Prior to publication, the information contained within this announcement was deemed by the Company to constitute inside information for the purposes of Article 7 under the Market Abuse Regulation (EU) No. 596/2014 ("MAR"). With the publication of this announcement, this information is now considered to be in the public domain.

23 September 2020

ECSC Group plc

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

Unaudited interim results for the six months ended 30 June 2020

Return to profit, positive cash flow and a strong outlook for Q4

ECSC Group plc (AIM: ECSC), the provider of cyber security services, announces its unaudited interim results for the six months ended 30 June 2020 and an update on current trading.

Financial Highlights

- Managed Detection and Response ("MDR") division (managed services and incident response) recurring revenue up 25% to £1.17m (H1 2019: £0.94m)
- MDR order book of £2.9m (30 June 2019: £2.7m)
- Assurance* division (testing, standards and certification services) revenue up 4% to £1.24m (H1 2019: £1.19m)
- Group revenue of £2.61m (H1 2019: £2.63m)
- Adjusted** EBITDA*** profit of £52k (H1 2019: £184k loss)
- Partner programme contributing to 27% of new client recurring revenue MDR order book, and 7% of Assurance revenue
- Successful placing in April 2020 to raise £0.5m (gross)
- Cash of £1.26m at period end (30 June 2019: £0.19m), including £0.77m of COVID-19 related medium-term government support relating to VAT and PAYE deferral. The Group's bank facility of £0.5m remains unutilised

Operational Highlights

- 48 new Assurance clients secured (H1 2019: 59)
- Appointment of Gemma Basharan as Chief Financial Officer and Ian Castle as Chief Technology Officer in March 2020
- Launch of AI supported Nebula Cloud cyber security breach detection service in May 2020

Post-Period Highlights

- Strong recovery of Assurance revenue, with July 2020 up 33% on the Q2 average
- Assurance total bookings mid-September 2020 up 75% on H1 average
- Continued Adjusted** EBITDA*** profitability
- Cash of £1.64m at 18 September 2020 and unutilised bank facility of £0.5m

* Previously termed Consulting division
**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 delighted to report a return to Adjusted EBITDA profit with record levels of recurring revenues and orders within our Managed Detection and Response division, partly driven by an increase in cyber security incidents as organisations have accelerated the existing trend towards remote and cloud working during the COVID-19 pandemic.

"It is also pleasing to note that our Assurance division is recovering strongly as clients are beginning to resume projects (both on-site and working remotely), with an increase in both revenues and bookings in this sector. We continue to see an uptake in our Partner Programme, with 120 registered partners generating over 160 sales opportunities by the end of the period, which had a material contribution to revenue.

"We have so far exceeded our stated objective of maintaining a break-even Adjusted EBITDA position throughout the COVID-19 crisis. We remain focused on our strategy of growing our Managed Detection and Response division in order to build our recurring revenue streams and target this fast-growing sector of the market. We continue to innovate our technologies and deliver quality services to our expanding client base.

"In summary, ECSC is well positioned in the growing global cyber security marketplace, and we look forward with confidence to delivering improved operating results and shareholder value. We will continue to update the market on our progress in due course."

Enquiries:

ECSC Group plc **+44 (0) 1274 736 223**
David Mathewson (Non-Executive Chairman)
Ian Mann (Chief Executive Officer)

Allenby Capital Limited (NOMAD and Broker) **+44 (0) 203 3285 656**
David Hart / Asha Chotai (Corporate Finance)
Tony Quirke (Equity Sales)

Yellow Jersey (PR and IR) **+44 (0) 203 004 9512**
Sarah Hollins
Annabel Atkins
Matthew McHale

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 so far with excellent remote working practices, and a return to Adjusted EBITDA profitability throughout the period reflects well on the capable and experienced management team who are now focused on the many opportunities arising in the market.

Improved financial performance across the business has led to a return to profit for the period, positive cash flow, and a strong Q4 outlook. Our successful fund-raise in April 2020 further strengthened our cash position.

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.

The ECSC Kepler Artificial Intelligence (AI) technology, released in 2018, delivered through the global Security Operation Centres (SOCs), continues to be integral to the growth in the Managed Detection and Response division. 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.

On behalf of the Board, I would like to thank all of our clients, staff, channel partners and advisors for their continued support, together with our new institutional shareholders that participated in the fund-raise completed in April 2020.

Despite the temporary interruption to our progress with COVID-19, ECSC is well positioned in a growing cyber security marketplace, and we look forward with confidence to broadening our base of clients and delivering improved operating results.

David Mathewson

Non-Executive Chairman
23 September 2020

Chief Executive Officer's Statement

COVID-19 Strategy
As anticipated, the first significant impact of COVID-19 was seen in April, where a number of Assurance division engagements were postponed.

The management team took early action to mitigate the impact in four areas:

1. All services were re-engineered to be delivered remotely, as the Company anticipated that this would be the preferred model of clients until at least the end of 2020.
2. Adjustments were made to the cost base and delivery capacity, as forecasted 2020 growth was unlikely to materialise.
3. A placing of £0.5m (gross) was completed by mid-April 2020 to reduce overall cash risk through uncertain times. This was fully subscribed by both new and existing investors.
4. Once available, government support was utilised where appropriate, in both the UK and Australia.

We are therefore pleased to report that, to date, our stated aim of maintaining a break-even trading position throughout the pandemic has been exceeded, reflected in our growing cash balance.

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

The Company's Managed Detection and Response division, comprising managed services and incident response, continues to be our priority for growth as we see the opportunity to secure recurring revenue streams through multi-year contracts. ECSC delivers a superior service to clients in this division by deploying and managing its proprietary cyber security technology (including Artificial Intelligence), avoiding the issues end-users continue to have with other vendor companies where cyber security technology is being sold without appropriate in-house resource, expert management or effective 24/7 monitoring.

Success in this area is reflected in the Managed Detection and Response division now accounting for 47% of revenue, compared with 29% at the time of the Company's IPO (end of 2016).

The Assurance division, comprising of testing, standards, and certifications, remains key for new client acquisition, and still sees a relatively large proportion of repeat revenue.

Our Partner Programme, launched in 2019, allows primarily IT Value Added Resellers to directly sell selected ECSC services whilst referring more complex projects to the ECSC sales team to deliver. As of the end of June 2020, 120 partners have signed up to the programme, generating more than 160 sales opportunities and contributing to both new client acquisition and having a material contribution to revenue.

We have continued to invest in ECSC proprietary technologies, including continuing development of our MDR Artificial Intelligence (AI) embedded within many of our managed services.

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. Managed Detection and Response services remains the strategic focus of the Board, to build our recurring revenue streams and target the fastest growing segment of the market. The team continues to acquire new clients, deliver quality services, develop our technologies, and build a solid base for continuing progress and improving financial performance.

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 2020 (interim)	Dec 2019 (full year)	Jun 2019 (interim)
Revenue Growth	Measurement of the success of the organic growth strategy	(1%)	10%	(0.6%)
Managed Detection and Response Recurring Revenue Growth	Visibility of the success of increasing the percentage of revenue from long-term recurring revenues	25%	27%	28%
Managed Detection and Response Recurring Revenue Proportion	Visibility of the success of increasing the percentage of revenue from long-term recurring revenues	45%	34%	35%
Managed Detection and Response Order Book	Combined measurement of new client contracts together with renewals of existing client contracts	£2.9m	£2.6m	£2.7m
Managed Detection and Response Gross Margin	Delivery efficiency measurement	67%	68%	69%
Assurance Repeat Revenue	Quasi-recurring from longer-term consulting clients	69%	73%	77%
Assurance Gross Margin	Delivery efficiency measurement	51%	54%	47%
Contract Liabilities (Deferred Income)	Contracted and invoiced revenue yet to be recognised	£1.4m	£1.2m	£1.1m
Research and Development (of revenue)	Investment in future cyber technologies, service enhancements and intellectual property	14%	13%	12%

Ian Mann
Chief Executive Officer
23 September 2020

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 2020 £'000	Unaudited 6 months 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Revenue			
Assurance	1,241	1,193	2,922
Managed Detection and Response	1,239	1,244	2,585
Vendor Products	70	87	162
Other	58	110	236
	2,608	**2,634**	**5,905**
Gross Profit			
Assurance	633	558	1,574
Managed Detection and Response	834	862	1,745
Vendor Products	14	16	29
Other	(19)	4	12
	1,462	**1,440**	**3,360**
Adjusted EBITDA*			
Other Income	211	103	263
Sales & Marketing Costs	(844)	(943)	(1,958)
Administration Expenses	(777)	(784)	(1,664)
	52	**(184)**	**1**
EBITDA**			
Share Based Payments	(57)	(65)	(105)
Exceptional Items	(54)	-	(6)
	(59)	**(249)**	**(110)**
Depreciation and Amortisation	(260)	(290)	(594)
Adjusted Operating Loss*	**(208)**	**(474)**	**(593)**
Operating Loss	**(319)**	**(539)**	**(704)**

* 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 2020 was £2.61m, down 1% on the comparable prior period (revenue in the six months ended 30 June 2019 was £2.63m). Within this, Assurance revenue was up by 4% to £1.24m (June 2019: £1.19m).

Managed Detection and Response division revenue remained the same in the period at £1.24m (June 2019: £1.24m). Within this division, Incident Response revenues fell to £0.07m (June 2019: £0.31m) during the period. The drop in incidents, whilst historically quite variable, is likely to be due to reduced organisational activities during COVID-19 related 'lock-down'.

Vendor Products revenue in the period fell by 20% to £0.07m, (June 2019: £0.09m), but remains small contributing only 3% of revenues.

Margin Generation

Gross Profit in the period was £1.46m, representing a 56% margin (prior year interim period: £1.44m at 55% margin). This was due to improved margins in the Assurance division.

Assurance margin rose to 51% in the period (prior year interim period: 47%), due to the 4% increase in revenue over the prior period.

Managed Detection and Response margin fell to 67% (prior year interim period: 69%), this was due to a fall in Incident Response revenue during the period.

EBITDA & Operating Loss

Adjusted EBITDA for the period, which excludes one-off charges and share based charges, was a profit of £0.05m (June 2019: loss of £0.18m). EBITDA in the period was a loss of £0.06m (June 2019: loss of £0.25m). The Group has achieved the COVID-19 target of operating on a break-even Adjusted EBITDA basis.

Adjusted Operating loss in the period was £0.21m (June 2019: Operating loss of £0.47m). Operating loss in the period was £0.32m (June 2019: operating loss of £0.54m).

Exceptional items

During the period the Group undertook a cost restructure to reduce its operating costs. This restructure resulted in exceptional costs totalling £0.05m during the period, which included payments in lieu of notice and redundancy payments.

Consolidated Statement of Financial Position

The Group's Balance Sheet at 30 June 2020 had Net Assets of £0.56m (June 2019: £0.57m).

Consolidated Cash Flow Statement

Cash and cash equivalents increased by £0.91m to £1.26m as at 30 June 2020 primarily due to achieving an Adjusted EBITDA profit, equity raise of £0.50m (gross) and £0.77m of COVID-19 related medium-term government support.

Lease payment costs increased to £0.1m (June 2019: £0.09m) and development costs for the period increase to £0.11m (June 2019: £0.09m) as investment continues in this area.

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

Gemma Basharan
Chief Financial Officer
23 September 2020

Consolidated Statement of Comprehensive Income
For the 6 months ended 30 June 2020

	Note	Unaudited 6 months ended 30 June 2020 £'000	Unaudited 6 months ended 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Revenue	**5**	**2,608**	**2,634**	**5,905**
Cost of Sales		(1,146)	(1,194)	(2,545)
Gross Profit	**5**	**1,462**	**1,440**	**3,360**
Other Income	**6**	211	103	263
Sales & Marketing Costs		(844)	(943)	(1,958)
Administration Expenses		(1,148)	(1,139)	(2,369)
Operating Loss before Exceptional Items		**(208)**	**(474)**	**(593)**
Share Based Payments		57	65	105
Exceptional Items		54	-	6
Operating Loss		**(319)**	**(539)**	**(704)**
Finance Income		-	-	-
Finance Cost		(21)	(19)	(46)
Loss before Taxation		**(340)**	**(558)**	**(750)**
Taxation Credit/ (Charge)	**7**	23	12	(26)
Loss for the Period		**(317)**	**(546)**	**(776)**
Other Comprehensive Income		-	-	-
Total Comprehensive Loss for the Period		**(317)**	**(546)**	**(776)**
Attributed to Equity Holders of the Company				
Loss per Share	**8**	**pence**	**pence**	**pence**
Basic Loss per Share		(3.2)	(6.0)	(8.5)
Diluted Loss per Share		(3.2)	(6.0)	(8.5)

Consolidated Statement of Financial Position
As at 30 June 2020

	Note	Unaudited 6 months ended 30 June 2020 £'000	Unaudited 6 months ended 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
ASSETS				
Non-current Assets				
Intangible Assets	**9**	446	418	429
Property, Plant and Equipment		212	370	283
Right of use Assets		825	946	896
Deferred Tax Asset	**7**	86	126	77
Total Non-current Assets		1,569	1,860	1,685
Current Assets				
Inventory		10	39	26
Trade and Other Receivables		1,127	1,243	1,210
Corporation Tax Recoverable		472	258	265
Cash and Cash Equivalents	**10**	1,258	190	351
Total Current Assets		2,867	1,730	1,852
TOTAL ASSETS		**4,436**	**3,590**	**3,537**
LIABILITIES				
Current Liabilities				
Trade and Other Payables		(2,911)	(1,928)	(2,137)
Lease Liabilities		(153)	(154)	(150)
Total Current Liabilities		(3,064)	(2,082)	(2,287)
Non-current Liabilities				
Deferred Tax Liability	**7**	(85)	(111)	(99)
Lease Liabilities		(730)	(828)	(781)
Total Non-current Liabilities		**(815)**	**(939)**	**(880)**
TOTAL LIABILITIES		**(3,879)**	**(3,021)**	**(3,167)**
NET ASSETS		**557**	**569**	**370**
EQUITY				
Equity attributable to Owners of the Parent:				
Share Capital		100	91	91
Share Premium Account		6,099	5,661	5,661
Share Option Reserve		348	251	291
Retained Earnings		(5,990)	(5,434)	(5,673)
TOTAL EQUITY		**557**	**569**	**370**

Consolidated Statement of Changes in Equity
For the 6 months ended 30 June 2020

	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 Expenditure					
Loss for the year ended 30 June 2020	-	-	-	(317)	**(317)**
Transactions with shareholders					
Issue of Shares	9	491	-	-	**500**
Share Issue Costs	-	(53)	-	-	**(53)**
Share Based Payments	-	-	57	-	**57**
Balance as at 30 June 2020	**100**	**6,099**	**348**	**(5,990)**	**557**

Consolidated Cash Flow Statement
For the 6 months ended 30 June 2020

	Note	Unaudited 6 months ended 30 June 2020 £'000	Unaudited 6 months ended 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Cash Flow from Operating Activities				
Loss before Taxation		(340)	(558)	(750)
Adjustment for:				
Amortisation of Intangibles	**9**	89	85	177
Depreciation of right-of use asset		69	114	200
Depreciation of Property, Plant and Equipment		102	91	217
Profit on Disposal of Equipment		(4)	-	(1)
Finance Costs		21	19	46
Share Based Payment		57	65	105
Cash from Operating Activities before changes in Working Capital		**(6)**	**(184)**	**(6)**
Change in Inventory		16	(21)	(8)
Change in Trade and Other Receivables		(124)	(220)	(349)
Change in Trade and Other Payables		774	219	428
Change in Other Non Cash Items		-	(13)	(13)
Cash from/ (used in) Operating Activities		**660**	**(219)**	**52**
Corporation Tax received		-	-	152
Net Cash Flow from/ (used in) Operations		**660**	**(219)**	**204**
Acquisition of Property, Plant and Equipment		(2)	(65)	(129)
Disposal Proceeds		6	-	16
Development Costs Capitalised	**9**	(106)	(91)	(194)
Net Cash Flow used in Investing Activities		**(102)**	**(156)**	**(307)**
Principal paid on lease liabilities		(98)	(85)	(195)
Interest paid on loans and borrowings		-	-	(1)
Net proceeds from the Share Issue		447	-	-
Net Cash used in Financing Activities		**349**	**(85)**	**(196)**
Net increase/ (decrease) in Cash & Cash Equivalents		**907**	**(460)**	**(299)**
Cash & Cash Equivalents at beginning of period		351	650	650
Cash & Cash Equivalents at end of period		**1,258**	**190**	**351**

Notes to the Financial Statements
For the 6 months ended 30 June 2020

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 2020 were approved by the Board of Directors on 23 September 2020.

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 2020 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 2020 (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	EU endorsement status
New Standards			
IFRS 17 Insurance contracts	18-May-2017	01-Jan-2021*	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	Expected Q1 2020
Definition of Material – Amendments to IAS 1 and IAS 8	31-Oct-2018	01-Jan-2020	Endorsed
Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7)	26-Sept-2019	01-Jan-2020	Endorsed January 2020
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	23-Jan-2020	01-Jan-2022	TBC

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

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.

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.

The Group's objective was to maintain a break-even Adjusted EBITDA position throughout the COVID-19 crisis. This was achieved by undertaking a cost restructuring and making use of the UK Government's furlough scheme. The Group also made use of medium-term government support relating to VAT and PAYE deferral. During this period the Group successfully completed a placing in April 2020 raising £0.5m (gross). As of 30 June 2020 the Group's cash balance was £1.26m (30 June 2019: £0.19).

The Board have renewed the invoice discounting facility with Barclay's of £0.5m following the annual review in August 2020. The facility will be formally reviewed again in August 2021. As of the 30 June 2020 this facility 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 Assurance 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 Managed Detection and Response 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.

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 the Managed Detection and Response 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 Assurance Consultancy 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 2020 £’000	**Contract Assets 31 December 2019 £’000**	**Contract Liabilities 30 June 2020 £’000**	**Contract Liabilities 31 December 2019 £’000**
At 1 January	43	49	(1,186)	(949)
Commission expensed during the period	(28)	(28)	-	-
Commissions paid in advanced of contract completion	27	22	-	-
Recognised as revenue during the period	-	-	1,584	2,429
Invoiced in advanced of performance during period	-	-	(1,794)	(2,666)
	42	**43**	**(1,396)**	**(1,186)**

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 year ended 30 June 2020 were as follows:

	Unaudited 6 months ended 30 June 2020 £'000	**Unaudited 6 months ended 30 June 2019 £'000**	**Audited Year ended 31 December 2019 £'000**
Revenue			
Assurance	1,241	1,193	2,922
Managed Detection and Response	1,239	1,244	2,585
Vendor Products	70	87	162
Other	58	110	236
Total Revenue	**2,608**	**2,634**	**5,905**
Gross Profit			
Assurance	633	558	1,574
Managed Detection and Response	834	862	1,745
Vendor Products	14	16	29
Other	(19)	4	12
Gross Profit	**1,462**	**1,440**	**3,360**
Operating Loss	**(319)**	**(539)**	**(704)**
Finance Income	-	-	-
Finance Cost	(21)	(19)	(46)
Loss before Taxation	**(340)**	**(558)**	**(750)**

6. Other Income

	Unaudited 6 months ended 30 June 2020	**Unaudited 6 months ended 30 June 2019**	**Audited Year ended 31 December 2019**

	£’000	£’000	£’000
Gain on sale of Asset	4	-	1
R&D Tax Credits	207	103	262
Total	**211**	**103**	**263**

7. Taxation

Recognised in the Statement of Comprehensive Income

	Unaudited 6 months ended 30 June 2020 £’000	Unaudited 6 months ended 30 June 2019 £’000	Audited Year ended 31 December 2019 £’000
Corporation Tax Charge/(Credit)	-	-	-
Deferred Tax Charge/(Credit)	(23)	(12)	26
Total Tax Credit	**(23)**	**(12)**	**26**

Reconciliation of Total Tax Charge Credit

	Unaudited 6 months ended 30 June 2019 £’000	Unaudited 6 months ended 30 June 2019 £’000	Audited Year ended 31 December 2019 £’000
Loss before Tax	(340)	(558)	(750)
UK Corporation at rate of 19%	(65)	(106)	(143)
Expenses not deductible for tax purposes	2	1	2
Income not taxable for tax purposes	-	-	-
Exercise of Share Options	-	-	-
Difference between current and Deferred Tax rates	-	-	-
Over/under provision in prior period – Corporation Tax	-	-	-
Over/under provision in prior period – Deferred Tax	(23)	(12)	26
Tax losses on which Deferred Tax not recognised	63	105	141
Total Tax Credit	**(23)**	**(12)**	**26**

Deferred Tax Assets & Liabilities

	Unaudited 6 months ended 30 June 2019 £’000	Unaudited 6 months ended 30 June 2019 £’000	Audited Year ended 31 December 2019 £’000
Deferred Tax Assets	86	126	77
Deferred Tax Liabilities	(85)	(111)	(99)
Deferred Tax – Net Liabilities	**1**	**15**	**(22)**

Deferred Tax Assets of £86k is recognised in respect of unutilised trading losses, Share Based Payments and short-term timing differences. Deferred Tax Liabilities of £86k 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.

Unutilised Trading Losses

The Company continues to carry forward unutilised trading losses of £5.71m (June 2019: £4.96m). A Deferred Tax Asset of £22k has been recognised as at 30 June 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.

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 2020 £'000	**Unaudited 6 months ended 30 June 2019 £'000**	**Audited Year ended 31 December 2019 £'000**
Net Loss attributable to Equity Holders of the Company	(317)	(546)	(776)
Add back: Exceptional Costs	54	-	6
Add back: Share Based Payments	57	65	105
Adjusted Loss	(206)	(481)	(665)
Number of Ordinary Shares ('000)			
Initial Weighted Average	9,098	9,098	9,098
Equity Raise	909	-	-
Basic Number of Ordinary Shares	**10,007**	**9,098**	**9,098**
Weighted Average Dilutive Shares in Period	769	598	661
Diluted Number of Ordinary Shares	**10,776**	**9,696**	**9,759**
Earnings per Share (pence):			
Basic Earnings per Share	(3.2)	(6.0)	(8.5)
Diluted Earnings per Share**	(3.2)	(6.0)	(8.5)
Adjusted Earnings per Share	(2.1)	(5.3)	(7.3)

** 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 01 January 2019	891
Additions	194
As at 31 December 2019	1,085
As at 01 January 2020	1,085
Additions (6 months)	106
As at 30 June 2020	1,191

Amortisation

As at 01 January 2019	479
Additions	177
As at 31 December 2019	656
As at 01 January 2020	656
Additions (6 months)	89
As at 30 June 2020	745

Net Book Value

As at 31 December 2019	429
As at 30 June 2020	446

10. Cash & Cash Equivalents

	Unaudited GROUP As at 30 June 2020 £'000	**Unaudited GROUP As at 30 June 2019 £'000**	**Audited GROUP As at 31 December 2019 £'000**
Cash & Cash Equivalents	1,258	190	351

11. Secured Facilities

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

Barclay's are also providing an invoice discounting facility of £500,000.

These payment facilities are secured by a debenture in favour of Barclays 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)/Profit before Taxation

	Unaudited 6 months	**Unaudited 6 months**	**Audited Year ended**

	30 June 2020 £'000	30 June 2019 £'000	31 December 2019 £'000
Loss before Taxation	**(340)**	**(558)**	**(750)**
Share Based Payments	57	65	105
Exceptional Items	54	-	6
Adjusted (Loss) before Taxation	**(229)**	**(493)**	**(639)**

Adjusted EBITDA:

	Unaudited 6 months 30 June 2020 £'000	Unaudited 6 months 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Operating Loss	**(319)**	**(539)**	**(704)**
Depreciation and Amortisation	260	290	594
EBITDA**	**(59)**	**(249)**	**(110)**
Share Based Payments	57	65	105
Exceptional Items	54	-	6
Adjusted EBITDA*	**52**	**(184)**	**1**

	Unaudited 6 months 30 June 2020 £'000	Unaudited 6 months 30 June 2019 £'000	Audited Year ended 31 December 2019 £'000
Operating Loss	**(319)**	**(539)**	**(704)**
Share Based Payments	57	65	105
Exceptional Items	54	-	6
Adjusted Operating Loss*	**(208)**	**(474)**	**(593)**

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	18 April 2017	Dormant

	BD7 1HR		
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