24 March 2021

ECSC Group plc

('ECSC' or the 'Company' or the 'Group')

Final Results for the Year Ended 31 December 2020

Strong recovery delivering adjusted EBITDA profitability and cash generation

ECSC Group plc (AIM: ECSC) a leading provider of cyber security services, announces its audited final results for the year ended 31 December 2020.

Highlights

- Managed Detection and Response (MDR) recurring revenue growth of 22% to £2.42m (2019: £1.98m)
- MDR revenue up 6% to £2.73m (2019: £2.59m)
- Adjusted EBITDA* profit £0.4m (2019: break-even)
- Organic revenue growth down 4% to £5.66m (2019: £5.91m) due to short-term COVID-19 related impact in Q2
- Cash of £1.12m at period end (31 December 2019: £0.35m), including £0.42m of COVID-19 related medium-term government support relating to VAT and PAYE deferral. The Group's bank facility of £0.5m remains un-utilised.

* Adjusted EBITDA excludes one-off charges and share based charges (see note 12)

Operational Highlights

- 90 new Assurance clients secured (2019: 118)
- Continued development of partner programme, with over 150 partners signed up, expanding reach and routes to market
- Continued development of proprietary Artificial Intelligence (AI) software, with 14% R&D investment

Post-Period Highlights

- Major contract wins in MDR division for one of the UK’s major charities and a national leisure group
- Market forecasts resumed for 2021 and 2022

Ian Mann, Chief Executive Officer of ECSC, commented:

“The Group responded rapidly to the challenges posed by the pandemic, drawing up a strategy early on to manage the situation effectively and ensure business continuity. As a result, we are delighted to report growing adjusted EBITDA profitability and cash generation for the 2020 financial year.

“Despite the impact of COVID-19 on the Assurance division in Q2, we began to see rapid recovery in Q3 and a return to growth of 6% in Q4 against Q4 2019, as well as an addition of 90 new clients to the division, which is testament to both our business resilience and market demand.

“The continued growth in recurring MDR revenue demonstrates the strength of this service line, and our effective strategy of winning consulting clients and converting them into long-term managed services clients.

“The strong momentum of Q4 has continued into Q1 2021, with a number of impressive contract wins in our MDR division. We are resuming our organic growth strategy and related recruitment activities, and we look forward to keeping the market updated on our progress.”

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For more information please visit the following: https://investor.ecsc.co.uk/

Notes to Editors:

Founded in 2000, ECSC Group plc (AIM: ECSC) is the UK's longest running full-service cyber security service provider. With an extensive range of in-house developed proprietary technologies, including advanced Artificial Intelligence (AI) systems, ECSC provides expert security breach prevention and advisory support to organisations across all sectors.

ECSC operates from two Security Operations Centres (SOCs): one in Yorkshire, UK, and the other in Brisbane, Australia. ECSC offers flexible 24/7/365 cyber security monitoring, detection, and response support to its clients, either as a fully managed service or to enhance an organisation's existing cyber security systems. In addition, ECSC's Assurance division provides guidance, certification to industry standards, and extensive testing services to allow organisations to assess their cyber security protection.

The Company's broad client base ranges from e-commerce start-ups to global blue-chip organisations, including 10% of the FTSE 100.

For more information please visit the following: https://investor.ecsc.co.uk/

Chairman's Statement

These results demonstrate solid growth in the Group's adjusted EBITDA profitability and cash generation. The encouraging progress we have seen in our Managed Detection and Response (MDR) division has been driven by continuing market demand and increasing awareness of ECSC's expertise in both the development of technologies and in the area of Artificial Intelligence (AI). This highlights the ongoing requirements for all organisations to maintain their cyber security defences, and we have emerged from the most difficult period imaginable in a strong position.

Despite the ongoing uncertainty 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 in order to achieve a very credible set of results throughout a period of unprecedented economic turmoil.

The confirmation of the multi-million-pound fines related to the UK and European General Data Protection Regulation (GDPR) substantiate the new regulatory environment that all organisations have to acknowledge; building resilience into their cyber security protection, detection and response capabilities. ECSC remains the 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 the incident and limit damaging consequences. 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 £0.5m (before costs) fundraise in April 2020 demonstrated the continued support from our institutional investors and reduced our risk exposure during the uncertain months of 2020. As a result of the growth in profitability and cash generation, the Group did not utilise this additional funding.

I'm pleased to note that we have maintained a stable team throughout these difficult times, with staff retention at an improved rate of 91%.

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 is well-positioned in the growing cyber security marketplace, and we are now resuming our organic growth strategy and related recruitment activities.

David Mathewson
Non-Executive Chairman
24 March 2021

Chief Executive Officer's Review

The Group made solid progress during the 2020 financial year, and we are particularly pleased to report growing adjusted EBITDA profitability and cash generation.

The £3m of Group revenue in H2 illustrates the recovery in the Assurance division following the COVID-19 related impact seen in Q2. The continued growth in recurring MDR revenue demonstrates the resilience of this service line, and our effective strategy of winning consulting clients and converting them into long-term managed services clients.

COVID-19 Impact

One year ago, at the time of publishing our annual results, the potential impact of the pandemic was beginning to emerge. As such, we led our Annual Report with our strategy of managing the situation. This included:

1. Re-engineering services traditionally delivered on-site with clients to enable remote and home working, ensuring the safety of our clients and our team.
2. Ensuring the continued delivery of off-site 24/7 managed services with uninterrupted compliance with all agreed Service Level Agreements (SLAs).
3. Making use of government support and reducing costs to a break-even level during the short-term period of revenue loss.

The management team, and the efforts of all employees, ensured we met the first two objectives and exceeded the third.

To reduce the overall risk to the Group, in April 2020 we conducted a fully subscribed £0.5m (before costs) fundraise from existing and new institutional investors to strengthen our cash position, and reduce the risks of either an extended lockdown, or potential long-term disruption without the uncertain government support.

The direct revenue impact of COVID-19 was most evident in two areas:

Firstly, the Assurance division, comprising mainly consultancy type services, was impacted with client cancellations and delays to confirmed projects. Having seen Assurance growth in Q1 2020 of just over 4% compared with the 2019 average quarterly revenue, Q2 2020 saw revenue drop by over 50% against the same comparator.

However, Q3 2020 demonstrated a rapid recovery to only 4% down on average 2019 quarterly revenues, with Q4 returning to growth of over 6% against the same comparator.

Secondly, client chargeable expenses declined from £53k in Q1 2020 to only £8k in Q2 2020, and only £21k combined in Q3 2020 and Q4 2020 as remote working continued.

The combined reductions in revenue for the Assurance division in Q2 and expenses for the year came to over £400k. This compares with the overall Group revenue reduction of £242k for the year, showing the reduced revenue was due to the short-term impact of COVID-19.

Return to Profitability
The combination of the strong recovery in the Assurance division in Q3, the continued recurring revenue growth in the MDR division of 22%, and careful control of costs, saw Group Adjusted EBITDA profit of £0.4m (2019 break-even).

Growth Strategy
We are confident that the organic growth strategy of ECSC remains appropriate. Despite the challenges of 2020, we added 90 new Assurance division clients. In addition, we expanded the Partner Programme to over 150 partners, contributing to 4% of revenue (2019: 2%) and 13% of the new client wins.

Key Performance Indicators
The Key Performance Indicators below were established in 2018 to enable meaningful measurement of the Group's performance.

Performance Indicator	Rationale	2020	2019	2018	Management Comment
	Measurement of the				The Group saw a decline in

Revenue Growth	success of the organic growth strategy	(4%)	10%	35%	Assurance revenue and rechargeable expenses due to COVID-19 pandemic. Assurance revenues returned to growth in Q4
MDR Recurring Revenue Growth	Visibility of the success of increasing the percentage of revenue from long-term recurring revenues	22%	27%	46%	Continued growth due to new contract wins and contract expansions, building on the 2017 investment
MDR Recurring Revenue Proportion	Visibility of the success of increasing the percentage of revenue from long-term recurring revenues	43%	34%	29%	In line with the strategy to increase this proportion
MDR Order Book	Combined measurement of new client contracts together with renewals of existing client contracts	£2.6m	£2.6m	£2.5m	The management team's favoured overall measure of progress in managed services
MDR Gross Margin	Delivery efficiency measurement	73%	68%	53%	Indicative of increased leveraging of IPO investment in capacity
Assurance Repeat Revenue	Quasi-recurring from longer- term consulting clients	73%	73%	78%	Indicative of strong client retention and continued trust in ECSC quality
Assurance Gross Margin	Delivery efficiency measurement	58%	54%	57%	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	14%	13%	8%	A new measure introduced to show continued investment in technologies for the future

Outlook
ECSC is well-positioned in the growing cyber security marketplace and looks forward with confidence to delivering improved operating results and shareholder value.

Ian Mann
Chief Executive Officer
24 March 2021

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 2020	Year ended 31 December 2019

	£'000	£'000
Revenue		
Assurance	2,724	2,922
MDR	2,732	2,585
Vendor Products	125	162
Other	82	236
	5,663	**5,905**
Gross Profit		
Assurance	1,576	1,574
MDR	1,994	1,745
Vendor Products	25	29
Other	(47)	12
	3,548	**3,360**
Adjusted EBITDA*		
Other Income	297	263
Sales & Marketing Costs	(1,713)	(1,958)
Administration Expenses	(1,757)	(1,664)
	375	**1**
EBITDA**		
Share Based Payments	(101)	(105)
Exceptional Items	(65)	(6)
	209	**(110)**
Depreciation and Amortisation	(480)	(594)
Adjusted Operating Loss*	**(105)**	**(593)**
Operating Loss	**(271)**	**(704)**

* Adjusted Operating Loss and EBITDA excludes one-off charges and share based charges.
** EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation
(See note 12 in the Financial Statements).

Revenue & Organic Growth

Total revenue in the year ended 31 December 2020 was £5.66m, down 4% on the comparable prior period (revenue in the 12 months ended 31 December 2019 was £5.91m). Within this, Assurance revenue fell by 7% to £2.72m (2019: £2.92m).

MDR division revenue rose by 6% in the year to £2.73m (2019: £2.59m). This includes recurring revenue which rose to £2.42m (2019: £1.98m) and Incident Response revenues which fell to £0.31m (2019: £0.60m).

Vendor Products revenue in the year fell by 23% to £0.13m (2019: £0.16m).

Margin Generation

Gross Profit for the year was £3.55m, yielding a 63% margin (2019: £3.36m, yielding a 57% margin). This was due to improved margins across the Assurance, MDR and Vendor divisions.

The Assurance margin rose to 58% in the year (2019: 54%). This was due to cost controls over the period. The Board expects the Assurance margin to continue at a similar level in the future.

The MDR margin rose to 73% (2019: 68%), with the increase being a direct result of new contracts utilising the capacity built in previous years and cost controls.

EBITDA & Operating Loss

Adjusted EBITDA for the year, which excludes one-off charges and share based charges, was £0.4m (2019: Break-even). EBITDA for the year was a profit of £0.21m (2019: loss of £0.11m).

Adjusted Operating Loss for the year, which excludes one-off charges and share based charges, was £0.11m (2019: loss of £0.59m). The Operating Loss in the year was £0.27m (2019: loss of £0.70m).

Cash Flow

Cash and cash equivalents increased by £0.77m to £1.12m as at 31 December 2020 primarily due to improved margins across the Assurance and MDR divisions £0.29m of Covid related Government grants, and the proceeds from the fundraise undertaken during the year which raised £0.5m (before costs).

Intangible Asset

Intangible asset costs have increased to £1.28m (2019: £1.09m). This is offset by amortisation of £0.82m. The Group's development cost for the year was £0.19m. The Net Book Value of Intangible Assets as at 31 December 2020 was therefore £0.46m (2019: £0.43m). During the year, the Group received a refund of £0.29m from HMRC in respect of a surrender of R&D Tax Credits from earlier periods.

Tangible Asset

Property, plant and equipment (PPE) cost has remained at £0.95m (2019: £0.95m). This is offset by depreciation of £0.81m. The Group's capital expenditure for the year was £0.01m. The Net Book Value of Tangible Assets as at 31 December 2020 was £0.15m (2019: £0.28m).

Trade and other receivables

Trade and other receivables decreased to £0.81m (2019: £0.89m) as at 31 December 2020. This includes £0.61m of Trade receivables.

Trade and other payables

Trade and other payables increased to £2.09m (2019: £1.82m) as at 31 December 2020. This includes £0.88m of deferred income (2019: £0.87m).

Key Performance Indicators

The Key Performance Indicators are set out above.

Balance Sheet

The Group's Balance Sheet as at 31 December 2020 had Net Assets of £0.65m (2019: £0.37m). Retained Earnings and Distributable Reserves as at 31 December 2020 were a cumulative loss of £5.94m (2019: cumulative loss of £5.67m).

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 invoicing discounting facility of £0.5m, which remains unused. The facility was renewed in August 2020 for a minimum 12 months period with a three month notice period. The Board expects to renew the facility for a further 12 months following the annual review expected in August 2021. However, if it is not renewed, the cashflow forecast demonstrates that the facility is for prudence only and is not relied upon. 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.

Dividend

The Board has not declared a dividend for the year ended 31 December 2020 (2019: £nil).

Gemma Basharan
Chief Financial Officer
24 March 2021

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue	**5**	**5,663**	**5,905**
Cost of Sales		(2,115)	(2,545)
Gross Profit	**5**	**3,548**	**3,360**
Other Income		297	263
Sales & Marketing Costs		(1,713)	(1,958)
Administration Expenses		(2,403)	(2,369)
Operating Loss before Exceptional Items and Share Based Payments		**(105)**	**(593)**
Share Based Payments		101	105
Exceptional Items		65	6
Operating Loss		**(271)**	**(704)**
Finance Cost		(48)	(46)
Loss before Taxation	**12**	**(319)**	**(750)**
Taxation Credit/(Charge)	**6**	50	(26)
Loss for the year		**(269)**	**(776)**
Other Comprehensive Income		-	-
Total Comprehensive Loss for the year		**(269)**	**(776)**
Attributed to Equity Holders of the Company		**(269)**	**(776)**
Loss per Share	**7**	**pence**	**pence**
Basic Loss per Share		(2.7)	(8.5)
Diluted Loss per Share		(2.7)	(8.5)

Consolidated Statement of Financial Position

As at 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019* £'000

ASSETS			
Non-current Assets			
Intangible Assets	**8**	455	429
Property, Plant and Equipment	**9**	148	283
Right-of-use Assets	**11**	746	896
Deferred Tax Asset	**6**	118	77
Total Non-current Assets		1,467	1,685
Current Assets			
Inventory		9	26
Trade and Other Receivables		811	890
Corporation Tax Recoverable		216	265
Cash and Cash Equivalents	**10**	1,122	351
Total Current Assets		2,158	1,532
TOTAL ASSETS		**3,625**	**3,217**
LIABILITIES			
Current Liabilities			
Trade and Other Payables		(2,085)	(1,817)
Lease Liability	**11**	(143)	(150)
Total Current Liabilities		(2,228)	(1,967)
Non-current Liabilities			
Deferred Tax Liability	**6**	(90)	(99)
Lease Liability	**11**	(659)	(781)
Total Non-current Liabilities		(749)	(880)
TOTAL LIABILITIES		**(2,977)**	**(2,847)**
NET ASSETS		**648**	**370**
EQUITY			
Equity attributable to Owners of the Parent:			
Share Capital		100	91
Share Premium Account		6,098	5,661
Share Option Reserve		392	291
Retained Earnings		(5,942)	(5,673)
TOTAL EQUITY		**648**	**370**

*A prior year restatement of £320k is accounted for to remove trade receivables and contract liabilities in relation to amounts invoiced but not due as at 31 December 2019 where the performance obligation had not commenced at that date. This restatement does not impact the statement of comprehensive income for the Group or Company only financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 31 December 2018	**91**	**5,661**	**186**	**(4,897)**	**1,041**

Loss and Total Comprehensive:					
Total comprehensive loss for the year	-	-	-	(776)	**(776)**
Transactions with shareholders					
Issue of Shares	-	-	-	-	**-**
Share Based Payments	-	-	105	-	**105**
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**
Balance as at 31 December 2020	**100**	**6,098**	**392**	**(5,942)**	**648**

Consolidated Cash Flow Statement

For the year ended 31 December 2020

	Note	**Year ended 31 December 2020 £'000**	**Year ended 31 December 2019 £'000**
Cash Flow from/(used in) Operating Activities			
Loss before Taxation		(319)	(750)
Adjustment for:			
Amortisation of Intangibles	**8**	168	177
Depreciation of right-of-use assets	**11**	175	200
Depreciation of Property, Plant and Equipment	**9**	137	217
Profit on Disposal of Equipment		(4)	(1)
Finance costs		48	46
Share Based Payments		101	105
Cash used up in Operating Activities before changes in Working Capital		**306**	**(6)**
Change in Inventory		17	(8)
Change in Trade and Other Receivables		(214)	(349)
Change in Trade and Other Payables		268	428
Change on Other non cash items		-	(13)
Cash generated from Operating Activities		**377**	**52**

R&D tax credit received		343	152
Net Cash Flow generated from Operating Activities		**720**	**204**
Acquisition of Property, Plant and Equipment	**9**	(5)	(129)
Disposal Proceeds		6	16
Development Costs capitalised	**8**	(194)	(194)
Net Cash Flow used in Investing Activities		**(193)**	**(307)**
Principal paid on lease liabilities	**11**	(195)	(195)
Interest paid on loans and borrowings		(7)	(1)
Proceeds from issue of shares		500	-
Costs of share issuance		(54)	-
Net Cash generated from/(used in) Financing Activities		**244**	**(196)**
Net increase/(decrease) in Cash & Cash Equivalents		**771**	**(299)**
Cash & Cash Equivalents at beginning of period		351	650
Cash & Cash Equivalents at end of period	**10**	**1,122**	**351**

Notes

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).

2. General Information

This results announcement 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

This financial information for the year ended 31 December 2020 has been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively 'IFRS') in conformity with the requirements of the Companies Act 2006.

The information in this preliminary statement has been extracted from the financial statements for the year ended 31 December 2020 and, as such, does not contain all the information required to be disclosed in the financial statements prepared in accordance with IFRS. The Group's Annual Report for the year ended 31 December 2020 has yet to be delivered to the Registrar of Companies. The auditors have reported on these accounts. The figures for the year ended 31 December 2020 and the ended 31 December 2019 do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006.

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.

The preliminary announcement was approved by the Board on 23 March 2021 and authorised for issue.

The statutory accounts for the year ended 31 December 2020 were approved by the Board on 23 March 2021 and will be delivered to the Registrar of Companies in due course. The statutory accounts for the period ended 31 December 2020 will be made available on the Company's website www.ecsc.com at least 21 days before the Annual General Meeting.

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:

	Issued date	IASB mandatory effective date (UK mandatory effective date)	UK Adoption status (EU pre 31 December 2020)
New Standards			
IFRS 17 Insurance contracts	18-May-2017 and 25-June 2020	01-Jan-2023	TBC
Amendments to existing standards			
Amendments to References to the Conceptual Framework in IFRS Standards	29-May-2018	01-Jan-2020	Endorsed
Amendments to IFRS 3 Business Combinations – Definition of a Business	22-Oct-2018	01-Jan-2020	Endorsed
Amendments to IAS 1 and IAS 8: Definition of Material	31-Oct-2018	01-Jan-2020	Endorsed
Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform	26-Sept-2019	01-Jan-2020	Endorsed
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	23-Jan-2020	01-Jan-2022	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 IDRS 16, IAS 41	14-May-2020	01-Jan-2022	TBC
Amendments to IFRS 16 Leases Covid 19-Related Rent Concessions	14-May-2020	01-Jun-2020	Endorsed
Amendments to IFRS 4 Insurance Contracts – deferral of IFRS 9	25-June-2020	01-Jun-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-Jun-2021	Adopted by UKEB

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 2021 and 2022, a review which assumed 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 and have formulated contingency plans for this scenario, which enable the Group to preserve its financial resources.

During 2020, the Group has seen the pandemic creating additional risks and uncertainties. These were carefully monitored and the Group was able to adapt to meet the challenges arising from COVID 19. The Group has extensive remote and home working options in place, fully tested, supporting a range of conferencing technologies, all of which maintain cyber security related certifications, associated technical standards and policies. The Group was also able to deliver the full range of services remotely.

During 2020, the Group took advantage of published time to pay plans on VAT. As at 31 December 2020, £0.2m remained outstanding in this regard. A deferred PAYE payment plan ending on 31 March 2021 was agreed with HMRC. As at 31 December 2020, £0.2m remained outstanding.

As at 31 December 2020, the Group had cash and cash equivalents of £1.1m (2019: £0.4m) and achieved an Adjusted EBITDA profit of £0.4m (2019: £1k), reducing the operating loss to £0.3m (2019: £0.7m).

On 17 April 2020, the Group completed a fundraise of £0.45m (net of expenses of £0.05m). The Group continues to have an unused invoice financing facility with Barclays Bank PLC of £0.5m.

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.

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 5. Revenue from MDR contracts includes:

Hardware – hardware revenue is recognised on delivery and is included within other revenue as set out in note 5. 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.

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.

Contract Balances

	Contract Assets 2020 £'000	Contract Assets 2019 £'000	Contract Liabilities 2020 £'000	Contract Liabilities 2019* £'000
At 1 January	43	49	(866)	(949)
Commission expensed during the period	(62)	(28)	-	-
Commissions paid in advanced of contract completion	53	22	-	-
Recognised as revenue during the period	-	-	3,390	2,429
Cash received in advanced of performance during period	-	-	(3,402)	(2,346)
	34	**43**	**(878)**	**(866)**

***Prior year restatement**

A prior year restatement of £320k is accounted for to remove trade receivables and contract liabilities in relation to amounts invoiced but not due as at 31 December 2019 where the performance obligation had not commenced at that date. This restatement impacted the presentation of both the Group and Company Statement of Financial Position. This restatement does not impact the statement of comprehensive income for the Group or Company only financial statements. Trade receivables and contract liabilities are stated net in respect of advance billing in line with the requirements of IFRS 15.

Contract Assets balance of £34k (2019: £43k) is included in the Trade Receivables and Other Receivables.
Contract Liabilities balance of £878k (2019: £866k) is included in Trade Payables and Other Payables.

5. 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.

The Group has PPE located in the UK (cost of £896k; NBV of £147k) and Australia (cost of £57k; NBV of £1k). The Group's revenue and gross profit by operating segment for the year ended 31 December 2020 were as follows:

	Year ended	Year ended

	31 December 2020 £'000	31 December 2019 £'000
Revenue		
Assurance	2,724	2,922
MDR	2,732	2,585
Vendor Products	125	162
Other	82	236
Total Revenue	**5,663**	**5,905**
Gross Profit		
Assurance	1,576	1,574
MDR	1,994	1,745
Vendor Products	25	29
Other	(47)	12
Gross Profit	**3,548**	**3,360**
Operating Loss	**(271)**	**(704)**
Finance Cost	(48)	(46)
Loss before Taxation	**(319)**	**(750)**

Revenue by country for the year ended 31 December 2020 was as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
United Kingdom	5,294	5,708
Europe	278	116
United States	-	9
Channel Islands	89	66
Middle East	-	2
Other Countries	2	4
Total	**5,663**	**5,905**

The Group's United Kingdom revenue by operating segment for the year ended 31 December 2020 was as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Revenue United Kingdom		
Assurance	2,367	2,760
MDR	2,724	2,580
Vendor Products	124	144
Other	79	224
Total	**5,294**	**5,708**

6. Taxation

Recognised in the Statement of Comprehensive Income

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Corporation Tax (Credit)/Charge	-	-
Deferred Tax (Credit)/Charge	(50)	26
Total Tax (Credit)/Charge	**(50)**	**26**

Reconciliation of Total Tax (Credit)/Charge

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loss before Tax	(319)	(750)
UK Corporation at rate of 19.0% (2019: 19%)	(61)	(143)
Expenses not deductible for tax purposes	2	2
Over/under provision in prior period – Deferred Tax	(50)	26
Tax losses on which Deferred Tax not recognised	59	141
Total Tax (Credit)/Charge	**(50)**	**26**

Deferred Tax Assets & Liabilities

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Deferred Tax Assets	118	77
Deferred Tax Liabilities	(90)	(99)
Deferred Tax – Net Asset/ (Liability)	**28**	**(22)**

Deferred Tax Assets of £118K is recognised in respect of unutilised trading losses, Share Based Payments and short-term timing differences. Deferred Tax Liabilities of £90k 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 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 £5,111k (2019: £5,696k). A Deferred Tax Asset of £35k (2019: £22k) has been recognised as at 31 December 2020 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.

7. 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.

Adjusted Earnings per Share is calculated by dividing Adjusted loss (after adding-back exceptional costs incurred in the period; see note 12) by Diluted Number of Ordinary Shares.

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

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

	Year ended 31 December 2020 £'000	**Year ended 31 December 2019 £'000**
Net Loss attributable to Equity Holders of the Company	(269)	(776)
Add back: Exceptional Costs	65	6
Add back: Share Based Payments	101	105
Adjusted Loss	**(103)**	**(665)**
Number of Ordinary Shares ('000)		
Initial Weighted Average	9,098	9,098
Shares issued in April 2020	909	-
Basic Number of Ordinary Shares	**10,007**	**9,098**
Weighted Average Dilutive Shares in Period	906	661
Diluted Number of Ordinary Shares	**10,913**	**9,759**
Earnings per Share (pence):		
Basic Losses per Share	(2.7)	(8.5)
Diluted Losses per Share**	(2.7)	(8.5)
Adjusted Losses per Share	(1.0)	(7.3)

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

During the 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.

8. Intangible Assets

Development Costs

Costs	**£'000**
As at 1 January 2019	891
Additions	194
As at 31 December 2019	1,085

As at 1 January 2020	1,085
Additions	194
As at 31 December 2020	1,279

Amortisation

As at 1 January 2019	479
Charges for the year	177
As at 31 December 2019	656
As at 1 January 2020	656
Charges for the year	168
As at 31 December 2020	824

Net Book Value

As at 31 December 2019	429
As at 31 December 2020	455

9. Property, Plant and Equipment

	Leasehold Property £'000	Office Equipment £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
Cost					
At 1 January 2019	103	120	639	57	919
Reclassification due to IFRS16	-	-	(61)	-	(61)
Additions	12	16	101	-	129
Disposals	-	-	-	(34)	(34)
At 31 December 2019	115	136	679	23	953
Additions	-	-	5	-	5
Disposals	-	-	(5)	-	(5)
At 31 December 2020	115	136	679	23	953
Depreciation					
At 1 January 2019	48	50	370	24	492
Reclassification due to IFRS16	-	-	(20)	-	(20)
Charge for Period	15	25	168	9	217
Disposals	-	-	-	(19)	(19)
At 31 December 2019	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

Net Book Value

At 31 December 2019	**52**	**61**	**161**	**9**	**283**
At 31 December 2020	**36**	**40**	**68**	**4**	**148**

10. Cash & Cash Equivalents

	GROUP As at 31 December 2020 £'000	GROUP As at 31 December 2019 £'000	COMPANY As at 31 December 2020 £'000	COMPANY As at 31 December 2019 £'000
Cash & Cash Equivalents	1,122	351	1,119	350

11. Leases of low-value assets

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.

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 exposes 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 included in 'administrative expenses' for right-of-use assets.

	Office buildings £'000	Motor vehicles £'000	IT equipment £'000	Total £'000
At 1 January 2019	981	56	41	**1,078**
Additions	-	18	-	**18**
Amortisation	(132)	(48)	(20)	**(200)**

NBV at 31 December 2019	**849**	**26**	**21**	**896**
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**

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'.

	Office buildings £'000	**Motor vehicles £'000**	**IT equipment £'000**	**Total £'000**
At 1 January 2019	968	55	40	**1,063**
Additions	**-**	18	**-**	**18**
Interest expense	42	3	**-**	**45**
Lease payments	(121)	(53)	(21)	**(195)**
At 31 December 2019	**889**	**23**	**19**	**931**
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)**
At 31 December 2020	**780**	**23**	**(1)**	**802**

Group and Company

- Short-term lease expense £73k
- Low value lease expense £3k

At 31 December 2020	**Up to 12 months £'000**	**1 to 5 years £'000**	**more than 5 years £'000**
Lease payments	176	446	317
Interest expense	(33)	(84)	(20)
Lease Liabilities	**143**	**362**	**297**

12. Adjusted Loss before Taxation and Adjusted EBITDA

Adjusted Loss before Taxation

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loss before Taxation	**(319)**	**(750)**
Share Based Payments	101	105
Exceptional Items	65	6
Adjusted Loss before Taxation	**(153)**	**(639)**

Adjusted EBITDA:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Operating Loss	**(271)**	**(704)**
Depreciation and Amortisation	480	594
EBITDA**	**209**	**(110)**
Share Based Payments	101	105
Exceptional Items	65	6
Adjusted EBITDA*	**375**	**1**

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Operating Loss	**(271)**	**(704)**
Share Based Payments	101	105
Exceptional Items	65	6
Adjusted Operating Loss*	**(105)**	**(593)**

* Adjusted Operating Loss and EBITDA excludes one-off charges and share based charges.
** EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.