	(5,673)	370
Loss and Total Comprehensive					
Total Comprehensive Loss for the Year	-	-	-	(269)	(269)
Transactions with shareholders					
Issue of shares	9	437	-	-	446
Share Based Payments	-	-	101	-	101
Total transactions with shareholders	9	437	101	-	547
Balance as at 31 December 2020	100	6,098	392	(5,942)	648
Loss and Total Comprehensive					
Total Comprehensive Loss for the Year	-	-	-	(527)	(527)
Transactions with shareholders					
Share Based Payments	-	-	100	-	100
Reduction of capital (note 4.7)	-	(6,098)	-	6,098	-
Total transactions with shareholders	-	(6,098)	100	-	100
Balance as at 31 December 2021	100	-	492	(371)	221

Company Statement of Changes in Equity

	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings/ (Losses) £'000	Total £'000
Balance as at 31 December 2019	91	5,661	291	(5,675)	368
Loss and Total Comprehensive Income:					
Total Comprehensive Loss for the Year	-	-	-	(270)	(270)
Transactions with shareholders					
Issue of Shares	9	437	-	-	446
Grant of Share Options	-	-	101	-	101
Total transactions with shareholders	9	437	101	-	547
Balance as at 31 December 2020	100	6,098	392	(5,945)	645
Loss and Total Comprehensive					
Total Comprehensive Loss for the Year	-	-	-	(592)	(592)
Transactions with shareholders					
Share Based Payments	-	-	100	-	100
Reduction of capital (note 4.7)	-	(6,098)	-	6,098	-
Total transactions with shareholders	-	(6,098)	100	-	100
Balance as at 31 December 2021	100	-	492	(376)	216

Consolidated Cash Flow Statement

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash Flow from / (used in) Operating Activities			
Loss before Taxation		(522)	(319)
Adjustment for:			
Amortisation of Intangibles	12	166	168
Depreciation of Right-Of-Use Assets	18	143	175
Depreciation of Property, Plant and Equipment	13	91	137
Loss/(gain) on Disposal of Tangible Asset		4	(4)
Finance Costs		42	48
Share Based Payments	23	100	101
Cash used up in Operating Activities before changes in Working Capital		24	306
Change in Inventory	14	-	17
Change in Trade and Other Receivables		(146)	(214)
Change in Trade and Other Payables		(624)	268
Cash (Used In)/Generated from Operating Activities		(746)	377
R&D Tax Credit Received		209	343
Net Cash (Used In)/ Generated from Operating Activities		(537)	720
Acquisition of Property, Plant and Equipment	13	(34)	(5)
Disposal Proceeds		-	6
Development Costs capitalised	12	(194)	(194)
Net Cash Flow used in Investing Activities		(228)	(193)
Principal Paid on Lease Liabilities	18	(172)	(195)
Interest Paid on Loans and Borrowings		(2)	(7)
Net Proceeds from Issue of Loan		985	-
Proceeds from Issue of Shares		-	500
Costs of Share Issuance		-	(54)
Net Cash generated from Financing Activities		811	244
Net increase in Cash & Cash Equivalents		46	771
Cash & Cash Equivalents at beginning of period	25	1,122	351
Cash & Cash Equivalents at end of period	16	1,168	1,122

Company Cash Flow Statement

	Note	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Cash Flow from / (used in) Operating Activities			
Loss before Taxation		(524)	(320)
Adjustment for:			
Amortisation of Intangibles	12	166	168
Amortisation of Right-Of-Use Assets	18	121	153
Depreciation of Property, Plant and Equipment	13	90	127
Loss/(gain) on Disposal of Tangible Asset		4	(4)
Finance Costs		41	46
Share Based Payments	23	100	101
Cash used up in Operating Activities before changes in Working Capital		(2)	271
Change in Inventory	14	-	17
Change in Trade and Other Receivables		(137)	(220)
Change in Trade and Other Payables		(630)	284
Cash (Used In)/Generated from Operating Activities		(769)	352
R&D Tax Credit Received		209	343
Net Cash Flow Generated from Operating Activities		(560)	695
Acquisition of Property, Plant and Equipment	13	(34)	(5)
Disposal Proceeds		-	6
Development Costs Capitalised	12	(194)	(194)
Net Cash Flow used in Investing Activities		(228)	(193)
Principal Paid on Lease Liabilities	18	(149)	(172)
Interest Paid on Loans and Borrowings		(2)	(7)
Net Proceeds from issue of loan		985	-
Proceeds from Issues of Shares		-	500
Costs of Share Issuance		-	(54)
Net Cash generated from Financing Activities		834	267
Net increase in Cash & Cash Equivalents		46	769
Cash & Cash Equivalents at beginning of period	25	1,119	350
Cash & Cash Equivalents at end of period	16	1,165	1,119



NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements

1. Corporate Information

ECSC Group plc is incorporated in England and Wales and admitted to trading on the market of the London Stock Exchange (AIM: ECSC). Further copies of these financial statements will be available at the Company's registered office: 28 Campus Road, Listerhills Science Park, Bradford, West Yorkshire, BD7 1HR. These financial statements for the year ended 31 December 2021 were approved by the Board of Directors on 22 March 2022. The principal activities for the Group are detailed in the Strategic report on pages 24-33.

2. General Information

These financial statements may contain certain statements about the future outlook of ECSC Group plc. Although the Directors believe their expectations are based on reasonable assumptions, any statements about future outlook may be influenced by factors that could cause actual outcomes and results to be materially different.

3. Basis of Preparation

These financial statements for the year ended 31 December 2021 have been prepared in accordance with UK adopted international accounting standards (collectively 'UKIAS') and as applied in accordance with the provisions of the Companies Act 2006. The Company has taken advantage of Section 408 of the Companies Act 2006 and has not included its individual statement of comprehensive income in these financial statements. The Company's overall result for the year is given in the company statement of financial position and statement of changes in shareholders' equity.

The financial statements for the period ended 31 December 2021 (and comparative) have been prepared on a consolidated basis. The consolidated financial statements present the results of the Company and its subsidiaries ('the Group') as if they formed a single entity. The financial statements of the Group and Company are both prepared in accordance with UKIAS.

Alternative performance measures (APM)

In the reporting of financial information, the Directors have adopted the APM 'Adjusted EBITDA' (APMs were previously termed 'Non-GAAP measures'), which is not defined or specified under International Financial Reporting Standards (IFRS).

This measure is not defined by UKIAS and therefore may not be directly comparable with other companies' APMs, including those in the Group's industry. APMs should be considered in addition to, and are not intended to be a substitute for, or superior to, UKIAS measurements.

Purpose

The Directors believe that this APM assists in providing additional useful information on the underlying trends, performance and position of the Group. This APM is also used to enhance the comparability of information between reporting periods and business units, by adjusting for non-recurring or uncontrollable factors which affect IFRS measures, to aid the user in understanding the Group's performance.

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and this remains consistent with the prior year.

Notes to the Financial Statements cont.

Adjusted APMs are used by the Group in order to understand underlying performance and exclude items which distort comparability, as well as being consistent with public broker forecasts and measures (see note 26).

The financial statements have been presented in thousands of Pounds Sterling (£'000, GBP) as this is the currency of the primary economic environment that the Company operates in.

4. Accounting Policies

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

4.1 Basis of Accounting

The financial statements have been prepared on the historical cost basis except as stated.

New IFRS standards, amendments to and interpretations not applied to published standards

The following new standards, amendments to standards and interpretations will be mandatory for the first time in future financial years:

Notes to the Financial Statements cont.

	Issued date	IASB mandatory effective date (UK mandatory effective date)	UK Adoption status (EU pre 31 December 2020)
New Standards			
IFRS 17 Insurance contracts including Amendments to IFRS 17 (issued on 25 June 2020)	18-May-2017 and 25-June-2020	01-Jan-2023	TBC
Amendments to existing standards			
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	23-Jan-2020	01-Jan-2023	TBC
Amendments to: IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets	14-May-2020	01-Jan-2022	TBC
Annual Improvements to IFRSs (2018-2020 Cycle): IFRS 1, IFRS 9, Illustrative Examples accompanying IFRS 16, IAS 41	14-May-2020	01-Jan-2022	TBC
Amendments to IFRS 16 Leases COVID 19-Related Rent Concessions	28-May-2020	01-Jun-2020	Endorsed
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	25-June-2020	01-Jan-2021	Adopted by UKEB
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2	27-Aug-2020	01-Jan-2021	Adopted by UKEB
Amendments to IAS 8 – Definition of Accounting Estimates	12-Feb-2021	01-Jan-2023	TBC
Amendments to IAS 1 and IFRS Practice Statement 2 – Disclosure of Accounting policies	12-Feb-2021	01-Jan-2023	TBC
Amendments to IFRS 16 Leases COVID 19-Related Rent Concessions beyond 30 June 2021	31-Mar-2021	01-Apr-2021	Adopted by UKEB
Amendments to IAS 12 – Deferred Tax related to Assets and Liabilities arising from a single Transaction	07-Feb-2021	01-Jan-2023	TBC
Amendments to IFRS 17 – initial Application of IFRS 17 and IFRS 9 – Comparative Information	09-Dec-2021	01-Jan-2023	TBC

The application of these standards and interpretations is not expected to have a material impact on the Group's reporting financial performance or position.

Notes to the Financial Statements cont.

4.2 Going Concern

The Directors have reviewed whether the Group has adequate resources to continue in operational existence for the foreseeable future, being no shorter than 12 months from the date of approving the Annual Report. In conducting this review, the Directors have considered a range of factors, including the market prospects for cyber security services, client relationships and dependency, supplier relationships and dependency, actual or potential litigation, staff retention and reliance, relationships with HMRC and regulators, financing arrangements, historic trading and cash flow performance, current trading and cash flow performance, and future trading and cash flow expectations. In undertaking their review, the Directors have prepared financial projections for the years ending 31 December 2022 and 2023, a review which assumes continued revenue growth and cost efficiency.

The budget figures are closely monitored against actuals on a monthly basis. Variances that may arise are discussed a Board level on a monthly basis during a review of the monthly numbers. In the event that this revenue and cost performance is not achieved, the Directors have also considered a sensitivity analysis based on lower revenue growth, increase in salaries inflation and have formulated contingency plans for this scenario, which enable the Group to preserve its financial resources.

In light of the continued COVID-19 pandemic, the Directors have continued to carefully monitor the situation especially the Group's going concern position to ensure the Group is in a robust place to manage additional risks and uncertainties created by the pandemic. During 2021, the Group demonstrated its ability to grow under these challenging conditions achieving an 8% growth in revenue and maintained a positive adjusted EBITDA profit. As at 31 December 2021, the Group had an adjusted EBITDA profit of £0.2m (2020: £0.4m), and an operating loss of £0.5m (2020: £0.3m) due to an increase in Sales and Marketing costs.

In December 2021, the Group entered into a borrowing facility with Growth Lending Limited. The net proceeds of which will be used for working capital purposes and to support the Group's overall organic growth strategy. The new borrowing facility comprises an initial £1.0m term loan received on 24 December 2021 and a further £0.5m loan to be drawn down after six months subject to an agreed level of adjusted EBITDA being achieved. The facility term is 60 months with an interest rate at the higher of 9% per annum or the monthly average SONIA plus 7%. The borrowings will support the short to medium term needs of the business and improve the ability to drive growth. The Loan facility is secured by a fixed charge over the assets of the Company. As at 31 December 2021, the Group had cash and cash equivalents of £1.17m (2020: £1.12m).

Based on this review, the Directors have concluded that the Group has adequate resources to meet its liabilities as they fall due and continue in operational existence for the foreseeable future, which is considered to be at least the next 12 months from the date of approval of the financial statements. Consequently, the Directors have adopted the going concern basis in preparing the financial statements.

4.3 Revenue Recognition

The core principle is that revenue should only be recognised as the client receives the benefit of the goods or services provided under a commercial contract, in an amount that reflects the consideration to which the provider expects to be entitled for the transfer of the goods or services.

Notes to the Financial Statements cont.

Performance obligations and timing of revenue recognition

Revenue comprises the sales value of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts. Revenue from the provision of Consulting services is recognised as services are rendered, based on the contracted daily billing rate and the number of days delivered during the period.

Revenue from pre-paid contracts are deferred in the balance sheet and recognised on utilisation of service by the client. Pre-paid revenue is included within Assurance in note 6. Revenue from Managed Services & response (MDR) contracts include multiple performance obligation as set out below:

- Hardware – hardware revenue is recognised on delivery and is included within other revenue as set out in note 6. This is when control of hardware passes to the customer.
- Device build - Device build revenue is deferred and recognised on a straight line basis over the term of the contract.
- Licensing - deferred and recognised on a straight line basis over the invoice period, due to the performance obligation not being considered distinct from management and monitoring performance obligation
- Management and monitoring - deferred and recognised on a straight line basis over the invoice period.
- Revenue from the sale of products (vendor) is recognised when control passes to the customer, which is considered to occur when the software or hardware product has been delivered to the client.

Determining the transaction price

The Group's revenue is derived from fixed price contracts and therefore the amount of revenues to be earned from each contract is determined by reference to those fixed prices.

Costs of obtaining long-term contracts and costs of fulfilling contracts

Commissions paid to sales staff for work in obtaining Managed Service contracts are prepaid and amortised over the terms of the contract on a straight line basis.

Commissions paid to sales staff for work in obtaining the Prepaid Consultancy contracts are recognised in the month of invoice.

4.4 Finance Income

Finance income is accrued on an annual basis, by reference to the principal outstanding at the applicable effective credit interest rate.

4.5 Government Grant Income

A government grant is recognised only when there is reasonable assurance that (a) the entity will comply with any conditions attached to the grant and (b) the grant will be received.

The grant is recognised as income over the period necessary to match them with the related costs, for which they are intended to compensate, on a systematic basis.

Government Grant Income is recognised in the Statement of Comprehensive Income over the period in which the Company recognises expenses for the related costs for which the grants are intended to compensate.

Notes to the Financial Statements cont.

Grants relating to income are deducted from the related expense.

Government tax credits available on eligible Research and Development expenditure ('R&D Tax Credits') and not reclaimable through other means are recognised as Other Income (see note 7).

Coronavirus Job Retention Scheme (CJRS)

Where the Group receive Coronavirus Job Retention Scheme (CJRS) expenditure credits, it is accounted for as government grant as income and matched with the relevant staff costs in which they are intended to compensate. The income has been recognised in the period to which the underlying furloughed staff costs relate to in accordance with IAS20. (see note 9).

Australia Government Grants

Where the Group received the JobKeeper payment (wage subsidy which provided a \$1,500 payment per fortnight per employee from 1st April 2020 until 27 September 2020) and the Cash Flow Boost for Employers, it is accounted for as government grant as income and matched with the relevant staff costs in which they are intended to compensate. The income has been recognised in the period to which the underlying grant staff costs relate to in accordance with IAS20. (see note 9).

4.6 Operating Loss

Operating Loss is stated after all expenses, including those considered to be exceptional, but before finance income or expenses. Exceptional items are items of income or expense which, because of their nature or size, require separate presentation to allow shareholders to better understand the financial performance of the period and allow comparison with prior years.

4.7 Foreign Currencies

Financial assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing at the date of the transaction. Exchange differences are recognised in Operating Profit.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating those prevailing when the transactions took place. All assets and liabilities of overseas entities are translated at the rate prevailing at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in Other Comprehensive Income and accumulated in the foreign exchange reserve.

4.8 Employee Benefits

Short-Term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

Notes to the Financial Statements cont.

Defined Contribution Pension Scheme

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions are charged to the Statement of Comprehensive Income. The Company also contributes to the personal pension plans of the Directors in accordance with their Service Contracts.

Employee Share Based Payments

Where equity settled share options are granted to employees (including Directors), the fair value of the options at the date of grant is charged to the Consolidated Statement of Comprehensive Income, as a Share Based Payment Charge, over the vesting period of the options, with a corresponding movement in the Share Option Reserve.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after modification, is also charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period.

Where options are cancelled and replaced, modification treatment is adopted which results in the recognition of any incremental fair value but not any reduction in fair value. Any increase in the fair value of the options, measured immediately at replacement, is charged to the Consolidated Statement of Comprehensive Income. The cancelled options continue to be charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period. The share option reserves is released to retained earnings at the point at which the options are exercised.

4.9 Property, Plant and Equipment

Property, plant and equipment is stated at cost less accumulated depreciation and any impairment losses. Cost comprises the purchase price of property, plant and equipment together with any directly attributable costs. Subsequent costs are included in an asset's carrying value or recognised as a separate asset, when it is probable that future economic benefits associated with the additional expenditure will flow to the Group and the cost of the item can be measured reliably. All other costs are charged to the profit or loss when incurred.

Depreciation is calculated so as to write-off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

- | | |
|----------------------|----------------------|
| • Leasehold Property | 20% reducing balance |
| • Office Equipment | 20% reducing balance |
| • Computer Equipment | 33% straight line |
| • Motor Vehicles | 20% straight line |

Notes to the Financial Statements cont.

Methods of depreciation, residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. The gain or loss arising from the disposal or retirement of an item of property, plant and equipment is determined as the difference between the net disposal proceeds and the carrying amount of the item, and is included in the profit or loss.

4.10 Research and Development Expenditure

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

Development costs incurred on specific projects are capitalised when all the following conditions are satisfied:

- completion of the intangible asset is technically feasible so that it will be available for use or sale
 - the Group intends to complete the intangible asset and use or sell it
 - the Group has the ability to use or sell the intangible asset
 - the intangible asset will generate probable future economic benefits. Among other things, this requires that there is a market for the output from the intangible asset or for the intangible asset itself, or, if it is to be used internally, the asset will be used in generating such benefits
 - there are adequate technical, financial and other resources to complete the development and to use or sell the intangible asset, and
 - the expenditure attributable to the intangible asset during its development can be measured reliably.
- Development costs not meeting the criteria for capitalisation are expensed as incurred.

The cost of an internally generated intangible asset comprises all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management.

Directly attributable costs include employee (other than directors) costs incurred on development and directly attributable overheads. The costs of internally generated software developments are recognised as intangible assets.

Capitalised assets are amortised over their useful economic life, which is considered to be five years.

If the criteria set out in IAS 38 are not met, expenditure on development activities is recognised as an expense in the period in which it is incurred.

Impairment

At each balance sheet date, the Group assesses whether there is any indication that its assets have been impaired. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. The value in use is the present value of the future cash flows expected to be derived from an asset or cash-generating unit.

Notes to the Financial Statements cont.

This present value is discounted using a pre-tax rate that reflects current market assessments of the time value of money and of the risks specific to the asset for which future cash flow estimates have not been adjusted. If the recoverable amount of an asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. That reduction is recognised as an impairment loss.

An impairment loss relating to assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in the profit or loss.

If an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount but limited to the carrying amount that would have been determined had no impairment loss been recognised in prior years. A reversal of an impairment loss is recognised in profit or loss. Impairment losses on goodwill are not subsequently reversed.

4.11 Inventories

Inventories are carried at the lower of cost or net realisable value. Net realisable value is calculated based on the expected revenue from sale in the normal course of business less any costs to sell. Due allowance is made for obsolete and slow moving items.

4.12 Financial Instruments

Financial Assets

The Group and Company's Financial Assets include Cash and Cash Equivalents, Trade Receivables and Other Receivables.

- **Initial Recognition and Measurement**

Financial Assets are classified as amortised cost and initially measured at fair value.

- **Subsequent Measurement**

Financial assets are subsequently measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

The Group has applied the simplified method of the expected credit loss model when calculating impairment losses on its financial assets measured at amortised cost, such as trade receivables. This assessment is performed on a trade receivables and contract assets basis considering forward-looking information, including the use of macroeconomic information, around our customer contracts and payment history. The credit risk of financial instruments has not considered to have changed since initial recognition.

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- (i) the asset is held within a business model with the objective of collecting the contractual cash flows; and
- (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Notes to the Financial Statements cont.

- **De-recognition of Financial Assets**

The Group and Company de-recognises a Financial Asset only when the contractual rights to the cash flows from the asset expire, or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity.

Financial Liabilities and Equity Instruments

The Group and Company's Financial Liabilities includes Trade Payables, Accruals, Bank borrowings and Other Payables. Financial Liabilities are classified at amortised cost.

- **Classification as Debt or Equity**

Financial Liabilities and Equity Instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a Financial Liability and an Equity Instrument.

- **Equity Instruments**

An Equity Instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity Instruments are recorded at the proceeds received, net of direct issue costs.

- **Trade Payables, Other Payables, Bank borrowings and Accruals**

Trade Payables, Accruals and Other Payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

Initial recognition and measurement

Financial liabilities are initially measured at fair value, and, where applicable, adjusted for transaction costs unless the Group designated a financial liability at fair value through profit or loss.

Subsequent measurement

Subsequently, financial liabilities are measured at amortised cost using the effective interest method except for financial liabilities designated at FVTPL, which are carried subsequently at fair value with gains or losses recognised in profit or loss. All interest-related charges are included within finance costs or finance income.

Borrowings are recorded initially at fair value, net of direct issue costs, and subsequently are recorded at amortised cost using the effective interest method.

- **De-recognition of Financial Liabilities**

The Company de-recognises financial liabilities when the Company's obligations are discharged, cancelled or expire.

Notes to the Financial Statements cont.

Offsetting of Financial Instruments

Financial Assets and Financial Liabilities are offset, and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

4.13 Cash and Cash Equivalents

Cash and Cash Equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

4.14 Impairment of Assets

Non-Financial Assets

The carrying amounts of the Group and Company's Non-Financial Assets, other than Deferred Tax Assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. 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 risk specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit and loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.15 Corporation Tax

Corporation Tax expense represents the sum of the tax currently payable and Deferred Tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible.

The Group and Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial period.

Notes to the Financial Statements cont.

Government tax credits available on eligible Research and Development expenditure and not reclaimable through other means are recognised as Other Income and treated as a government grant. This applies when there are no taxable profits against which to offset the tax credit. The amount receivable by the Group and Company is shown on the face of the balance sheet within Corporation Tax Recoverable.

4.16 Deferred Tax

Deferred Tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred Tax Assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred Tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

4.17 Share Capital

Ordinary Share Capital is recorded at nominal value and proceeds received in excess of nominal value of shares issued, if any, is accounted for in the Share Premium Account. Both Ordinary Share Capital and Share Premium Account are classified as equity. Costs incurred directly to the issue of shares are accounted for as a deduction from Share Premium Account; otherwise such costs are charged to the Statement of Comprehensive Income.

Share capital reduction

Where the Company enters into a share capital reduction exercise, the share premium of the Company is cancelled and amounts are transferred to retained earnings.

4.18 Operating Segments

An operating segment is a component of the Group and the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

An operating segment's operating results are reviewed regularly by the Directors of the Company to assess performance and make decisions about resource allocation.

The Board considers that the Company's activity constitutes three operating and three reporting segments as defined under IFRS 8.

Notes to the Financial Statements cont.

4.19 Related Parties

Parties are considered to be related if one party has the ability (directly or indirectly) to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

4.20 Exceptional Items

The Group seeks to highlight certain items as exceptional operating income or costs. These are considered to be exceptional in size, frequency and/or nature rather than indicative of the underlying day to day trading of the Group. These may include items such as acquisition costs, restructuring costs, obsolescence costs, employee exit and transition costs, legal costs, material profits or losses on disposal of property, plant and equipment, profits or losses on the disposal of subsidiaries, loan impairment, deferred consideration fair value or pandemic costs.

All of these items are charged or credited before calculating operating profit or loss. Material profits or losses on disposal of property, plant and equipment are shown as separate items in arriving at operating profit or loss whereas other exceptional items are charged or credited within operating costs and highlighted by analysis.

The Directors apply judgement in assessing the particular items, which by virtue of their size and nature are disclosed separately in the Statement of Comprehensive Income and the notes to the financial statements as exceptional items.

The Directors believe that the separate disclosure of these items is relevant to understanding the Group's financial performance.

5. Critical Accounting Judgements, Estimates and Sources of Estimation Uncertainty

In applying the accounting policies, the Directors may at times be required to make critical accounting judgements and estimates about the carrying amount of assets and liabilities. These estimates and assumptions, when made, are based on historical experience and other factors that the Directors consider are relevant.

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are stated below.

Judgements

Going Concern

Management apply their judgement in reviewing whether the Group has adequate resources to continue in operational existence for the foreseeable future, which is considered to be 12 months from the date of approval of the financial statement. The Group have undertaken sensitivity analysis around possible uncertainties, further detail regarding the impact is detail on page 29.

Notes to the Financial Statements cont.

Development Costs Capitalised & Amortised

Management apply their judgement in determining whether an identified intangible software asset meets the criteria for capitalisation under IAS 38. The carrying value of Intangible Assets as at 31 December 2021 was £483k (2020: £455k).

Management estimate the percentage of development staff time used to enhance and improve the Group's intangible software assets in order to capitalise a proportion of salary costs each period. In the year ended 31 December 2021, the amount of staff time capitalised into Intangible Assets was £194k (2020: £194k).

Development Costs capitalised into Intangible Assets are amortised over management's estimate of the useful economic life of the asset recognised. In the year ended 31 December 2021, the useful economic life of all Intangible Assets was estimated to be 5 years, resulting in an amortisation charge of £166k (2020: £168k).

All intangible assets and property, plant and equipment are tested for impairment when indicators of impairment exist. Impairment is determined with reference to the higher of fair value less costs to sell or value in use. Value in use is estimated using adjusted future cash flows and referenced to WACC/discount rates of 4.66%. Significant assumptions are made in estimating future cash flows about future events including future market conditions and future growth rates.

6. Revenue and Segment Information

The Group's principal revenue is derived from the provision of cyber security professional services.

During this period, the Directors received information on financial performance on a divisional basis. The Directors consider that there are three reportable operating segments: Assurance (including Remote Support services), MDR, and Vendor Products. There were a small number of other transactions recorded during each period which are not considered to be part of either of the three reportable operating segments. These are presented below within the 'Other' caption and are not significant.

The Directors do not receive any information on the financial position of each segment, including information on assets and liabilities. Accordingly, no such information has not been presented.

The Group is not reliant on any single client, with no single client accounting for 10% or more of revenue. All revenue recognised is derived from external clients.

Notes to the Financial Statements cont.

The Group has PPE located in the UK (cost of £919k; NBV of £88k) and Australia (cost of £57k; NBV nil). The Group's revenue and gross profit by operating segment for the year ended 31 December 2021 were as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue		
Assurance	3,123	2,724
MDR	2,886	2,732
Vendor Products	93	125
Other	42	82
Total Revenue	6,144	5,663
Gross Profit		
Assurance	1,965	1,576
MDR	1,757	1,994
Vendor Products	15	25
Other	(63)	(47)
Gross Profit	3,674	3,548
Operating Loss	(480)	(271)
Finance Cost	(42)	(48)
Loss before Taxation	(522)	(319)

Revenue by country for the year ended 31 December 2021 was as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
United Kingdom	5,911	5,294
Europe	107	278
United States	36	-
Channel Island	87	89
Other Countries	3	2
Total	6,144	5,663

Notes to the Financial Statements cont.

The Group's United Kingdom revenue by operating segment for the year ended 31 December 2021 was as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Revenue United Kingdom		
Assurance	3,025	2,367
MDR	2,759	2,724
Vendor Products	88	124
Other	39	79
Total	5,911	5,294

Contract Balances

	Contract Assets 2021 £'000	Contract Assets 2020 £'000	Contract Liabilities 2021 £'000	Contract Liabilities 2020 £'000
At 1 January	34	43	(878)	(866)
Commission expensed during the period	(91)	(62)	-	-
Commissions paid in advance of contract completion	77	53	-	-
Recognised as revenue during the period	-	-	3,286	3,390
Cash received in advance of performance during period	-	-	(3,091)	(3,402)
At 31 December 2021	20	34	(683)	(878)

7. Other Income

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Gain on sale of Asset	-	4
R&D Tax Credits	282	293
Total	282	297

A credit has been recognised within Other Income as a result of R&D Tax Credit surrenders. For the year ended 31 December 2020, the surrender resulted in a credit of £212k relating to R&D undertaken in 2020, included within Corporation Tax Recoverable, and an additional credit received of £81k for additional R&D expenditure relating to 2018.

Notes to the Financial Statements cont.

8. Operating Loss

Operating Loss is stated after charging:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Depreciation of Fixed Assets	91	137
Amortisation of Intangibles - Development Costs	166	168
Depreciation of right of use assets	143	175
R&D expenditure	948	786
Short-term and low value lease expense	63	76
Auditors Remuneration - Audit Services	50	45
Auditors Remuneration - Non-Audit Services		
Taxation Compliance Services	14	8
Other Taxation and Compliance Services	5	12
Exceptional items (note 27)	145	65
Inventories Expensed	7	8

The amount charged in respect of Auditors' Remuneration for the Group and the Company audit was £50k (2020: £45k). None of the subsidiaries (see note 28) of the Group were subject to audit in the year ended 31 December 2021.

9. Employee Benefit Expense

Employee Benefit Expense (including Directors) during the periods amounted to:

	GROUP Year Ended 31 December 2021 £'000	GROUP Year Ended 31 December 2020 £'000	COMPANY Year Ended 31 December 2021 £'000	COMPANY Year Ended 31 December 2020 £'000
Wages and Salaries - Gross	4,420	4,269	4,237	4,033
Government Grants	-	[292]	-	[203]
Wages and Salaries	4,420	3,977	4,237	3,830
Social Security Costs	550	452	492	404
Pension Contributions	218	179	194	161
Share Based Payments	100	101	100	101
	5,288	4,709	5,023	4,496

Notes to the Financial Statements cont.

Directors' remuneration for the Group and Company is as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Salaries, Bonus, Benefits-in-Kind	610	662
Pension Contributions	51	47
Share Based Payments	70	120
Social Security Costs	73	78
	804	907

Details of Directors' remuneration can be found in the Remuneration Report on pages 43-48.

Key management personnel, being those persons having responsibility for planning, directing and controlling the activities of the Group, are considered to be the Directors listed on page 36 (Board of Directors).

Amounts paid to the highest paid director in the period were as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Salaries, Bonus, Benefits-in-Kind	243	219
Pension Contributions	23	20
	266	239

Group

The average monthly number of employees during the year was:

	Year ended 31 December 2021	Year ended 31 December 2020
Directors	6	6
Operational	81	81
	87	87

Notes to the Financial Statements cont.

Company

The average monthly number of employees during the year was:

	Year ended 31 December 2021	Year ended 31 December 2020
Directors	6	6
Operational	76	77
	82	83

10. Taxation

Recognised in the Statement of Comprehensive Income

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Corporation Tax Charge / (Credit)	-	-
Deferred Tax Charge / (Credit)	5	(50)
Total Tax Charge) /(Credit)	5	(50)

Reconciliation of Total Tax Charge/(Credit)

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Loss before Tax	(522)	(319)
UK Corporation At Rate Of 19.0% (2020: 19.0%)	(99)	(61)
Expenses Not Deductible For Tax Purposes	2	2
Over/Under Provision in Prior Period - Deferred Tax	5	(50)
Tax Losses on Which Deferred Tax Not Recognised	97	59
Total Tax Charge /(Credit)	5	(50)

Notes to the Financial Statements cont.

Deferred Tax Assets & Liabilities

Deferred tax asset

	2021 £'000	2020 £'000
At 1 Jan	118	77
Disallowable provisions	2	3
Profit and loss debit in respect of losses realised	87	13
Share options	(60)	25
At 31 Dec	147	118

Deferred tax liability

	2021 £'000	2020 £'000
At 1 Jan	(90)	(99)
Profit and loss credit in request of timing differences	(34)	9
At 31 Dec	(124)	(90)

Deferred Tax Assets of £147k is recognised in respect of unutilised trading losses, Share options of £19k (2020: £78k) and short-term timing differences of £7k (2020: £5k). Deferred Tax Liabilities of £124k arise on timing differences in the carrying value of certain of the Company's assets for financial reporting purposes and for corporation tax purposes. These will reverse as the fair value of the related assets are depreciated over time. Deferred Tax balances have been calculated at the rate of 25% (2020: 19%), being the rate of Corporation Tax expected to be in force when the timing differences reverse.

Unutilised Trading Losses

The Company continues to carry forward unutilised trading losses of £5,448k (2020: £5,111k). A Deferred Tax Asset of £122k (2019: £35k) has been recognised as at 31 December 2021 in respect of the unutilised trading losses. No further Deferred Tax Asset has been recognised because the Board envisages that a significant period of time will be required to generate sufficient profits to utilise the trading losses carried forward.

11. Earnings per Share

Basic Earnings per Share is calculated by dividing the loss for the period attributable to Equity Holders of the Company by the weighted average number of Ordinary Shares outstanding during the period ('Basic Number of Ordinary Shares').

Diluted Earnings per Share is calculated by dividing the loss for the period attributable to Equity Holders of the Company 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 all the potential dilutive Ordinary Shares ('Diluted Number of Ordinary Shares'), subject to the effect of anti-dilutive potential shares being ignored in accordance with IAS 33.

Notes to the Financial Statements cont.

Adjusted Earnings per Share is calculated by dividing Adjusted loss (after adding-back exceptional costs incurred in the period; see note 26) by Diluted Number of Ordinary Shares.

The calculation of Basic, Diluted and Adjusted Earnings per Share is as follows:

	Year ended 31 December 2021 £'000	Year ended 31 December 2020 £'000
Net Loss Attributable To Equity Holders Of The Company	(527)	(269)
Add Back: Exceptional Costs	145	65
Add Back: Share Based Payments	100	101
Adjusted Loss	(282)	(103)
Number Of Ordinary Shares ('000)		
Initial Weighted Average	10,007	9,098
Shares Issued in April 2020	-	909
Basic Number Of Ordinary Shares	10,007	10,007
Weighted Average Dilutive Shares In Period	1,160	906
Diluted Number Of Ordinary Shares	11,167	10,913
Earnings Per Share (Pence):		
Basic Losses Per Share	(5.3)	(2.7)
Diluted Losses Per Share**	(5.3)	(2.7)
Adjusted Losses Per Share	(2.8)	(1.0)

** In accordance with IAS 33, the effect of anti-dilutive potential shares has been ignored.

During the prior year ended 31 December 2020, the following dilutive events have occurred:

- On 17 April 2020, 909,091 ordinary shares were issued for £0.45m (net of expenses of £0.05m).
- On 21 August 2020, the Company granted options over 588,037 Ordinary Shares to selected employees, including 144,758 to Director Lucy Sharp, 103,602 to Director Ian Castle and 64,651 to Director Gemma Basharan, of which 587,107 remain outstanding as at 31 December 2020.
- On 28 August 2020, the Company granted options over 450,000 Ordinary Shares to selected employees, including 100,000 to Director Ian Mann, 100,000 to Director Lucy Sharp, 80,000 to Director Ian Castle and 80,000 to Director Gemma Basharan, of which 450,000 remain outstanding as at 31 December 2020.

These dilutive events were taken into account in calculating Diluted Number of Ordinary Shares.

Notes to the Financial Statements cont.

12. Intangible Assets

GROUP & COMPANY

Development Costs

Costs	£'000
As at 1 January 2020	1,085
Additions	194
As at 31 December 2020	1,279
As at 1 January 2021	1,279
Additions	194
As at 31 December 2021	1,473
Amortisation	
As at 1 January 2020	656
Charges for the year	168
As at 31 December 2020	824
As at 1 January 2021	824
Charges for the year	166
As at 31 December 2021	990
Net Book Value	
As at 31 December 2020	455
As at 31 December 2021	483

Notes to the Financial Statements cont.

13. Property, Plant and Equipment

GROUP

	Leasehold Property £'000	Office Equipment £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 January 2020	115	136	679	23	953
Additions	-	-	5	-	5
Disposals	-	-	(5)	-	(5)
At 31 December 2020	115	136	679	23	953
Additions	-	-	34	-	34
Disposals	(7)	(4)	-	-	(11)
At 31 December 2021	108	132	713	23	976
Depreciation					
At 1 January 2020	63	75	518	14	670
Charge for Period	16	21	95	5	137
Disposals	-	-	(2)	-	(2)
At 31 December 2020	79	96	611	19	805
Charge for Period	16	18	55	2	91
Disposals	(5)	(3)	-	-	(8)
At 31 December 2021	90	111	666	21	888
Net Book Value					
At 31 December 2020	36	40	68	4	148
At 31 December 2021	18	21	47	2	88

Notes to the Financial Statements cont.

COMPANY

	Leasehold Property £'000	Office Equipment £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 January 2020	115	114	644	23	896
Additions	-	-	5	-	5
Disposals	-	-	(5)	-	(5)
At 31 December 2020	115	114	644	23	896
Additions	-	-	34	-	34
Disposals	(7)	(4)	-	-	(11)
At 31 December 2021	108	110	678	23	919
Depreciation					
At 1 January 2020	63	58	489	14	624
Charge for Period	16	18	88	5	127
Disposals	-	-	(2)	-	(2)
At 31 December 2020	79	76	575	19	749
Charge for Period	16	16	56	2	90
Disposals	(5)	(3)	-	-	(8)
At 31 December 2021	90	89	631	21	831
Net Book Value					
At 31 December 2020	36	38	69	4	147
At 31 December 2021	18	21	47	2	88

14. Inventory

	GROUP Year Ended 31 December 2021 £'000	GROUP As At 31 December 2020 £'000	COMPANY Year Ended 31 December 2021 £'000	COMPANY As At 31 December 2020 £'000
Inventory	9	9	9	9

Notes to the Financial Statements cont.

15. Trade Receivables and Other Receivables

	GROUP As At 31 December 2021 £'000	GROUP As At 31 December 2020 £'000	COMPANY As At 31 December 2021 £'000	COMPANY As At 31 December 2020 £'000
Trade Receivables - Gross	459	613	459	613
Allowance for Credit Losses	-	(5)	-	(5)
Trade Receivables	459	608	459	608
Other Receivables	8	9	8	9
Intercompany Receivables	-	-	94	98
Prepayments	161	159	135	137
Contract Asset	47	35	37	35
	675	811	743	887

Trade receivables are stated net of impairment for estimated irrecoverable amounts of £nil (2020: £5k). This impairment has been determined by reference to past default experience and known issues. Write offs are made when the irrecoverable amount becomes certain. The Directors consider that the carrying amount of trade and other receivables approximates to their fair value.

An analysis of the trade receivables past due but not impaired is:

	GROUP As At 31 December 2021 £'000	GROUP As At 31 December 2020 £'000	COMPANY As At 31 December 2021 £'000	COMPANY As At 31 December 2020 £'000
60 to 120 days	-	40	-	40
Less provision	-	(5)	-	(5)
Total trade debtors past due but not impaired	-	35	-	35
Add: Less than 60 days	459	573	459	573
Net trade receivables	459	608	459	608

Based on the above, the Directors have not recognised the expected credit loss on grounds of triviality to the Group. The Directors consider the credit quality of trade and other receivables that are neither past due nor impaired to be good.

Intercompany Receivables represent loans provided by ECSC Group plc to ECSC Australia Pty Ltd. The loans are repayable on demand, no expected credit loss is attributed to them. Intercompany balances between ECSC Group plc and ECSC Australia Pty Ltd are subject to interest charges by the debtor entity at the annual rate of 3.00% above the Bank of England Base Rate.

Notes to the Financial Statements cont.

16. Cash & Cash Equivalents

	GROUP As At 31 December 2021 £'000	GROUP As At 31 December 2020 £'000	COMPANY As At 31 December 2021 £'000	COMPANY As At 31 December 2020 £'000
Cash & Cash Equivalents	1,168	1,122	1,165	1,119

17. Trade Payables and Other Payables

	GROUP As At 31 December 2021 £'000	GROUP As At 31 December 2020 £'000	COMPANY As At 31 December 2021 £'000	COMPANY As At 31 December 2020 £'000
Trade Payables	190	146	187	146
Other Taxation and Social Security	391	823	388	821
Accruals	192	207	191	206
Contract Liabilities	683	878	683	878
Intercompany Payables	-	-	86	86
Other Payables	33	31	26	26
	1,489	2,085	1,561	2,163

The carrying amount of Trade Payables and Other Payables approximates to their fair value due to their short term nature.

Contract Liabilities arises when a customer pays the Group in advance (in advance is defined at more than one monthly period) for unfulfilled performance obligations relating to data insight. The entity has contracts spanning from one to three years at the year end. The Contract Liability will be released to the income statement as the performance obligations are met. Revenue recognised in the reporting period that was included in the contract liability balance at the beginning of the period was £878k (2020: £866k). No revenue has been recognised in the reporting period in respect of performance obligations satisfied in previous periods

Notes to the Financial Statements cont.

18. Leases

On commencement of a contract (or part of a contract) which gives the group the right to use an asset for a period of time in exchange for consideration, the group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

All leases are accounted for by recognising a right-of-use and a lease liability except for:

- **Leases of low-value assets**

Leases where the underlying asset is 'low-value', £5k lease payments are recognised as an expense on a straight-line basis over the lease term. The group has elected to apply the 'low-value' lease exemption to all qualifying leases, but the election can be made on a lease-by-lease basis.

- **Short term lease**

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

- Short-term lease expense £61k
- Low value lease expense £3k

The group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the group will consider whether the absence of a break clause would expose the group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the group.

Right-of-use Assets

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the group.

The right-of-use asset is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. The amortisation methods applied is on a straight-line basis over the term of the lease.

Amortisation charge for the year is included in 'administrative expenses' for right-of-use assets.

Notes to the Financial Statements cont.

Group

	Office buildings £'000	Motor vehicles £'000	IT equipment £'000	Total £'000
At 1 January 2020	849	26	21	896
Additions	-	22	-	22
Variable lease payment adjustment	4	-	(1)	3
Amortisation	(133)	(22)	(20)	(175)
NBV at 31 December 2020	720	26	-	746
At 1 January 2021	720	26	-	746
Additions	-	23	-	23
Disposal	(13)	-	-	(13)
Amortisation	(123)	(20)	-	(143)
NBV at 31 December 2021	584	29	-	613

Company

	Office buildings £'000	Motor vehicles £'000	IT equipment £'000	Total £'000
At 1 January 2020	792	26	21	839
Additions	-	22	-	22
Variable lease payment adjustment	4	-	(1)	3
Amortisation	(111)	(22)	(20)	(153)
NBV at 31 December 2020	685	26	-	711
At 1 January 2021	685	26	-	711
Additions	-	23	-	23
Disposal	(13)	-	-	(13)
Amortisation	(101)	(20)	-	(121)
NBV at 31 December 2021	571	29	-	600

Notes to the Financial Statements cont.

Lease Liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the group is reasonably certain to exercise and termination periods that the group is reasonably certain not to exercise.

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest expense for the year on lease liabilities is recognised in 'finance costs'.

Group

	Office buildings £'000	Motor vehicles £'000	IT equipment £'000	Total £'000
At 1 January 2020	889	23	19	931
Additions	-	22	-	22
Variable lease payment adjustment	4	-	(1)	3
Interest Expense	37	2	2	41
Lease Payments	(150)	(24)	(21)	(195)
NBV at 31 December 2020	780	23	(1)	802
At 1 January 2021	780	23	(1)	802
Additions	-	23	-	23
Disposal	(12)	-	-	(12)
Interest Expense	31	2	1	34
Lease Payments	(150)	(22)	-	(172)
At 31 December 2021	649	26	-	675

Notes to the Financial Statements cont.

Company

	Office buildings £'000	Motor vehicles £'000	IT equipment £'000	Total £'000
At 1 January 2020	830	23	19	872
Additions	-	22	-	22
Variable lease payment adjustment	4	-	(1)	3
Interest Expense	35	2	2	39
Lease Payments	(127)	(24)	(21)	(172)
At 31 December 2020	742	23	(1)	764
At 1 January 2021	742	23	(1)	764
Additions	-	23	-	23
Disposal	(12)	-	-	(12)
Interest Expense	31	2	1	34
Lease Payments	(127)	(22)	-	(149)
At 31 December 2021	634	26	-	660

Group and Company

	Up To 12 months £'000	1-5 years £'000	more than 5 years £'000
At 31 December 2021			
Lease Payments	135	433	213
Interest Expense	(28)	(69)	(9)
Lease Liabilities	107	364	204

19. Borrowings

	2021 £'000	2020 £'000
Current		
Loan	108	-
Interest	6	-
Direct Fees	(9)	-
Net Borrowings	105	-
Non- Current		
Loan	892	-
Direct Fees	(34)	-
Net Borrowings	858	-

Notes to the Financial Statements cont.

The Group has been provided with payments facilities by Barclays Bank PLC, including a BACS payment facility and a credit card facility.

New borrowing facility

In December 2021, the Group entered into a new borrowing five-year Growth loan facility with Growth Lending Limited, the net proceeds of which will be used for working capital purposes and to support the Group's overall organic growth strategy.

The new borrowing facility comprises an initial advance upon completion of £1.0m and a further advance of £0.5m to be drawn down after six months subject to an agreed level of adjusted EBITDA being achieved.

The facility term is 60 months with straight-line amortisation of the loan commencing after 6 months. The interest rate on each advance is set at the higher of 9.0% per annum or the monthly average SONIA plus 7%. There is an arrangement fee of 1.5% of the facility amount paid on completion with a 5% early prepayment.

The loan was arranged by Funding Friends Limited which received a fee of 1% of the loan on completion in respect of advisory fees. The Loan facility is secured by a fixed charge over the assets of the Company.

The effective interest rates on the Group's borrowings were as follows:

	2021 %	2020 %
Borrowings - £1m	9.0	-

The Maturity profile of the Group's non-current borrowing was as follows:

	2021 £'000	2020 £'000
Between one and two years	214	-
Between two and five years	644	-
	858	-

The Group's bank borrowing bear interest at floating rates, which represent prevailing market rates.

Notes to the Financial Statements cont.

20. Share Capital

Ordinary Share Capital

During the period ended 31 December 2021, the movement in Share Capital was:

Ordinary Shares	Number of Shares Issued and Fully Paid	Ordinary Share Capital £'000
As at 1 January 2020	9,098,497	91
New Shares Issued	909,091	9
At at 31 December 2020	10,007,588	100
As at 1 January 2021	10,007,588	100
New Shares Issued	-	-
At at 31 December 2021	10,007,588	100

On 17 April 2020 909,091 ordinary shares were issued for £0.45m (net of expenses of £0.05m).

Share Premium Account

The balance of the Share Premium Account represents amounts received in excess of the nominal value (1 pence per share) of Ordinary Shares. This account is non-distributable.

Capital reduction

On 26 August 2021, the Company completed a reduction of its share capital, whereby the entire amount of £6.1 million standing to the credit of the Company's share premium account will be cancelled thereby creating distributable reserves, which will allow the Company to pay dividends or make distributions to its shareholders and/or undertake a buyback of its ordinary shares in due course, should it be appropriate or desirable to do so

Share Option Reserve

The balance of the Share Option Reserve represents the accumulated amounts charged to the Statement of Comprehensive Income in respect of Share Based Payments. This reserve is non-distributable.

Retained Earnings

The balance of the Retained Earnings account represents the accumulated retained profits or losses of the Group. This account is a distributable reserve, provided that the accumulated balance is positive.

Notes to the Financial Statements cont.

21. Financial Instruments and Financial Risk Management

The Group's and Company's principal financial instruments comprise:

- Cash and Cash Equivalents
- Trade Receivables
- Other Receivables
- Intercompany Receivables
- Trade Payables
- Accruals
- Intercompany Payables
- Other Payables
- Bank borrowings

The Group's and Company's accounting policies, including the criteria for recognition, and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability, are set out in note 4.14 to the financial statements. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows, are disclosed in the respective notes where applicable. The Group and Company does not use financial instruments for speculative purposes.

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

	GROUP As At 31 December 2021 £'000	GROUP As At 31 December 2020 £'000	COMPANY As At 31 December 2021 £'000	COMPANY As At 31 December 2020 £'000
Financial Assets				
Trade Receivables	459	608	459	608
Other Receivables	8	9	8	9
Intercompany Receivables	-	-	94	98
Cash and Cash Equivalents	1,168	1,122	1,165	1,119
Total Financial Assets	1,635	1,739	1,726	1,834
Financial Liabilities				
Trade Payables	190	146	187	146
Accruals	192	207	191	206
Intercompany Payables	-	-	86	86
Borrowings	966	-	933	-
Other Payables	33	31	26	26
Total Financial Liabilities	1,381	384	1,423	464

Notes to the Financial Statements cont.

Fair Values

The Directors have assessed that the fair values of Cash and Cash Equivalents, Trade Receivables, Trade Payables, Other Payables and Bank borrowings approximate to their carrying amounts largely due to the short-term maturities of these instruments. There are no fair value adjustments to assets or liabilities charged to the Statement of Comprehensive Income.

Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk – commodity price risk, interest rate risk; and foreign currency risk. The Group and Company has limited exposure to each of these risks as discussed below.

Capital Management

The Group's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing products and services commensurately with the level of risk.

No supplier financing arrangements or credit insurance is in place.

The Group's dividend policy is to monitor reserves available for distribution to shareholders.

The Group monitors capital on the basis of carrying amount of equity less cash and cash equivalents as presented on the face of the balance sheet. Capital for the reporting periods under review is set out below.

	GROUP 2021 £'000	GROUP 2020 £'000	COMPANY 2021 £'000	COMPANY 2020 £'000
Cash and cash equivalents	1,168	1,122	1,165	1,119
Trade and receivables	628	776	602	754
Contract assets	47	35	47	35
Total	1,843	1,933	1,814	1,908

Credit risk is the risk that a counterparty will cause a financial loss to the Group by failing to discharge its obligations to the Group. The Group manages its exposure to this risk by applying limits to the amount of credit exposure to any one counterparty and employs strict minimum credit worthiness criteria as to the choice of counterparty. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount. The Group considers credit risk to be low due to its processes and the nature of its clients, which includes a broad spread of large corporates, SMEs and public sector organisations.

The Group uses an expected credit loss model for impairment that represents its estimate of incurred losses in respect of the Trade Receivables as appropriate.

Notes to the Financial Statements cont.

The Group applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. The expected loss rates are based on the Group's historical credit losses experienced over the two year period prior to the period end.

The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customer. Under the expected credit loss model impairment allowance wasn't material resulting in no provision being made. (see note 15).

Trade Receivables

Trade Receivables, net of impairment provisions, for the Group and Company as at 31 December 2021 were £459k (2020: £608k). These Trade Receivables are not secured by any collateral or credit insurance. The Group's standard terms are 30 days from date of invoice but non-standard terms may be agreed with certain customers. Invoices which remain unpaid for periods greater than agreed terms are assessed as overdue.

As at 31 December 2021, Trade Receivables past due for the Group and Company total £126k (2020: £196k) of which nil (2020: £5k) have been impaired.

As at 31 December 2021, Trade Receivables of £126k (2020: £196k) were past due but not impaired, as follows:

	GROUP As At 31 December 2021 £'000	GROUP As At 31 December 2020 £'000	COMPANY As At 31 December 2021 £'000	COMPANY As At 31 December 2020 £'000
Up to 3 months	126	196	126	196
3 months to 6 months	-	-	-	-
6 months to 12 months	-	-	-	-
	126	196	126	196

Cash Holdings

The Group only holds cash at mainstream banking institutions to mitigate the credit risk on cash deposits. The credit rating of the principal banking institution is A (Standard & Poor's).

Interest Rate Risk

The Company's exposure to changes in interest rates relates to Cash Holdings borrowings, Borrowings and Finance Leases.

Cash is held either on current or short term deposits at a floating rate of interest determined by the relevant bank's prevailing base rate.

The Group has minimal cash flow interest rate risk as its external borrowing is expected to remain at 9% throughout the life of the loan and will never exceed 14.99%.

Notes to the Financial Statements cont.

Foreign Currency Exchange Risks

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of the changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expenses are denominated in a foreign currency.

The Group does not hedge its foreign currencies. Transactions with customers are mainly denominated in GBP.

The Group has suppliers that invoice in US dollars and Australian dollars. The balances exposed to credit risk at year end were as follows:

	As At 31 December 2021 000	As At 31 December 2020 000
US Dollars	17	-
Australian Dollars	7	3
	24	3

Liquidity Risks

Liquidity risk arises from the Group's management of working capital. It is the risk 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. Budgets and forecasts are agreed and set by the Board in advance to ensure the Group's cash requirement to be anticipated.

The maturity profile of the Group's financial liabilities at the reporting dates, based on contractual undiscounted payments including lease payments, are summarised below:

At 31 December 2021	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 5 years £'000	Over 5 years £'000
Trade payables and other payables	769	15	22	-
Borrowings	69	173	1,062	-
Lease Liabilities	37	98	433	317
Total	875	286	1,517	317

Notes to the Financial Statements cont.

At 31 December 2020	Up to 3 months £'000	Between 3 and 12 months £'000	Between 1 and 5 years £'000	Over 5 years £'000
Trade payables and other payables	971	216	20	-
Lease Liabilities	38	138	447	317
Total	1,009	354	467	317

22. Related Party Transactions

ECSC Australia Pty Ltd

During the year ended 31 December 2021, ECSC Group plc incurred management fees to ECSC Australia Pty Ltd of £325k (2020: £204k). As at 31 December 2021, the balance payable by ECSC Group plc to ECSC Australia Pty Ltd in respect of outstanding management fees was £86k (2020: £86k).

As at 31 December 2021, the loan balance payable by ECSC Australia Pty Ltd to ECSC Group plc was £94k (2020: £98k). The loan is repayable on demand and attracts interest at the rate of 3% over base rate.

Expandly

During the year ended 31 December 2021, ECSC Group plc invoiced Expandly £6k (2020: £5k) a company that Elizabeth Gooch (Non-Executive Director) is a Director of, for consultancy work. This transaction was entered into on an arm's length basis. The balance payable as at 31 December 2021 was £nil (2020: nil)

Nivo

During the year ended 31 December 2021, ECSC Group plc invoiced Nivo £1k a company that Elizabeth Gooch (Non-Executive Director) is a Director of, for consultancy work. This transaction was entered into on an arm's length basis. The balance payable as at 31 December 2021 was £nil (2020: nil)

23. Share Based Payments

Share Based Payment Schemes

The Company operates a number of equity-settled Share Based Payment schemes, as follows:

- Enterprise Management Incentive ('EMI') Scheme
- Save As You Earn ('SAYE') Share Option Scheme
- Non-Executive Director Remuneration Scheme ('NED Scheme')
- Non-Executive Directors Share Options ('NED1 Scheme')

Notes to the Financial Statements cont.

EMI Scheme

On 04 February 2020 the Company granted over 65,000 Ordinary Shares at an exercise price of 108 pence per share, subject to a three year vesting period to the following Directors:

	Ordinary Shares
Lucy Sharp	25,000
Ian Castle	20,000
Gemma Basharan	20,000

In order for the options to vest, Ordinary Shares must trade at a minimum mid-market price 200 pence per share over 30 consecutive trading days during the vesting period.

During the year ended 31 December 2020, option over 65,000 Ordinary Shares were cancelled.

On 21 August 2020 the Company cancelled options over 588,040 Ordinary Shares in the Company as set out below.

EMI Grant Date	Exercise Price (pence)	Cancelled Ordinary Shares
May-17	167	152,540
Dec-17	140	25,000
Aug-18	93	170,000
Jul-19	78	175,500
Feb-20	108	65,000
TOTAL		588,040

Following the above cancellation of Ordinary Shares options, on 21 August 2020, the Company granted options over 588,040 new Ordinary Shares to the same Company employees, at an exercise price of 65 pence per share. In order for the new Options to vest and become exercisable at any time over a ten-year period from the date of grant subject to the Company's closing mid-market price exceeding 167 pence per Ordinary Share for 10 consecutive business days. Within the grant the following Directors of the Company were granted the following Ordinary Shares:

	Ordinary Shares
Lucy Sharp	144,758
Ian Castle	103,602
Gemma Basharan	64,651

During the year ended 31 December 2021, options over 68,465 (2020: 933) Ordinary Shares have lapsed, such that options over 518,642 (2020: 587,107) Ordinary Shares remain exercisable in the future.

Notes to the Financial Statements cont.

On 28 September 2020 the Company granted over 450,000 new Ordinary Shares in the Company at an exercise price of 69 pence per share. Over 90,000 Ordinary Share options were granted to Employees and become exercisable one year from the date of grant, subject to the Company's closing mid-market share price exceeding 167 pence for 10 consecutive business days. All Options expire on the tenth anniversary of the date of grant.

Within the grant the following Directors of the Company were granted the following Ordinary Shares:

	Ordinary Shares
Ian Mann	100,000
Lucy Sharp	100,000
Ian Castle	80,000
Gemma Basharan	80,000

The Director Options are exercisable from the relevant vesting date, subject to the Company's closing mid-market share price exceeding certain targets for 10 consecutive business days, being 167 pence for the first vesting period, 200p for the second vesting period, 225 pence for the third vesting period and 250 pence for the final vesting period.

During the year ended 31 December 2021, options over 15,400 Ordinary Shares have lapsed, such that options over 434,600 (2020: 450,000) Ordinary Shares remain exercisable in the future.

Notes to the Financial Statements cont.

Scheme	EMI (May-17)	EMI (Dec '17)	EMI (Aug '18)	EMI (Jul '19)	EMI (Feb 20)	EMI (Aug 20)	EMI (Sep 20)	SAYE	NED	NED 1 (Apr '18)	Total
Number of Options:											
Outstanding at 01 January 2020	152,540	25,000	170,000	175,500	-	-	-	19,584	6,411	200,000	749,035
Granted during the year	-	-	-	-	65,000	588,040	450,000	-	-	-	1,103,040
Forfeited during the year	(152,540)	(25,000)	(170,000)	(175,500)	(65,000)	(933)	-	-	-	-	(588,973)
Exercised during the year	-	-	-	-	-	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-	-	(19,584)	-	-	(19,584)
Outstanding at 31 December 2020	-	-	-	-	-	587,107	450,000	-	6,411	200,000	1,243,518
Exercisable at 31 December 2020	-	-	-	-	-	-	-	-	6,411	-	6,411
Outstanding at 01 January 2021	-	-	-	-	-	587,107	450,000	-	6,411	200,000	1,234,518
Granted during the year	-	-	-	-	-	-	-	-	-	-	0
Forfeited during the year	-	-	-	-	-	(68,465)	(15,400)	-	-	-	(83,865)
Exercised during the year	-	-	-	-	-	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-	-	-	-	-	0
Outstanding at 31 December 2021	-	-	-	-	-	518,642	434,600	-	6,411	200,000	1,159,653
Option Pricing Assumptions:											
Pricing Model	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	
Weighted Average share price at grant date (pence)	312	135	93	78	108	65	69	131	125	79	
Weighted average exercise price (pence)	167	140	93	78	108	65	69	125	-	78	
Weighted Average contract life	3 years	3 years	3 years	3 years	3 years	10 years	10 years	3 years	0 years	3 years	
Weighted Average risk free rate	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	
Volatility	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	
Option Valuation:											
Option Valuation at grant date (£'000)	-	-	-	-	-	190	155	-	8	45	398
Share Based Payments Charge in 2020:											
Share Based Payment Charge (£'000)	-	-	5	9	7	-	74	-	-	5	100
Weighted Average Exercise Price:											
At grant date, forfeit date and end of period (pence)	-	-	-	-	-	65	69	-	-	78	

Share Based Payment Charge

In accordance with the requirements of IFRS 2, the Company calculated the fair value of the share options at the date of grant using a Black Scholes option pricing model for the EMI and SAYE Schemes. For the NED scheme, the fair value of the services rendered was assessed.

A Share Based Payment charge is recognised by spreading the fair value of the option over the maturity period, with allowance made for options that have lapsed in the period.

The movement in the number of options during the year, the option pricing assumptions, the option valuation at the grant date and the Share Based Payment Charge in the year, for each scheme described above, is as follows:

Notes to the Financial Statements cont.

The volatility assumption, calculated at the standard deviation of expected share price returns, is based on analysis of the share prices of comparable companies over the last 3-5 years.

Modification treatment

In accordance with the requirements of IFRS 2, the Company adopted the modification treatment with regards to the cancellation and replacement of options. This resulted in no incremental fair value being recognised as the fair value at the grant date of the replacement options was lower than the fair value of the cancelled options. The cancelled options continue to be charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period.

24. Controlling Party

ECSC Group plc does not have an ultimate controlling party.

25. Supporting statement of cash flows

Cash and cash equivalents comprise:

	GROUP 2021 £'000	GROUP 2020 £'000	COMPANY 2021 £'000	COMPANY 2020 £'000
Cash available on demand	1,168	1,122	1,165	1,119
Net cash increase/(decrease) in cash and cash equivalent	46	771	46	769
Cash and cash equivalents at the beginning of the year	1,122	351	1,119	350
	1,168	1,122	1,165	1,119

Notes to the Financial Statements cont.

26. Adjusted Loss before Taxation and Adjusted EBITDA

Adjusted Loss before Taxation

	Year Ended 31 December 2021 £'000	Year Ended 31 December 2020 £'000
Loss Before Taxation	(522)	(319)
Share Based Payments	100	101
Exceptional Items	145	65
Adjusted Loss Before Taxation	(277)	(153)

Adjusted EBITDA:

	Year Ended 31 December 2021 £'000	Year Ended 31 December 2020 £'000
Operating Loss	(480)	(271)
Depreciation and Amortisation	400	480
EBITDA**	(80)	209
Share Based Payments	100	101
Exceptional Items	145	65
Adjusted EBITDA*	165	375

	Year Ended 31 December 2021 £'000	Year Ended 31 December 2020 £'000
Operating Loss	(480)	(271)
Share Based Payments	100	101
Exceptional Items	145	65
Adjusted Operating Loss*	(235)	(105)

* Adjusted Operating Loss and EBITDA excludes exceptional items and share based payments.

** EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.

Notes to the Financial Statements cont.

27. Exceptional Costs

During the year ended 31 December 2021, the Company re-engineered its sales process. During this process, a number of one-off, exceptional costs were incurred, including payments in lieu of notice, redundancy payments and consultancy costs. These Exceptional Costs totalled £145k and were charged to the Statement of Comprehensive Income in the year ended 31 December 2021.

Exceptional Costs are analysed as follows:

	As At 31 December 2021 £'000	As At 31 December 2020 £'000
Payments in Lieu of Notice	14	46
Redundancy Payments	18	7
Employee Benefit Expense	32	53
Taxation & Social Security Costs	4	8
Staff Related Costs	36	61
Legal Costs	22	4
Sales restructure costs	87	-
Exceptional Costs	145	65

Notes to the Financial Statements cont.

28. Subsidiary Undertakings

ECSC Group plc currently has the following wholly-owned subsidiaries, which are incorporated and registered in England and Wales:

Name of Subsidiary	Registered Office	Date of Incorporation	Principal Activity
ECSC Services Limited	28 Campus Road Listerhills Science Park Bradford BD7 1HR	18 April 2017	Dormant
ECSC Labs Limited	28 Campus Road Listerhills Science Park Bradford BD7 1HR	18 April 2017	Dormant
ECSC Australia Limited	28 Campus Road Listerhills Science Park Bradford BD7 1HR	29 September 2016	Intermediary holding company

ECSC Australia Limited currently has the following wholly-owned subsidiary, which is incorporated and registered in Australia:

Name of Subsidiary	Registered Office	Date of Incorporation	Principal Activity
ECSC Australia Pty Limited	Governor Phillip Tower Level 36 1 Farrer Place Sydney NSW 2000	20 March 2017	Provision of professional cyber security services

The share capital of each Group entity is as follows:

Entity	Ordinary Shares In Issue	Nominal Value	Investment At Cost
ECSC Services Limited	1 share	£1	£1
ECSC Labs Limited	1 share	£1	£1
ECSC Australia Limited	1 share	£1	£1
ECSC Australia Pty Limited	100 shares	AUD 1	AUD 100
Total			£60
*AUD = Australian Dollars			

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“
Really professional, flexible but with a human and common sense approach...you have a great team. I would always recommend you to another organisation if the opportunity came up as my experience has been really good. Thank you.
Quality Coordinator, Charity
”

“
The consultancy was excellent and achieved our goals. The reporting from the testing was to a very high standard.
Chief Information Security Officer, IT (Software)
”

“
From start to finish, all aspects were undertaken in an efficient, effective and professional manner.
Business Operations, Pharmaceuticals
”