11 September 2018

ECSC Group plc

("ECSC" or the "Company" or the "Group")

Unaudited results for the six months ended 30 June 2018

Strong cyber security organic growth delivered, **including in key area of managed services**

ECSC Group plc (AIM: ECSC), the provider of cyber security services, announces its interim results for the 6 months ended 30 June 2018.

Highlights

- Organic revenue growth of 43% (2018: £2.65m, 2017: £1.85m)
- Managed Services recurring revenue growth of 52% (2018: £0.77m, 2017: £0.51m)
- Consulting Services growth of 36% (2018: £1.56m, 2017: £1.14m)
- EBITDA loss of £0.5m in period (2017: loss of £1.5m)
- Cash of £1m

Operational Highlights

- New managed service wins valued at £0.9m
- Addition of 50 new consulting clients
- Introduction of new Artificial Intelligence (AI) technology into the global Security Operations Centres.

Ian Mann, CEO of ECSC, commented:
"We are pleased to report our revenue growth, with particular emphasis on our Managed Services recurring revenue. New client acquisitions, and conversion to recurring revenues is a powerful combination to deliver growth and exploit the post-GDPR regulatory environment."

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Chairman's Statement

I am pleased to present the interim results to our shareholders for the first six months of 2018. These results show significant progress within the company, particularly the strong revenue growth, tighter cost controls and cash management, and a more focussed and motivated management team.

The organic revenue growth reported is a result of the significant investment in the development of new operational facilities and services, recruitment of key personnel, and the introduction of a new management structure.

We are also delighted to have welcomed Elizabeth Gooch MBE to our board, bringing a wealth of relevant experience in high-growth IT service businesses.

The company has critically examined all costs with a view to improving efficiency whilst maintaining client service, quality of delivery and growth capability. This has resulted in a move towards break even post period end.

ECSC's vision and strategy is to build significantly upon the organic growth to date and expand its blue-chip client base with particular emphasis on Managed Services recurring revenue.

The Board believes that there is an opportunity to increase the scale of ECSC's business to meet current demand and expected market growth. This is particularly the case following the introduction of the General Data Protection Regulation (GDPR) across Europe, and within the UK as part of the new Data Protection Act 2018 in May this year. This legislation makes the reporting of a breach of personal data mandatory, with potential fines of up to 2% of global turnover or Euro10m (whichever is the greater) for cases of serious non-compliance.

The market for cyber security services remains largely fragmented. Many of our competitors still only provide a small portion of the services required to meet clients' needs whilst, in contrast, ECSC provides a full suite of cyber and information security solutions, offering a compelling client partnership proposition. The introduction of our new Artificial Intelligence (AI) technology within our global Security Operations Centres is another significant development in our capability.

With continued strong organic revenue growth, ECSC is well positioned to increase its share of the UK cyber security services market and leverage the capacity within the delivery team.

David Mathewson
Chairman
11 September 2018

Chief Executive's Review

I am pleased to report strong organic growth during the half year. The post-IPO operational investments we have made are enabling ECSC to increase its market share in the growing cyber security market.

Significant client wins include over 50 new consulting clients in the period, and new three-year managed services contract wins contributing over £900k to our long-term order book.

We continue to expand the range of services delivered to each client, with the strategic aim of delivering long-term recurring managed service revenues and leveraging our delivery capacity. Consulting services continue to be an effective way of developing a trusted relationship with clients and help us expand our services to each client.

Our continued investment in our own technology IP provides key strategic advantages, as reflected this year, with the introduction of our Kepler Artificial Intelligence (AI) technology across a range of managed services. When combined with our staff expertise within our global Managed Services Security Operations Centres, AI will bring significant operational efficiencies and facilitate the processing of vast quantities of cyber security related data. This facilitates faster, and more effective incident response, essential to meet the requirements of GDPR legislation.

Recruitment and retention of the best talent in the industry remains a key priority. Our reputation for quality delivery, and a focus on individual development, continues to attract and keep the right people.

We continue to see many growth opportunities, whilst leveraging delivery capacity, particularly within managed services recurring revenue.

Key Performance Indicators (KPI)

The board has agreed, and introduced, the following KPIs to monitor performance moving forwards:

- Total revenue growth – 43%
- Managed Service recurring revenue growth – 52Managed Service recurring revenue - 29% of total revenue
- Managed Service order book - £2.4m
- Consulting repeat revenue - 78% of consulting sales
- Deferred income - £0.9m
- Consulting gross margin – 57%
- Managed service gross margin - 41%

Ian Mann
Chief Executive Officer
11 September 2018

Financial Review

Revenue Growth

Total revenue growth in the interim period was 43% (2018: £2.65m, 2017: £1.85m) compared to the prior year with gross profit growth of 34%.

Reported on an IFRS15 basis, Managed Services recurring revenue has grown by 52% (2018: £0.77m, 2017: £0.51m) with Consulting Services growing by 36% (2018: £1.56m, 2017: £1.14m).

Vendor Products revenue in the period grew by over 200% (2018: £0.16m, 2017: £0.05m), but remains small contributing only 6% of revenues.

Margin Generation

Consulting gross margins have remained stable in the period at 57% (prior year interim period 56%). The underlying pricing of Consulting days has remained constant in the interim period reported.

Managed Services gross margins have also fallen in the period to 41% (prior year interim period 45%), but this is a reflection on our investment in our 24/7/365 service offering.

As a result, total gross margin has fallen slightly to 46% (prior year interim period 48%) reflecting the scale-up of Managed Services operational capacity.

EBITDA

The planned cost reduction programme was completed on-time, delivering the intended savings whilst maintaining appropriate growth capacity.

EBITDA loss, before exceptional items of £0.10m, in the interim period was £0.54m (EBITDA loss of £1.55m in the 6 months to June 2017). Importantly, before exceptionals, the EBITDA loss in the second quarter was materially below that in the first quarter.

Cash Flow

During the interim period, the cash balance has fallen due to the EBITDA loss, and one-off payments relating to the management restructuring during the period.

The cash balance at 30 June 2018 was £1m. The Board considers the cash balance to be sufficient to fund the ongoing growth and development of the Company.

Dividend

The Board has not declared a dividend for the interim period.

David Mathewson
Chief Financial Officer
11 September 2018

ECSC Group plc

Statement of Comprehensive Income

For the 6 months ended 30 June 2018

	Note	6 months ended 30 June 2018 £'000	* 6 months ended 30 June 2017 £'000
Revenue	6	2,649	1,853
Cost of Sales		(1,429)	(960)
Gross Profit	6	1,220	893
Other Income	7	79	45
Sales & Marketing Costs		(909)	(1,310)
Administrative Expenses		(1,207)	(1,285)
Operating (Loss)/Profit before Exceptional Items		(718)	(1,657)
Exceptional Items	17	(99)	-
Operating Loss	8	(817)	(1,657)
Finance Income		-	-
(Loss)/Profit before Taxation	9	(817)	(1,657)
Taxation Credit	10	22	44
(Loss)/Profit for the Period		(795)	(1,613)
Other Comprehensive Income		-	-
Total Comprehensive Income for the Period		(795)	(1,613)
Attributable to Equity Holders of the Company		(795)	(1,613)
(Loss)/Earnings per Share (pence)	11		
Basic (loss)/earnings per share		(8.7)	(17.9)
Diluted (loss)/earnings per share		(8.4)	(17.6)

* The Comparative figures have been restated in accordance with Note 3.

ECSC Group plc

Consolidated Statement of Financial Position

As at 30 June 2018

	Note	As at 30 June 2018 £'000	*As at 30 June 2017 £'000
ASSETS			
Non-current Assets			
Intangible Assets	12	407	388
Property, Plant and Equipment		469	500
Total non-current assets		876	888
Current Assets			
Inventory		28	69
Trade and Other Receivables	13	1,144	994
Corporation Tax Recoverable	7	201	225
Cash and Cash Equivalents	14	1,000	3,128
Total Current Assets		2,373	4,416
TOTAL ASSETS		3,249	5,304
LIABILITIES			
Current Liabilities			
Trade and Other Payables	15	(1,800)	(1,216)
Finance Leases	16	(20)	-
Total Current Liabilities		(1,820)	(1,216)
Non-current Liabilities			
Deferred Tax	10	7	-
Finance Leases	16	(31)	-
Total Non-current Liabilities		(24)	-
TOTAL LIABILITIES		(1,844)	**(1,216)**
NET ASSETS		1,405	4,088
EQUITY			
Equity attributable to owners of the Parent:			
Share Capital		91	91
Share Premium Account		5,661	5,661
Share Option Reserve		147	-
Retained Earnings		(4,494)	(1,664)
TOTAL EQUITY		1,405	4,088

* The Comparative figures have been restated in accordance with Note 3.

ECSC Group plc

Company Statement of Financial Position

As at 30 June 2018

	Note	As at 30 June 2018 £'000	As at 30 June 2017 £'000
ASSETS			
Non-current Assets			
Intangible Assets	12	407	388
Property, Plant and Equipment		430	500
Total non-current assets		837	888
Current Assets			
Inventory		28	69
Trade and Other Receivables	13	1,213	994
Corporation Tax Recoverable	7	201	225
Cash and Cash Equivalents	14	999	3,128
Total Current Assets		2,441	4,416
TOTAL ASSETS		3,278	5,304
LIABILITIES			
Current Liabilities			
Trade and Other Payables	15	(1,831)	(1,216)
Finance Leases	16	(20)	-
Total Current Liabilities		(1,851)	(1,216)
Non-current Liabilities			
Deferred Tax	10	7	-
Finance Leases	16	(31)	-
Total Non-current Liabilities		(24)	-
TOTAL LIABILITIES		(1,875)	**(1,216)**
NET ASSETS		1,403	4,088
EQUITY			
Equity attributable to owners of the Parent:			
Share Capital		91	91
Share Premium Account		5,661	5,661
Share Option Reserve		147	-
Retained Earnings		(4,496)	(1,664)
TOTAL EQUITY		1,403	4,088

* The Comparative figures have been restated in accordance with Note 3.

ECSC Group plc

Consolidated Cash Flow Statement

For the 6 months ended 30 June 2018

	Note	6 months ended 30 June 2018 £'000	*6 months ended 30 June 2017 £'000
Cash Flow from Operating Activities:			
(Loss)/Profit before Taxation		(817)	(1,657)
Grant Income Adjustment	7	(79)	(45)
Adjustment for:			
Amortisation of Intangibles	12	73	50
Depreciation of Property, Plant and Equipment		103	62
Share Based Payment		54	-
Cash from Operating Activities before changes in Working Capital		(666)	(1,590)
Change in Inventory		25	(69)
Change in Trade and Other Receivables	13	(15)	112
Change in Trade and Other Payables	15	185	(123)
Cash generated from Operating Activities		(471)	(1,670)
Corporation Tax received		-	-
Net Cash Flow from Operations		(471)	(1,670)
Acquisition of Property, Plant and Equipment		(46)	(264)
Development Costs capitalised		(80)	(75)
Net Cash Flow used in Investing Activities		(126)	(339)
Dividends Paid		-	-
Proceeds from Issuance of Shares		-	150
Exceptional Items - IPO costs		-	-
Net Cash used in Financing Activities		-	150
Net (decrease)/ increase in Cash & Cash Equivalents		(597)	(1,859)
Cash & Cash Equivalents at beginning of period		1,597	4,987
Cash & Cash Equivalents at end of period		1,000	3,128

* The Comparative figures have been restated in accordance with Note 3.

ECSC Group plc

Company Cash Flow Statement

For the 6 months ended 30 June 2018

	Note	6 months ended 30 June 2018 £'000	* 6 months ended 30 June 2017 £'000
Cash Flow from Operating Activities:			
(Loss)/Profit before Taxation		(818)	(1,657)
Grant Income Adjustment	7	(79)	(45)
Adjustment for:			
Amortisation of Intangibles	12	73	50
Depreciation of Property, Plant and Equipment		94	62
Share Based Payment		54	-
Cash from Operating Activities before changes in Working Capital		(676)	(1,590)
Change in Inventory		25	(69)
Change in Trade and Other Receivables	13	(10)	112
Change in Trade and Other Payables	15	192	(123)
Cash generated from Operating Activities		(469)	(1,670)
Corporation Tax received		-	-
Net Cash Flow from Operations		(469)	(1,670)
Acquisition of Property, Plant and Equipment		(44)	(264)
Development Costs capitalised		(80)	(75)
Net Cash Flow used in Investing Activities		(124)	(339)
Dividends Paid		-	-
Proceeds from Issuance of Shares		-	150
Exceptional Items - IPO costs		-	-
Net Cash used in Financing Activities		-	150
Net (decrease)/ increase in Cash & Cash Equivalents		(593)	(1,859)
Cash & Cash Equivalents at beginning of period		1,592	4,987
Cash & Cash Equivalents at end of period		999	3,128

* The Comparative figures have been restated in accordance with Note 3.

ECSC Group plc

Consolidated Statement of Changes in Equity

For the 6 months ended 30 June 2018

	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 30 September 2015	22	75		602	699
Profit and Total Comprehensive Income for the Period	-	-		(399)	(399)
Transaction with owners:					
Dividends	-	-		(254)	(254)
Issue of Shares	2	83		-	85
Bonus Issue	26	(26)		-	-
Issue of Shares at IPO	30	4,970		-	5,000
Exercise of Share Options	10	723		-	733
Share Issue Costs	-	(313)		-	(313)
Balance at 31 December 2016	90	5,512		(51)	5,551
Profit and Total Comprehensive Income for the Period	-	-	-	(3,409)	(3,409)
Exercise of Equity Warrant	1	149	-	-	150
Grant of Share Options		-	93	-	93
Balance at 31 December 2017	91	5,661	93	(3,460)	2,385
Effect of change in accounting standard for IFRS 15: Revenue from contracts with customers (see note 3)					
Adjusted Opening balance*	91	5,661	93	(3,699)	2,146
Profit and Total Comprehensive Income for the Period	-	-	-	(795)	(795)
Grant of Share Options	-	-	54	-	54
Balance at 30 June 2018	91	5,661	147	(4,494)	1,405

* Adjusted Retained Earnings accordance with Note 3.

ECSC Group plc

Company Statement of Changes in Equity

For the 6 months ended 30 June 2018

	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
Balance at 30 September 2015	22	75		602	699
Profit and Total Comprehensive Income for the Period	-	-		(399)	(399)
Transaction with owners:					
Dividends	-	-		(254)	(254)
Issue of Shares	2	83		-	85
Bonus Issue	26	(26)		-	-
Issue of Shares at IPO	30	4,970		-	5,000
Exercise of Share Options	10	723		-	733
Share Issue Costs	-	(313)		-	(313)
Balance at 31 December 2016	90	5,512		(51)	5,551
Profit and Total Comprehensive Income for the Period	-	-	-	(3,411)	(3,411)
Exercise of Equity Warrant	1	149	-	-	150
Grant of Share Options		-	93	-	93
Balance at 31 December 2017	91	5,661	93	(3,462)	2,383
Effect of change in accounting standard for IFRS 15: Revenue from contracts with customers (see note 3)					
Adjusted Opening balance*	91	5,661	93	(3,700)	2,145
Profit and Total Comprehensive Income for the Period	-	-	-	(796)	(796)
Grant of Share Options	-	-	54	-	54
Balance at 30 June 2018	91	5,661	147	(4,496)	1,403

* Adjusted Retained Earnings accordance with Note 3.

ECSC Group plc

Notes to the Group Condensed Consolidated Interim Financial Statements

For the 6 months ended 30 June 2018

1. Corporate Information

ECSC Group plc is incorporated in England and Wales and quoted on the London Stock Exchange's Alternative Investment Market (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 30 June 2018 were approved by the Board of Directors on 10 September 2018

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 period ended 30 June 2018, which are unaudited, have been prepared in accordance with International Financial Reporting Standards, International Accounting Standards and Interpretations (collectively 'IFRS') issued by the International Accounting Standards Board ('IASB') as adopted by the European Union ('adopted IFRS').

The financial statements for the period ended 30 June 2018 (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 IFRS.

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 30 June 2017 comparative figures have been restated to adopt IFRS 15. Revenue in Statement of Profit and Loss (SPL) has been reduced by £73k to reflect Managed Services revenue under IFRS 15 in the period 30 June 2017

The Statement of Financial Position (SFP) has also been restated under the Trade and Other Payables to reflect the adjustment in deferred income of £73k.

On the Statement of Changes in Equity a £238k adjustment has been made to the opening balance at January 2018 in Retained Earning as follows to reflect changed in deferred income under IFRS 15:

Group: £3,460k adjusted to £3,699k under IFRS 15

Company: £3,462k adjusted to £3,700k under IFRS 15

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.

The Directors have adopted application of IFRS 15 "Revenue from contracts with customers" from 1 January 2018, applying the fully retrospective method of transition. 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.

The adoption of IFRS 15 will impact the timing of the recognition of set-up revenues at the commencement of a new Managed Service contract. Under IAS 18, the set-up element of a Managed Service contract was recognised as revenue in full on delivery of the respective products and services, with the Managed Service element deferred and released to revenue over the term of the contract. Under IFRS 15, the set-up element also has to be deferred and recognised as revenue over the term of the contract.

4.2 Going Concern

The Directors have reviewed whether the Group has adequate resources to continue in operational existence for the foreseeable future. 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.

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. Consequently, the Directors have adopted the going concern basis in preparing the financial statements.

4.3 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 Prepaid Support contracts are deferred in the balance sheet and recognised on utilisation of services by the client. Remote Support revenue is included within Consulting in note 6.

Revenue from Managed Services contracts are deferred and recognised on a straight line basis over the term of the contract.

Revenue from the sale of products is recognised when the significant risks and rewards of ownership have been transferred, which is considered to occur when the software or hardware product has been delivered to the client.

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

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.

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 and treated as a government grant. Government Grant Income also includes other grants received from government agencies (see note 7).

4.6 Operating Profit

Operating Profit 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

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.

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-market 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.

4.9 Operating Lease Agreements

Rentals applicable to operating leases where substantially all of the risks and rewards of ownership remain with the lessor are charged to the Statement of Comprehensive Income on a straight line basis over the full period of the lease. Any lease incentives are spread on a straight line basis over the full period of the lease.

4.10 Property, Plant and Equipment

All additions are initially recorded at historic cost. 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 Furniture and Equipment - 20% reducing balance
- Computer Equipment - 33% straight line
- Motor Vehicles - 20% straight line

4.11 Finance Lease Agreements

Where substantially all of the risks and rewards of ownership of a leased asset are transferred to the Group ('Finance Lease'), the asset is treated as if it had been transferred outright. The amount initially recognised as an asset is the lower of the fair value of the leased asset and the present value of the minimum lease payments payable over the term of the lease. The corresponding lease commitment is shown as a liability.

Lease payments are analysed between capital and interest. The interest element is charged to the Statement of Comprehensive Income over the period of the lease and is calculated to represent a constant proportion of the lease liability. The capital element reduces the liability owed to the lessor.

4.12 Research and Development Expenditure

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

Expenditure on development activities generating an intangible asset is capitalised if all of the criteria set out in IAS 38 are met. 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.

4.13 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.

4.14 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

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, at initial recognition, as Loans and Receivables.

- **Subsequent Measurement**

Loans and Receivables are 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.

- **Derecognition of Financial Assets**

The Company derecognises 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 include Trade Payables, Accruals, Other Payables and Finance Leases. Financial Liabilities are classified as Financial Liabilities measured 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 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.

4.14 Financial Instruments (continued)

- **Finance Leases**

Finance Leases are treated as Financial Liabilities measured at amortised cost.

- **Derecognition of Financial Liabilities**

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

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.

4.15 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.

4.16 Impairment of Assets

Financial Assets

A Financial Asset is assessed at each reporting date to determine whether there is any objective evidence that it is impaired. A Financial Asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a Financial Asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale Financial Asset is calculated by reference to its fair value.

Individually significant Financial Assets are tested for impairment on an individual basis. The remaining Financial Assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss is recognised in profit and loss. Any cumulative loss in respect of an available-for-sale Financial Asset recognised previously in equity is transferred to the Statement of Comprehensive Income.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For Financial Assets measured at amortised cost and available-for-sale Financial Assets that are debt securities, the reversal is recognised in profit and loss. For available-for-sale Financial Assets that are equity securities, the reversal is recognised directly in equity.

Non-Financial Assets

The carrying amounts of the 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.

4.17 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 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.

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.

4.18 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.

4.19 Contingent Liabilities and Contingent Assets

A Contingent Liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Company. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A Contingent Liability is not recognised but is disclosed in the Notes to the Accounts. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

A Contingent Asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the Company. Contingent Assets are not recognised but are disclosed in the Notes to the Accounts when an inflow of economic benefits is probable. When inflow is virtually certain, an asset is recognised.

4.20 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.

4.21 Operating Segments

An operating segment is a component of 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 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.

4.22 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.

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.

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 at least the next 12 months. The basis for this judgement is detailed in note 4.2.

Revenue Recognition

Management consider the nature of the Company's contracts with clients and recognise revenue on an appropriate basis in accordance with IFRS 15. This process involves the use of judgements and estimates.

Development Costs Capitalised & Amortised

Management apply their judgement in determining whether an identified intangible software asset meets the criteria for capitalisation under IAS 38.

Development Costs capitalised into Intangible Assets are amortised over management's estimate of the useful economic life of the asset recognised.

Research and Development ('R&D') Tax Claim

The R&D Tax Claim is based on management's estimate of the amount of development staff time expended on projects judged to be dedicated to overcoming technological uncertainties in the cyber security field.

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: Consulting (including Remote Support services), Managed Services, 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, 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's revenue and gross profit by operating segment for the year ended 30 June 2018 were as follows:

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000
Revenue		
Consulting	1,557	1,144
Managed Services	765	505
Vendor Products	161	53
Re-chargeable Items	166	151
	2,649	1,853
Gross Profit		
Consulting	886	642
Managed Services	314	225
Vendor Products	31	13
Re-chargeable Items	(11)	13
	1,220	893

7. Other Income

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000
Grant Income	79	45

A credit has been recognised within Other Income as a result of R&D Tax Credit surrenders. For the period ended 30 June 2018, the surrender resulted in a credit of £79k, included within Corporation Tax Recoverable.

8. Adjusted EBITDA

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000
Adjusted Operating (Loss)/Profit	(718)	(1,657)
Depreciation	103	62
Amortisation	73	50
Adjusted EBITDA	(542)	(1,545)
Exceptional Items	(99)	-
EBITDA	(641)	(1,545)

9. Adjusted (Loss)/Profit before Taxation

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000
(Loss)/Profit before Taxation	(817)	(1,657)
Exceptional Items	99	-
Adjusted Profit before Taxation	(718)	(1,657)

10. Taxation

Recognised in the Statement of Comprehensive Income

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000
UK Corporation Tax - Prior Period Adjustment	-	-
UK Corporation Tax - Current Tax on Profit for the period	-	5
Corporate Tax Charge/(Credit)	-	-
Deferred Tax Credit	(22)	(49)
	(22)	(44)

Reconciliation of Effective Tax Rate

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000
Profit/(Loss) before Tax	(817)	(1,657)
Tax at the UK Corporation Tax rate of 19.5% / 19.0%	(155)	(309)
Expenses not deductible for tax purposes	1	1
Income not taxable for tax purposes	-	(9)
Exercise of Share Options	-	-
Difference between current and deferred tax rates	-	-
Over/under provision in prior period - Corporation Tax	-	5
Over/under provision in prior period - Deferred Tax	(22)	(49)
Tax losses on which deferred tax not recognised	154	317
	(22)	(44)

Deferred Tax Assets & Liabilities

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000
Deferred Tax Assets	134	105
Deferred Tax Liabilities	(127)	(105)
Deferred Tax - Net Liability	7	-

Deferred Tax Assets of £134k are recognised in respect of unutilised trading losses, Share Based Payments and short-term timing differences. Deferred Tax Liabilities of £127k 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 17%, being the rate of Corporation Tax rate expected to be in force when the timing differences reverse.

10. Taxation (continued)

Unutilised Trading Losses

The Company continues to carry forward unutilised trading losses of £4,324k (unutilised trading losses were £3,831k as at 31 December 2017).

A Deferred Tax Asset of £102k has been recognised as at 30 June 2018 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 Profit 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 Profit 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 Profit (after adding-back exceptional costs incurred in the period; see note 17) by Diluted Number of Ordinary Shares.

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

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000
Net Profit attributable to Equity Holders of the Company	(795)	(1,613)
Add back Exceptional Items - IPO Costs	99	-
Adjusted Profit	(696)	(1,613)
Number of Ordinary Shares ('000):		
Initial weighted average	8,994	8,994
Bonus Issue		
Exercise of Share Options	14	-
Equity Warrant	90	-
Basic number of Ordinary Shares	9,098	8,994
Weighted average of dilutive shares in period	328	156
Diluted Number of Ordinary Shares	9,426	9,150
Basic earnings per share	(8.7)	(17.9)
Diluted earnings per share*	(8.4)*	(17.6)*
Adjusted earnings per share	(7.4)	(17.6)

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

On 28 October 2016, the Company passed a resolution to consolidate the A and B Ordinary Shares of £1 each in issue into a single class of shares. A resolution was then passed to split each existing Ordinary Share of £1 each in issue into 100 Ordinary Shares with a nominal value of 1 pence each. The Company then passed a resolution to issue 110 Ordinary Shares of 1 pence each by way of a Bonus Issue pro rata to existing shareholders. In accordance with IFRS this has been reflected in weighted average number of Ordinary Shares above.

11. Earnings per Share (continued)

During the period ending 30 June 2018, Ordinary Shares were issued as follows:

- On 27 April 2018, David Mathewson, Non-Executive Chairman exercised options over 6,411 Ordinary Shares in the Company at nil cost per share.
- On 02 May 2018, a former director exercised options of 8,041 Ordinary Shares in the Company at nil cost per share.

These issues were taken into account in calculating the Basic Number of Ordinary Shares.

During the period ended 30 June 2018, the following dilutive event occurred:

- On 18 April 2018, the Company granted options over 200,000 Ordinary Shares to the Non-Executive Directors.

12. Intangible Assets

GROUP & COMPANY

Development Cost

	£'000
Cost	
As at 1 January 2017	567
Additions	75
As at 30 June 2017	642
As at 1 July 2017	642
Additions	62
As at 31 December 2017	704
As at 1 January 2018	704
Additions	80
As at 30 June 2018	784
Amortisation	
As at 1 January 2017	204
Amortisation Charge for the 6 months	50
As at 30 June 2017	254
As at 1 July 2017	254
Amortisation Charge for the 6 months	50
As at 31 December 2017	304
As at 1 January 2018	304
Amortisation Charge for the 6 months	73
As at 30 June 2018	377
Net Book Value	
As at 30 June 2017	388
As at 31 December 2017	400
As at 30 June 2018	407

13. Trade Receivables and Other Receivables

	GROUP as at 30 June 2018 £'000	GROUP as at 30 June 2017 £'000	COMPANY as at 30 June 2018 £'000	COMPANY as at 30 June 2017 £'000
Trade Receivables	946	885	946	885
Other Receivables	8	8	8	8
Intercompany Receivables	-	-	98	-
Prepayments and Accrued Income	190	101	161	101
	1,144	994	1,213	994

The carrying amount of Trade Receivables and Other receivables approximates to their fair value.

Intercompany Receivables represent loans provided by ECSC Group plc to ECSC Australia Pty Ltd. The loans are repayable on demand.

14. Cash & Cash Equivalents

Cash & Cash Equivalents	1,000	3,128	999	3,128

15. Trade Payables and Other Payables

	GROUP As at 30 June 2018 £'000	GROUP As at 30 June 2017 £'000	COMPANY As at 30 June 2018 £'000	COMPANY As at 30 June 2017 £'000
Trade Payables	276	204	272	204
Other Taxation and Social Security	348	256	346	256
Accruals	242	238	242	238
Deferred Income	894	502	894	502
Intercompany Payables	-	-	41	-
Other Payables	40	16	36	16
	1,800	1,216	1,831	1,216

The carrying amount of trade and other payables approximates to their fair value due to their short term nature.

16. Finance Leases

The Group entered into a Finance Lease in November 2017 to fund investment in IT equipment. Capital repayments under the Finance Lease are as follows:

	GROUP As at 30 June 2018 £'000	GROUP As at 30 June 2017 £'000	COMPANY As at 30 June 2018 £'000	COMPANY As at 30 June 2017 £'000
Payable in one year or less	20	-	20	-
Payable between one and two years	20	-	20	-
Payable between two and five years	11	-	11	-
Payable in five years or more	-	-	-	-
Finance Lease Balance	51	-	51	-

Group & Company

	Capital	Interest	Total
Payable in one year or less	20	1	21
Payable between one and two years	20	1	21
Payable between two and five years	11	-	11
Payable in five years or more	-	-	-
Finance Lease Balance	51	2	53

There have been no cash flows arising from changes in liabilities from financing activities

17. Exceptional Costs

During the period ended 30 June 2018, the Company undertook a restructuring exercise to reduce its operating costs and mitigate its monthly operating losses. Cost savings were achieved by reducing headcount in a number of departments and by reducing overhead costs.

Exceptional Costs are analysed as follows:

	6 months ended 30 June 2018 £'000	6 months ended 30 June 2017 £'000
Staff Related Costs	88	-
Car Termination Costs	11	-
Exceptional Costs	99	-

18. 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