22 September 2021

ECSC Group plc

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

Unaudited interim results for the six months ended 30 June 2021

Strong growth across MDR and Assurance divisions

ECSC Group plc (AIM: ECSC), the provider of cyber security services, announces its unaudited interim results for the six months ended 30 June 2021.

Financial Highlights

- Group revenue up 15% to £3.01m (H1 2020: £2.61m)
- Managed Detection and Response ("MDR") division revenue (managed services and incident response) up 17% to £1.45m (H1 2020: £1.24m)
- Assurance division (testing, standards and certification services) revenue up 20% to £1.49m (H1 2020: £1.24m)
- Gross Profit up 24% to £1.82m (H1 2020: £1.46m)
- Adjusted* EBITDA** profit of £19k (H1 2020: £52k)
- Cash of £0.59m at period end, including £0.14m of COVID-19 related medium-term government support (30 June 2020: £1.26m, including £0.77m of COVID-19 related medium-term government support). The Group's bank facility of £0.5m remains unutilised.

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

Ian Mann, Chief Executive Officer of ECSC, commented:
"We are pleased to report strong growth across both our MDR and Assurance divisions, driven in part by a rise in cyber security incidents. Contributing to this is the number of organisations opting for remote and cloud working during the COVID-19 pandemic.

"Cyber security remains a key priority for all organisations, particularly as many employees begin to shift to a hybrid of remote and office working, calling for increased focus on cyber security. Ransomware attacks also continue to pose a significant threat to organisations, with a high number of companies suffering substantial disruption.

"We look forward to keeping the market informed on our progress in due course."

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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.

ECSC is led by a highly experienced senior management team with over 80 years' combined experience within the company and has delivered consecutive organic growth for the last 20 years.

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

The Group has managed its way through COVID-19 with excellent remote working practices, reflecting well on the capable and experienced management team who are now focussed on the many opportunities arising in the market.

Strong growth across each of the divisions has driven an improved financial performance across the business.

Cyber security remains a key priority for all Boards, with breaches continuing to attract media attention and an increasing regulatory framework, particularly with the impact of GDPR.

Clients increasingly recognise that 24/7/365 cyber security breach detection and expert incident response is vital to the protection of personal information and maintenance of critical IT systems. For all but the largest global organisations, the outsourcing of these critical functions is the logical choice, and ECSC has the technology, expertise and processes to deliver.

ECSC is well positioned in a growing market, and we look forward with confidence to continuing to deliver improved operating results.

On behalf of the Board, I would like to thank all of our clients, staff, channel partners and advisors for their continued support.

David Mathewson
Non-Executive Chairman
22 September 2021

Chief Executive Officer's Statement

Ongoing Strategy

Our strategy of delivering sustained, and profitable, organic growth remains our primary focus.

The Assurance division, comprising testing, standards, and certifications, remains key for new client acquisition and is delivering an increasing proportion of repeat revenue. This is testament to the quality of delivery ECSC provides as well as excellent client relationships.

The MDR division now accounts for 48% of revenue, compared with 29% at the Company's IPO at the end of 2016.

We have continued to invest in ECSC proprietary technologies, including continuing development of our MDR Artificial Intelligence ("AI"), which is embedded within many of our managed services. We see new opportunities to augment the vital people skills within the operation with both machine learning and neural networks.

Outlook

The UK cyber security market remains an attractive segment of the wider IT sector. Against this backdrop, we are confident that the organic growth strategy of ECSC remains appropriate.

The disruption caused by the global pandemic and the associated re-engineering of our operations has led the management team to re-examine all areas of our client acquisition strategy and operations. This widespread review is an ongoing process, and we will make any necessary changes to ensure ECSC remains ideally placed to deliver for its clients.

Key Performance Indicators

The following Key Performance Indicators were established in mid-2018, and expanded in 2019, to enable meaningful performance measurement:

Performance Indicator	Rationale	Jun 2021 (interim)	Dec 2020 (full year)	Jun 2020 (interim)
Revenue Growth	Measurement of the success of the organic growth strategy	15%	(4%)	(1%)
Managed Detection and Response Recurring Revenue Growth	Visibility of the success of increasing the percentage of revenue from long-term recurring revenues	12%	22%	25%
Managed Detection and Response Recurring Revenue Proportion	Visibility of the success of increasing the percentage of revenue from long-term recurring revenues	44%	43%	45%
Managed Detection and Response Order Book	Combined measurement of new client contracts together with renewals of existing client contracts	£2.7m	£2.6m	£2.9m
Managed Detection and Response Gross Margin	Delivery efficiency measurement	64%	73%	67%
Assurance Repeat Revenue	Quasi-recurring from longer-term consulting clients	83%	73%	69%
Assurance Gross Margin	Delivery efficiency measurement	61%	58%	51%
Research and Development (of revenue)	Investment in future cyber technologies, service enhancements and intellectual property	16%	14%	14%

Ian Mann
Chief Executive Officer
22 September 2021

Financial Review

Principal Activities

The principal activity of the Group during the period continued to be the provision of professional cyber security services, including Assurance, Managed Detection and Response Services and the sale of Vendor Products.

	Unaudited 6 months 30 June 2021 £'000	Unaudited 6 months 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Revenue			
Assurance	1,489	1,241	2,724
Managed Detection and Response	1,450	1,239	2,732
Vendor Products	49	70	125
Other	19	58	82
	3,007	**2,608**	**5,663**
Gross Profit			
Assurance	905	633	1,576
Managed Detection and Response	932	834	1,994
Vendor Products	8	14	25
Other	(29)	(19)	(47)
	1,816	**1,462**	**3,548**
Adjusted EBITDA*			
Other Income	117	211	297
Sales & Marketing Costs	(1,025)	(844)	(1,713)
Administration Expenses	(889)	(777)	(1,757)
	19	**52**	**375**
EBITDA**			
Share Based Payments	(69)	(57)	(101)
Exceptional Items	(26)	(54)	(65)
	(76)	**(59)**	**209**
Depreciation and Amortisation	(206)	(260)	(480)
Adjusted Operating Loss*	**(187)**	**(208)**	**(105)**
Operating Loss	**(282)**	**(319)**	**(271)**

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

Revenue & Organic Growth

Total revenue in the period ended 30 June 2021 was £3.01m, up 15% on the comparable prior period (revenue in the six months ended 30 June 2020 was £2.61m). Within this, Assurance revenue was up by 20% to £1.49m (June 2020: £1.24m).

Managed Detection and Response division revenue increased by 17% to £1.45m (June 2020: £1.24m). Within this division, Incident Response revenues increased to £0.14m (June 2020: £0.07m) during the period.

Vendor Products revenue in the period fell by 30% to £0.05m, (June 2020: £0.07m), and remains a small part of ECSC's business, contributing only 2% of revenues.

Margin Generation

Gross Profit in the period was £1.82m representing a 60% gross margin (prior year interim period: £1.46m representing a 56% gross margin). This was due to improved margins in the Assurance division.

Assurance margin rose to 61% in the period (prior year interim period: 51%). This was due to the 20% increase in Assurance revenue over the prior period and improvements in utilisation.

Managed Detection and Response margin fell to 64% (prior year interim period: 67%) due to an increase in investment in the MDR division during the period.

EBITDA & Operating Loss

Adjusted EBITDA for the period, which excludes one-off charges and share based charges, was £0.02m (June 2020: Adjusted EBITDA of £0.05m). EBITDA in the period was a loss of £0.08m (June 2020: EBITDA loss of £0.06m).

Adjusted Operating loss in the period was £0.19m (June 2020: Adjusted Operating loss of £0.21m). Operating loss in the period was £0.28m (June 2020: operating loss of £0.32m).

Cash Flow

Cash and cash equivalents decreased by £0.67m to £0.59m as at 30 June 2021, primarily due to an increase in investment across the business and reducing the COVID-19 related medium-term government support to £0.14m from £0.77m as at 30 June 2020.

The Board has also renewed ECSC's £0.5m invoice discounting facility with Barclays Bank following annual review in July 2021. As at 30 June 2021 this was unutilised.

The Group will continue to prioritise cash management and closely monitor this to ensure that the Group has adequate liquidity to meet all of its financial commitments as they arise.

Capital reduction

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

The Capital Reduction will have no effect on the overall net asset position of the Company and will be reflected in the full year report.

Gemma Basharan
Chief Financial Officer
22 September 2021

Consolidated Statement of Comprehensive Income
For the 6 months ended 30 June 2021

	Note	Unaudited 6 months ended 30 June 2021 £'000	Unaudited 6 months ended 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Revenue	5	**3,007**	**2,608**	**5,663**
Cost of Sales		(1,191)	(1,146)	(2,115)
Gross Profit	5	**1,816**	**1,462**	**3,548**
Other Income	6	117	211	297
Sales & Marketing Costs		(1,025)	(844)	(1,713)
Administration Expenses		(1,190)	(1,148)	(2,403)
Operating Loss before Exceptional Items		**(187)**	**(208)**	**(105)**
Share Based Payments		69	57	101
Exceptional Items		26	54	65
Operating Loss		**(282)**	**(319)**	**(271)**
Finance Income		-	-	-
Finance Cost		(20)	(21)	(48)
Loss before Taxation		**(302)**	**(340)**	**(319)**
Taxation (Charge)/ Credit	7	(21)	23	50
Loss for the Period		**(323)**	**(317)**	**(269)**
Other Comprehensive Income		-	-	-
Total Comprehensive Loss for the Period		**(323)**	**(317)**	**(269)**

Attributed to Equity Holders of the Company

	Note			
Loss Earnings per Share	**8**	**pence**	**pence**	**pence**
Basic Loss per Share		(3.2)	(3.2)	(2.7)
Diluted Loss per Share		(3.2)	(3.2)	(2.7)

Consolidated Statement of Financial Position
As at 30 June 2021

	Note	Unaudited 6 months ended 30 June 2021 £'000	Unaudited* 6 months ended 30 June 2020 £'000	Audited 6 months ended 31 December 2020 £'000
ASSETS				
Non-current Assets				
Intangible Assets	9	489	446	455
Property, Plant and Equipment		103	212	148
Right of use Assets		677	825	746
Deferred Tax Asset	7	139	86	118
Total Non-current Assets		1,408	1,569	1,467
Current Assets				
Inventory		9	10	9
Trade and Other Receivables		719	751	811
Corporation Tax Recoverable		333	472	216
Cash and Cash Equivalents	10	591	1,258	1,122
Total Current Assets		1,652	2,491	2,158
TOTAL ASSETS		**3,060**	**4,060**	**3,625**
LIABILITIES				
Current Liabilities				
Trade and Other Payables		(1,799)	(2,535)	(2,085)
Lease Liabilities		(119)	(153)	(143)
Total Current Liabilities		(1,918)	(2,688)	(2,228)
Non-current Liabilities				
Deferred Tax Liability	7	(132)	(85)	(90)
Lease Liabilities		(616)	(730)	(659)
Total Non-current Liabilities		**(748)**	**(815)**	**(749)**
TOTAL LIABILITIES		**(2,666)**	**(3,503)**	**(2,977)**
NET ASSETS		**394**	**557**	**648**
EQUITY				
Equity attributable to Owners of the Parent:				
Share Capital		100	100	100
Share Premium Account		6,098	6,098	6,098

Share Option Reserve	461	349	392
Retained Earnings	(6,265)	(5,990)	(5,942)
TOTAL EQUITY	**394**	**557**	**648**

* A prior year restatement of £376k is accounted for to remove trade receivables and contract liabilities in relation to amounts invoiced but not due as at 30 June 2020 where the performance obligation had not commenced at that date. Trade receivables and contract liabilities are stated net in respect of advance billing in line with the requirements of IFRS 15.

Consolidated Statement of Changes in Equity
For the 6 months ended 30 June 2021

	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
Balance as at 31 December 2019	**91**	**5,661**	**291**	**(5,673)**	**370**
Loss and Total Comprehensive:					
Total comprehensive loss for the year	-	-	-	(269)	**(269)**
Transactions with shareholders					
Issue of Shares	9	437	-	-	**446**
Share Based Payments	-	-	101	-	**101**
Balance as at 31 December 2020	**100**	**6,098**	**392**	**(5,942)**	**648**
Loss and Total Comprehensive:					
Total comprehensive loss for the year	-	-	-	(323)	**(323)**
Transactions with shareholders					
Share Based Payments	-	-	69	-	**69**
Balance as at 30 June 2021	**100**	**6,098**	**461**	**(6,265)**	**394**

Consolidated Cash Flow Statement
For the 6 months ended 30 June 2021

	Note	Unaudited 6 months ended 30 June 2021 £'000	Unaudited 6 months ended 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Cash Flow from Operating Activities				
Loss before Taxation		(302)	(340)	(319)
Adjustment for:				
Amortisation of Intangibles	**9**	79	89	168
Depreciation of right-of use asset		80	69	175
Depreciation of Property, Plant and Equipment		47	102	137
Loss/ (gain) on Disposal of Asset		4	(4)	(4)
Finance Costs		20	21	48
Share Based Payment		69	57	101
Cash (used in) / generated from Operating Activities Before changes in Working Capital		**(3)**	**(6)**	**306**
Change in Inventory		-	16	17
Change in Trade and Other Receivables		(25)	(124)	(214)
Change in Trade and Other Payables		(286)	774	268
Cash (used in)/ generated from Operating Activities		**(314)**	**660**	**377**
Corporation Tax received		-	-	343
Net Cash Flow (used in)/ generated from Cash flow from investing activities		**(314)**	**660**	**720**
Acquisition of Property, Plant and Equipment		(5)	(2)	(5)
Disposal Proceeds		-	6	6
Development Costs Capitalised	**9**	(113)	(106)	(194)
Net Cash Flow used in Investing Activities		**(118)**	**(102)**	**(193)**
Cash flow from financing activities				
Principal paid on lease liabilities		(97)	(98)	(195)
Interest paid on loans and borrowings		(2)	-	(7)
Proceeds from issue of shares		-	500	500

Costs of share issuance	-	(54)	(54)
Net Cash (used in) / generated from Financing Activities	**(99)**	**348**	**244**
Net increase / (decrease) in Cash & Cash Equivalents	**(531)**	**906**	**771**
Cash & Cash Equivalents at beginning of period	1,122	351	351
Cash & Cash Equivalents at end of period	**591**	**1,257**	**1,122**

Notes to the Financial Statements
For the 6 months ended 30 June 2021

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 condensed consolidated interim financial statements as at and for the six months ended 30 June 2021 were approved by the Board of Directors on 22 September 2021.

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 interim financial statements for the period ended 30 June 2021 have 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 financial statements for the period ended 30 June 2021 (and comparative) have been prepared on a consolidated basis. The consolidated financial statements present the results of the Company and its subsidiaries ('the Group') as if they formed a single entity. The financial statements of the Group and Company are both prepared in accordance with IFRS. They do not include all of the information required for a complete set of IFRS financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of changes in the Group's financial position and performance since the last annual statements.

Alternative performance measures (APM)

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

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

Purpose

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

Consequently, APMs are used by the Directors and management for performance analysis, planning, reporting and incentive setting purposes and this remains consistent with the prior year. Adjusted APMs are used by the Group in order to understand underlying performance and exclude items which distort compatibility, as well as being consistent with public broker forecasts and measures (see note 13).

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

4. Accounting Policies

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

4.1 Basis of Accounting

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

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

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

	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

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

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.

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 took advantage of published time to pay plans on VAT. As at 30 June 2021, £0.1m remained outstanding in this regard.

As at 30 June 2021, the Group had cash and cash equivalents of £0.59m (2020: £1.26m) and achieved an Adjusted EBITDA profit of £0.02m (2020: £0.05m), reducing the operating loss to £0.28m (2020: £0.32m).

The Board has also renewed the £0.5m invoice discounting facility with Barclays Bank following the annual review in July 2021. As at the 30 June 2021 this was unutilised.

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 interim 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.

Performance obligations and timing of revenue recognition

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.

These costs are recognised in the Consolidated Statement of Comprehensive Income within Sales & Marketing costs.

Contract Balances

	Contract Assets 30 June 2021 £'000	Contract Assets 31 December 2020 £'000	Contract Liabilities 30 June 2021 £'000	Contract Liabilities 31 December 2020 £'000
At 1 January	34	43	(878)	(866)
Commission expensed during the period	(50)	(62)	-	-
Commissions paid in advanced of contract completion	60	53	-	-
Recognised as revenue during the period	-	-	1,637	3,390
Invoiced in advanced of performance during period	-	-	(1,712)	(3,402)
	44	**34**	**(953)**	**(878)**

4.4 Finance Income

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

4.5 Government Grant Income

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

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

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

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

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), Managed Detection and Response, 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 period ended 30 June 2021 and comparative periods is as follows:

	Unaudited 6 months ended 30 June 2021 £'000	Unaudited 6 months ended 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Revenue			
Assurance	1,489	1,241	2,724
MDR	1,450	1,239	2,732
Vendor Products	49	70	125
Other	19	58	82
Total Revenue	**3,007**	**2,608**	**5,663**
Gross Profit			
Assurance	905	633	1,576
MDR	932	834	1,994
Vendor Products	8	14	25
Other	(29)	(19)	(47)
Gross Profit	**1,816**	**1,462**	**3,548**
Operating Loss	**(282)**	**(319)**	**(271)**
Finance Cost	(20)	(21)	(48)
Loss before Taxation	**(302)**	**(340)**	**(319)**

6. Other Income

	Unaudited 6 months ended 30 June 2021 £'000	Unaudited 6 months ended 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Gain on sale of Asset	-	4	4
R&D Tax Credits	117	207	293
Total	**117**	**211**	**297**

7. Taxation

Recognised in the Statement of Comprehensive Income

	Unaudited 6 months ended 30 June 2021 £'000	Unaudited 6 months ended 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Corporation Tax Charge/(Credit)	-	-	-
Deferred Tax Charge/(Credit)	21	(23)	(50)
Total Tax Charge/ (Credit)	**21**	**(23)**	**(50)**

Reconciliation of Total Tax Charge Credit

	Unaudited 6 months ended 30 June 2021 £'000	Unaudited 6 months ended 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Loss before Tax	(302)	(340)	(319)
UK Corporation at rate of 19%	(57)	(65)	(61)
Expenses not deductible for tax purposes	1	2	2
Over/under provision in prior period – Deferred Tax	21	(23)	(50)
Tax losses on which Deferred Tax not recognised	56	63	59
Total Tax Charge/ (Credit)	**21**	**(23)**	**(50)**

Deferred Tax Assets & Liabilities

	Unaudited 6 months ended 30 June 2021 £'000	Unaudited 6 months ended 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Deferred Tax Assets	139	86	118
Deferred Tax Liabilities	(132)	(85)	(90)
Deferred Tax – Net Liabilities	**7**	**1**	**28**

Deferred Tax Assets of £139k is recognised in respect of unutilised trading losses, Share Based Payments and short-term timing differences. Deferred Tax Liabilities of £132k arise on timing differences in the carrying value of certain of the Company's assets for financial reporting purposes and for corporation tax purposes. These will reverse as the fair value of the related assets are depreciated over time. Deferred Tax balances have been calculated at the rate of 25%, being the rate of Corporation Tax rate expected to be in force when the timing differences reverse.

Unutilised Trading Losses

The Company continues to carry forward unutilised trading losses of £5.06m (June 2020: £5.71m). A Deferred Tax Asset of £46k has been recognised as at 30 June 2021 in respect of the unutilised trading losses. No further Deferred Tax Asset has been recognised because the Board envisages that a significant period of time will be required to generate sufficient profits to utilise the trading losses carried forward.

8. 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 by Diluted Number of Ordinary Shares.

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

	Unaudited 6 months ended 30 June 2021 £'000	**Unaudited 6 months ended 30 June 2020 £'000**	**Audited Year ended 31 December 2020 £'000**
Net Loss attributable to Equity Holders of the Company	(323)	(317)	(269)
Add back: Exceptional Costs	26	54	65
Add back: Share Based Payments	69	57	101
Adjusted Loss	(228)	(206)	(103)
Number of Ordinary Shares ('000)			
Initial Weighted Average	10,007	9,098	9,098
Shares issued in April 2020	-	909	909
Basic Number of Ordinary Shares	**10,007**	**10,007**	**10,007**
Weighted Average Dilutive Shares in Period	1,107	769	906
Diluted Number of Ordinary Shares	**11,114**	**10,776**	**10,913**
Earnings per Share (pence):			
Basic Loss per Share	(3.2)	(3.2)	(2.7)
Diluted Loss per Share**	(3.2)	(3.2)	(2.7)
Adjusted Loss per Share	(2.3)	(2.1)	(1.0)

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

9. Intangible Assets

GROUP & COMPANY

Development Costs

Costs	**£'000**
As at 1 January 2020	1,085
Additions	194

As at 31 December 2020	1,279

As at 1 January 2021	1,279
Additions	113
As at 30 June 2021	1,392

Amortisation

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

As at 1 January 2021	824
Charges for the period	79
As at 30 June 2021	903

Net Book Value

As at 31 December 2020	455
As at 30 June 2021	489

10. Cash & Cash Equivalents

	Unaudited GROUP As at 30 June 2021 £'000	**Unaudited GROUP As at 30 June 2020 £'000**	**Audited Year ended 31 December 2020 £'000**
Cash & Cash Equivalents	591	1,258	1,122

11. Secured Facilities

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

Barclays Bank also provides an invoice discounting facility of £500,000.

These payment facilities are secured by a debenture in favour of Barclays Bank that creates fixed and floating charges over the assets of the Company.

12. Controlling Party

ECSC Group plc does not have an ultimate controlling party.

13. Adjusted (Loss) before Taxation and Adjusted EBITDA

Adjusted (Loss) before Taxation

	Unaudited 6 months 30 June 2021 £'000	Unaudited 6 months 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Loss before Taxation	**(302)**	**(340)**	**(319)**
Share Based Payments	69	57	101
Exceptional Items	26	54	65
Adjusted (Loss) before Taxation	**(207)**	**(229)**	**(153)**

Adjusted EBITDA:

	Unaudited 6 months 30 June 2021 £'000	Unaudited 6 months 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Operating Loss	**(282)**	**(319)**	**(271)**
Depreciation and Amortisation	206	260	480
EBITDA**	**(76)**	**(59)**	**209**
Share Based Payments	69	57	101
Exceptional Items	26	54	65
Adjusted EBITDA*	**19**	**52**	**375**

	Unaudited 6 months 30 June 2021 £'000	Unaudited 6 months 30 June 2020 £'000	Audited Year ended 31 December 2020 £'000
Operating Loss	**(282)**	**(319)**	**(271)**

Share Based Payments	69	57	101
Exceptional Items	26	54	65
Adjusted Operating Loss*	**(187)**	**(208)**	**(105)**

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

14. 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