

27 September 2017

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

Interim results for the 6 months ended 30 June 2017

ECSC Group plc (AIM: ECSC), the provider of cyber security services, announces its interim results for the 6 months ended 30 June 2017.

Highlights

- Significant investment of IPO proceeds into scaling the infrastructure of the Company
- Organic revenue growth of 9% to £1.93m (2016: £1.77m)
 - Consulting revenue up 14% to £1.14m (2016: 1.01m)
 - Managed Services recurring revenue up 13% to £0.43m (2016: £0.38m)
- EBITDA loss of £1.47m (2016: EBITDA profit of £0.36m), reflecting the expensing of the enlarged cost base
- Operating loss of £1.58m (2016: Operating profit of £0.29m)
- Cash outflow of £1.86m, leaving cash of £3.13m at 30 June 2017 (£4.99m at 31 December 2016)
- Delays experienced in conversion of sales pipeline into committed orders and reported revenue
- Full year revenue and EBITDA expected to be below market expectations

Ian Mann, CEO of ECSC, commented:

"The first six months of the year represented a period of considerable change for the Company in which we have focused on deploying existing and recruiting new resources to scale the business to deliver a step change in revenue in 2018 and beyond. The investment programme has progressed to plan, having increased our headcount, broadened our UK operating infrastructure with low cost facilities in Leeds and London, and established a 'follow-the-sun' Security Operations Centre in Australia.

The number of sales leads being generated by the enlarged team has, in recent months, started to increase materially over previous years. However, as we advised in June 2017, we are experiencing delays converting our sales pipeline into committed orders and revenue. Since June 2017, sales conversion delays have continued to be evident and therefore, whilst our revenue is scaling, the rate of growth remains below our revised expectations, such that full year revenue will be below market expectations.

In light of the lower revenue levels currently being generated, the Board, whilst protecting key revenue generating resources, has reviewed the operational cost base of the Company and identified a number of savings which will be immediately implemented. Whilst these savings, together with the Company's growing revenue levels, will materially reduce the monthly EBITDA loss, they will not be sufficient to fully offset the reduced revenue levels and therefore we also expect full year EBITDA to be below market expectations.

Despite these revenue challenges, the Board remains confident that its organic growth strategy is appropriate given the long-term opportunity in the cyber security market."

The information contained in this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulations (EU) No. 596/2014. Upon publication of this announcement, this inside information is now considered to be in the public domain.

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Notes to Editors

ECSC is a proven provider of cyber security services with a blue-chip client base that offers a comprehensive range of solutions.

The Company has over 16 years' experience in the design, implementation and management of cyber security solutions. ECSC's consultancy-led approach, and its combination of custom methodologies and in-house proprietary technologies, enables the Company to provide individually tailored services to its clients. The Company has significant intellectual property, including bespoke products delivering remotely managed cyber security services and custom-made internal support and delivery systems.

The Company floated on AIM in December 2016 to accelerate its growth strategy and to take advantage of the importance attached to cyber security by company boards as a result of the recent proliferation of high profile cyber security breaches.

Chairman's Statement

The Board continues to believe that there is an opportunity to substantially increase the scale of ECSC's business to meet current demand and expected market growth. The UK cyber security sector was worth approximately £3.3 billion in 2016, with the UK market predicted to grow at a rate of 10-12% per annum over the next 5 years.

This rate of growth is being driven by a proliferation of cyber security breaches, increasing the importance of cyber security for corporate boards in the private and public sectors. Many businesses lack the IT departments, specialist resources, and complex software necessary to combat cyber risk and face the real risk of going out of business if subjected to a sustained attack. The regulatory framework of the industry is also changing – the looming step change in May 2018 with the advent of the General Data Protection Regulation ('GDPR') is likely to bring the need for proper cyber security into even sharper focus.

ECSC's vision and strategy is to scale its business to capitalise on this market opportunity – to build significantly on the organic growth achieved to date, to expand its client base, and to deliver enhanced revenue and profitability. The IPO was timed and executed to provide ECSC with the working capital to execute its strategy in this growing market and invest in its sales and operating infrastructure.

With our enlarged operating capacity, the Board is now seeing an increased demand for ECSC's services, evidenced by a material increase in client requests for new proposals. However, as advised in June 2017, the growth of revenues has been slower than expected. This trend has continued during the summer months and, as a result, it is now expected that full year revenue will be below market expectations.

In response to this slower revenue growth, the Board has reviewed the operating cost base of the Company and is implementing a number of cost saving measures whilst protecting key revenue generating resources. These savings will, however, only partially offset the impact of lower revenues and therefore full year EBITDA is expected to be below market expectations.

The Board will continue to monitor revenue growth closely and will manage the Company's cost base and financial resources accordingly to protect the core business and provide the platform to execute the organic growth strategy during 2018 and beyond.

Nigel Payne
Chairman

26 September 2017

Chief Executive's Review

The 6 months to 30 June 2017 has been a period of considerable change for ECSC and has seen significant investment into the infrastructure of the Company and continued organic growth of revenue.

Investment has been focused on scaling up the sales capability and the delivery capacity of the business. In addition, ongoing investment has also been made in our proprietary security software to improve the technical capability of our Managed Service proposition and to maintain its leading edge for the benefit of our clients. From an operational point of view, the post-IPO plan to scale the business is progressing on track, with all planned sales, delivery, and management positions recruited and integrated into the business.

The expansion of the sales team has progressed broadly in line with expectations, with a commitment to continued investment in training and development. Our marketing activities have been increased and this has delivered record levels of new sales leads. The new management structure is also fully implemented, with Service Delivery Directors and Regional Sales Managers all in place.

The new Australian Security Operations Centre opened in September 2017, providing a critical support function to our clients based on 24/7/365 service provision. Our Incident Response facility in London is also operational, enabling us to provide faster Incident Response to client sites and more efficient hardware replacement for Managed Services clients. Enhanced Incident Response services are central to our client preparations for the new GDPR regulations, where mandatory reporting of breaches within 72 hours will become law within the UK and across Europe.

In June 2017 we advised of delays in the conversion of sales pipeline into reported revenue. This was caused, in part, by underestimating the impact on the existing sales team of recruiting and training the new team. To improve the rate of conversion, we have re-organised the Managed Services sales team to dedicate more existing sales staff and better match our skills to commercial opportunities. With new sales staff, we have focused our efforts on encouraging and developing strong performers at an accelerated pace, whilst removing under-performers, thereby concentrating the sales pipeline into the hands of our best people.

However, since June 2017, we have continued to experience delays in order commitments. In light of this slower revenue growth, management has reviewed the enlarged cost structure of the Company and identified a number of immediate savings with limited cost to implement, whilst protecting key revenue generating resources.

Therefore, whilst we continue to scale our revenue, the overall growth trajectory and EBITDA are expected to be below market expectations. With a more focused sales effort, including a re-organised Managed Services sales team and a reviewed cost structure being implemented, we remain confident our organic growth strategy is appropriate given the long term opportunity in the cyber security market.

Ian Mann
Chief Executive Officer
26 September 2017

Financial Review

The company change programme since IPO has driven a substantial increase in the operating cost base of the Company alongside continued organic revenue growth.

Revenue Growth

Total revenue in the 6 months to 30 June 2016 was £1.93m, up 9% on prior year of £1.77m. Within this, Consulting revenue rose by 14% to £1.14m (2016: £1.01m), an encouraging performance given a reasonable percentage of time has been spent embedding new capacity.

Managed Services revenue comprises 3 elements – recurring revenues from contracted clients, one-off set-up revenues from new clients and Incident Response revenues from emergency call-outs. Managed Services revenue was stable at £0.58m (2016: £0.58m). Recurring revenue from contracted clients expanded by 13% to £0.43m (2016: £0.38m), with 9 new contract wins in the period. Set-up revenues were stable compared to prior year at £0.11m (2016: £0.11m). However, there was a decline in Incident Response revenue in the period to £0.04m (2016: £0.09m), driven by a relatively low level of call-outs.

Vendor Products revenue in the period was modest, albeit above prior year.

Margin Generation

Gross margin has fallen to 50% (2016: 68%) as expected, reflecting the rapid scale-up of delivery capacity brought on ahead of being necessary to support revenue growth.

Consulting margins have fallen in the period to 56% (2016: 71%). The underlying pricing of Consulting days has remained stable in the period, with the decline in margin driven by the low initial utilisation of new staff as they progress through their induction and training cycle. Consulting margins are expected to trend upwards as utilisation rates improve and new staff become fully productive.

Managed Services margins have also fallen in the period to 52% (2016: 85%) for similar reasons, reflecting expansion of the Managed Services headcount and a reduction in the R&D development activities of the team, against the backdrop of stable revenues. Managed Services margins are also expected to trend upwards.

EBITDA & Operating Profit

EBITDA in the period was a loss of £1.47m (2016: EBITDA profit of £0.36m), reflecting the decline in reported gross profit and the significant increase in Sales & Marketing costs, and Administrative expenses associated with the scaling of the business. Operating loss in the period was £1.58m (2016: Operating profit of £0.29m).

Cash Flow

The cash balance at the start of the year was £4.99m, boosted by the IPO proceeds. During the period, the cash balance has fallen due to the EBITDA loss (£1.47m), working capital investment (£0.2m), capital expenditure (£0.26m), and development costs (£0.07m). The main items of capital expenditure are computer equipment for new staff, leasehold property improvements, and initial establishment costs for the new Security Operations Centre in Australia.

During the period, Stockdale Securities Limited exercised its Equity Warrant, subscribing for 89,941 new Ordinary Shares. This resulted in a capital inflow of £0.15m.

The cash balance at 30 June 2017 was £3.1m. The Board considers the cash balance to be sufficient to fund the ongoing growth and development of the Company for the foreseeable future.

Dividend

The Board has not declared a dividend for the interim period (2016: £0.07m).

Stephen Hammell
Chief Financial Officer
26 September 2017

ECSC Group plc
Independent Auditors' Review Report
To the members of ECSC Group plc

Introduction

We have been engaged by the company to review the condensed set of interim financial statements in the half-yearly financial report for the 6 months ended 30 June 2017 which comprises the Statement of Comprehensive Income, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Equity and the related explanatory notes that have been reviewed.

We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' Responsibilities

The Interim Report, including the financial information contained therein, is the responsibility of and has been approved by the Directors. The Directors are responsible for preparing the Interim Report in accordance with the rules of the London Stock Exchange for companies trading securities on AIM which require that the half-yearly report be presented and prepared in a form consistent with that which will be adopted in the company's annual accounts having regard to the accounting standards applicable to such annual accounts.

Our Responsibility

Our responsibility is to express to the company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Our report has been prepared in accordance with the terms of our engagement to assist the company in meeting the requirements of the rules of the London Stock Exchange for companies trading securities on AIM and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of our terms of engagement or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 6 months ended 30 June 2017 is not prepared, in all material respects, in accordance with the rules of the London Stock Exchange for companies trading securities on AIM.

BDO LLP
Registered Auditors
Leeds
United Kingdom

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

ECSC Group plc
Statement of Comprehensive Income
For the 6 months ended 30 June 2017

		Unaudited 6 months ended 30 June 2017 £'000	Restated* Unaudited 6 months ended 30 June 2016 £'000	Restated* Audited 15 months ended 31 December 2016 £'000
	Note			
Revenue	6	1,926	1,770	4,510
Cost of Sales		(960)	(566)	(1,723)
Gross Profit	6	966	1,204	2,787
Other Income	7	45	54	158
Sales & Marketing Costs		(1,310)	(486)	(1,245)
Administrative Expenses		(1,285)	(480)	(1,247)
Operating (Loss)/Profit		(1,584)	292	453
Finance Income		–	–	5
Exceptional Items – IPO Costs		–	–	(975)
(Loss)/Profit before Taxation	9	(1,584)	292	(517)
Taxation	10	44	–	118
(Loss)/Profit for the Period		(1,540)	292	(399)
Other Comprehensive Income		–	–	–
Total Comprehensive Income for the Period		(1,540)	292	(399)
Attributable to Equity Holders of the Company		(1,540)	292	(399)
(Loss)/Earnings per Share (pence)	11			
Basic (loss)/earnings per share		(17.1)	5.8	(8.4)
Diluted (loss)/earnings per share		(17.1)	5.8	(8.4)

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

ECSC Group plc
Statement of Financial Position
As at 30 June 2017

	Note	Unaudited as at 30 June 2017 £'000	Unaudited as at 30 June 2016 £'000	Audited as at 31 December 2016 £'000
ASSETS				
Non-current Assets				
Intangible Assets	12	388	309	363
Property, Plant and Equipment		500	156	298
Total non-current assets		888	465	661
Current Assets				
Inventory		69	-	-
Trade and Other Receivables	13	994	935	1,033
Corporation Tax Recoverable		225	54	182
Cash and Cash Equivalents		3,128	258	4,987
Total Current Assets		4,416	1,247	6,202
TOTAL ASSETS		5,304	1,712	6,863
LIABILITIES				
Current Liabilities				
Trade and Other Payables	14	(1,143)	(726)	(1,263)
Corporation Tax Payable		-	(74)	-
Total Current Liabilities		(1,143)	(800)	(1,263)
Non-current Liabilities				
Deferred Tax		-	(10)	(49)
Total Non-current Liabilities		-	(10)	(49)
TOTAL LIABILITIES		(1,143)	(810)	(1,312)
NET ASSETS		4,161	902	5,551
EQUITY				
Equity attributable to owners of the Parent:				
Share Capital		91	24	90
Share Premium Account		5,661	158	5,512
Retained Earnings		(1,591)	720	(51)
TOTAL EQUITY		4,161	902	5,551

ECSC Group plc
Statement of Cash Flows
For the 6 months ended 30 June 2017

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited 15 months ended 31 December 2016 £'000
Cash Flow from Operating Activities:			
(Loss)/Profit before Taxation	(1,584)	292	(517)
Exceptional Items – IPO costs	–	–	975
Grant Income Adjustment	(45)	(54)	–
Adjustment for:			
Amortisation of Intangibles	50	45	112
Depreciation of Property, Plant and Equipment	62	24	65
Cash from Operating Activities before changes in Working Capital	(1,517)	307	635
Change in Inventory	(69)	–	1
Change in Trade and Other Receivables	39	(202)	(411)
Change in Trade and Other Payables	(123)	26	643
Cash generated from Operating Activities	(1,670)	131	868
Corporation Tax received	–	–	36
Net Cash Flow from Operations	(1,670)	131	904
Acquisition of Property, Plant and Equipment	(264)	(109)	(296)
Development Costs capitalised	(75)	(82)	(221)
Net Cash Flow used in Investing Activities	(339)	(191)	(517)
Dividends Paid	–	(71)	(254)
Proceeds from Issuance of Shares	150	85	5,818
Exceptional Items – IPO costs	–	–	(1,288)
Net Cash used in Financing Activities	150	14	4,276
Net (decrease)/ increase in Cash & Cash Equivalents	(1,859)	(46)	4,663
Cash & Cash Equivalents at beginning of period	4,987	304	324
Cash & Cash Equivalents at end of period	3,128	258	4,987

ECSC Group plc
Statement of Changes in Equity
For the 6 months ended 30 June 2017

	Share Capital £'000	Share Premium £'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)
<i>Transaction with owners:</i>				
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	–	–	(1,540)	(1,540)
Exercise of Equity Warrant	1	149	–	150
Balance at 30 June 2017	91	5,661	(1,591)	4,161

This statement is unaudited.

ECSC Group plc
Notes to the Group Condensed Consolidated Interim Financial Statements
For the 6 months ended 30 June 2017

1. Corporate Information

ECSC Group plc ("the Company") is incorporated in England and Wales and quoted on the London Stock Exchange's Alternative Investment Market (AIM: ECSC). Further copies of these results will be available at the Company's registered office: 28 Campus Road, Listerhills Science Park, Bradford, BD7 1HR or on the Company website at www.ecsc.co.uk. These interim financial statements were approved by the Board of Directors on 26 September 2017.

1. General Information

The unaudited interim condensed financial statements for the 6 months ended 30 June 2017 do not comprise statutory accounts and should be read in conjunction with the Annual Report for the 15 months ended 31 December 2016. Those accounts have been reported upon by the Company auditors and delivered to Companies House in the United Kingdom. The report of the auditors on those accounts was unqualified. The Annual Report is published in the investors section of the Group website at <https://investor.ecsc.co.uk>.

These condensed interim financial statements are for the 6 months ended 30 June 2017. The comparative figures for the 15 month period ending 31 December 2016 are derived from the statutory accounts for that financial period which were approved by the Directors on 21 March 2017 and delivered to the Registrar of Companies. The audit report received on those accounts was unqualified and did not contain any emphasis of matter paragraph nor any statement under Section 498 of the Companies Act 2006.

The condensed interim financial statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group's financial statements as at 31 December 2016.

The condensed interim financial statements for the 6 months to 30 June 2017 have not been audited or reviewed by an auditor pursuant to the Auditing Practices Board guidance on Review of Interim Financial Information. The same applies to the 6 months to 30 June 2016 as this period is not audited but does form part of the 15 months audited results to 31 December 2016.

AIM-traded companies are not required to comply with IAS 34 'Interim Financial Reporting' and accordingly the Company has taken advantage of this exemption.

This report may contain certain statements about the future outlook for 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.

2. Basis of Preparation

The condensed interim financial statements 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.

The condensed interim financial statements for the 6 months to 30 June 2017 have been prepared on the basis of the accounting policies expected to be adopted for the year ended 31 December 2017. These are consistent with those set out in the Group's latest annual financial statements for the 15 months ended 31 December 2016. These accounting policies are drawn up in accordance with IFRS.

The condensed interim financial statements have been restated; certain staff costs have been re-allocated from Administrative Expenses to Cost of Sales. This is to allocate direct Consultancy and Managed Service staff costs against revenue earned in these activities. The effect of this change is to increase Cost of Sales and to reduce Administrative Expenses by £255k in the 6 months ended 30 June 2016 and by £708k in the 15 months ended 31 December 2016. This change has no impact on the reported profit/loss for the respective periods.

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

3. Estimates

The preparation of interim financial information requires management to make certain judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual amounts may differ from these estimates.

In preparing these interim financial statements the significant judgements made by management in applying the Company's accounting policies and the key sources of estimation uncertainty were the same as those applied to the consolidated financial statements for the 15 months ended 31 December 2016.

4. Going Concern

The condensed interim financial statements have been prepared on the basis that the Company will continue as a going concern.

After making enquiries, the Directors consider that the Company has adequate resources to continue in operational existence for the foreseeable future. Consequently, they have adopted the going concern basis in preparing these interim condensed financial statements.

5. Revenue and Segment Information

The Company's principal revenue is derived from the supply of cyber security professional services.

The Directors consider that there are three principal reportable operating segments – Consulting, Managed Services and Vendor Products. There were a small number of client re-charges recorded during each period which are not considered to be part of any of the three reportable operating segments. These are presented below within the 'Re-chargeable Items' caption.

The Company's revenue and gross profit by operating segment were as follows:

	Unaudited 6 months ended 30 June 2017 £'000	Restated Unaudited 6 months ended 30 June 2016 £'000	Restated Audited 15 months ended 31 December 2016 £'000
Revenue			
Consulting	1,144	1,006	2,562
Managed Services	579	582	1,330
Vendor Products	53	18	235
Re-chargeable Items	150	164	383
	1,926	1,770	4,510
Gross Profit			
Consulting	642	717	1,701
Managed Services	298	493	1,059
Vendor Products	13	4	37
Re-chargeable Items	13	(10)	(10)
	966	1,204	2,787

6. Other Income

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited 15 months ended 31 December 2016 £'000
Grant Income	45	54	158

A credit has been recognised within grant income as a result of R&D tax credit claims.

In accordance with IFRS, R&D tax credits are shown as grant income due to their being insufficient taxable profits in the period against which they could be offset.

In the 15 months ended 31 December 2016, the R&D tax credit claim was £135k and related to the FY14, FY15 and FY16 periods.

In the 6 months ended 30 June 2017, the R&D tax credit claim has been estimated at £45k.

7. EBITDA

Earnings Before Interest Tax Depreciation and Amortisation ("EBITDA") is calculated as follows:

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited 15 months ended 31 December 2016 £'000
Operating (Loss)/Profit	(1,584)	292	453
Depreciation of Owned Assets	62	24	65
Amortisation of Intangibles – Development Costs	50	45	112
EBITDA	(1,472)	361	630

8. Adjusted Profit before Taxation

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited 15 months ended 31 December 2016 £'000
(Loss)/Profit before Taxation	(1,584)	292	(517)
Exceptional IPO costs	–	–	975
Adjusted Profit before Taxation	(1,584)	292	458

9. Taxation

Recognised in the Statement of Comprehensive Income

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited 15 months ended 31 December 2016 £'000
UK Corporation Tax – current tax on profit for the period	–		(47)
UK Corporation Tax - prior period adjustment	5		(62)
Deferred Tax – reversal of timing differences	–		(9)
Deferred Tax – prior period adjustment	(49)		–
	(44)		(118)

Reconciliation of Effective Tax Rate

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited 15 months ended 31 December 2016 £'000
Profit/(Loss) before Tax	(1,584)	292	(517)
Tax at the UK Corporation Tax rate of 19.5% / 20.0%	(309)	58	(103)
Expenses not deductible for tax purposes	1	–	169
Income not taxable for tax purposes	(9)	–	–
Exercise of Share Options	–	–	(175)
Difference between current and deferred tax rates	–	–	(9)
Over/under provision in prior period – Corporation Tax	5	–	–
Over/under provision in prior period – Deferred Tax	(49)	–	–
Tax losses on which deferred tax not recognised	317	(58)	–
	(44)	–	(118)

Deferred Tax Assets & Liabilities

	Unaudited as at 30 June 2017 £'000	Unaudited as at 30 June 2016 £'000	Audited as at 31 December 2016 £'000
Deferred Tax Assets	105	–	41
Deferred Tax Liabilities	(105)	(10)	(90)
Deferred Tax - Net Liability	–	(10)	(49)

Unutilised Trading Losses

The Company continues to carry forward unutilised trading losses of £1,669k (unutilised trading losses were nil as at 30 June 2016).

A Deferred Tax Asset of £105k has been recognised as at 30 June 2016 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.

10. Earnings per Share

Basic earnings per share amounts are 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.

Diluted earnings per share amounts are 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 into ordinary shares.

The following reflects the income and share data used in the basic and diluted earnings per share computations:

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited 15 months ended 31 December 2016 £'000
Net Profit attributable to Equity Holders of the Company	(1,540)	292	(399)
Add back Exceptional Items – IPO Costs	–	–	975
Adjusted Profit	<u>(1,540)</u>	<u>292</u>	<u>576</u>
Number of Ordinary Shares ('000)			
Initial weighted average number of Ordinary Shares	8,994	24	22
Adjusted to reflect split into 100 1p shares		2,395	2,238
Bonus Issue		2,635	2,462
Basic number of Ordinary Shares	8,994	5,030	4,700
Weighted average of dilutive shares in period	156	–	467
Adjusted weighted average number of Ordinary Shares	<u>9,150</u>	<u>5,030</u>	<u>5,167</u>
Basic earnings per share	(17.1)	5.8	(8.4)
Diluted earnings per share	(17.1)*	5.8	(8.4)*
Adjusted earnings per share	<u>(16.8)</u>	<u>5.8</u>	<u>11.1</u>

On 28 October 2016, the Company passed a resolution to re-designate all the Ordinary Shares of £1 each in issue as a single class of shares. A resolution was then passed to sub-divide every existing Ordinary Share of £1 each in issue into 100 Ordinary Shares of 1p. The Company then passed a resolution to issue 110 Ordinary Shares of 1p each by way of a bonus issue pro rata to shareholders. In accordance with IFRS, this has been reflected in weighted average number of ordinary shares above.

Adjusted earnings per share are stated before charging IPO costs of £975k.

On 19 and 22 May 2017, the Company granted options over 269,285 Ordinary Shares to selected employees.

On 9 June 2017, the Company allotted 89,941 Ordinary Shares of 1p each to Stockdale Securities Limited following their election to exercise the Equity Warrant granted at the time of the IPO of the Company.

* In accordance with IAS 33 p41 the effect of anti-dilutive potential shares has been ignored.

11. Intangible Assets

Development Costs

Development Costs relate to staff costs incurred in enhancing self-developed IT software and systems used to deliver services and operate the business.

	£'000
Cost	
As at 1 October 2015	345
Additions	<u>41</u>
As at 31 December 2015	<u>386</u>
As at 1 January 2016	386
Additions	<u>82</u>
As at 30 June 2016	<u>468</u>
As at 1 July 2016	468
Additions	<u>99</u>
As at 31 December 2016	<u>567</u>
As at 1 January 2017	567
Additions	<u>75</u>
As at 30 June 2017	<u>642</u>
Amortisation	
As at 1 October 2015	91
Amortisation Charge for the 3 months	<u>23</u>
As at 31 December 2015	<u>114</u>
As at 1 January 2016	114
Amortisation Charge for the 6 months	<u>45</u>
As at 30 June 2016	<u>159</u>
As at 1 July 2016	159
Amortisation Charge for the 6 months	<u>45</u>
As at 31 December 2016	<u>204</u>
As at 1 January 2017	204
Amortisation Charge for the 6 months	<u>50</u>
As at 30 June 2017	<u>254</u>
Net Book Value	
As at 31 December 2015	<u><u>272</u></u>
As at 30 June 2016	<u><u>309</u></u>
As at 31 December 2016	<u><u>363</u></u>
As at 30 June 2017	<u><u>388</u></u>

12. Trade and Other Receivables

	Unaudited as at 30 June 2017 £'000	Unaudited as at 30 June 2016 £'000	Audited as at 31 December 2016 £'000
Trade Receivables	885	742	928
Other Receivables	8	116	8
Prepayments and Accrued Income	101	77	97
	994	935	1,033

The carrying amount of trade and other receivables approximates to their fair value.

Other receivables, as at 30 June 2016, includes £92k in respect of Directors' Loans and these loans were fully settled by 31 December 2016.

13. Trade and Other Payables

	Unaudited as at 30 June 2017 £'000	Unaudited as at 30 June 2016 £'000	Audited as at 31 December 2016 £'000
Trade Payables	204	98	484
Other Taxation and Social Security	256	176	210
Other Payables & Deferred Income	683	452	569
	1,143	726	1,263

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

14. Related Party Transactions

Prior to the IPO dividends were paid to the Directors and their close family members as follows:

	Unaudited 6 months ended 30 June 2017 £'000	Unaudited 6 months ended 30 June 2016 £'000	Audited 15 months ended 31 December 2016 £'000
Dividends paid to Directors and their close family members	-	71	254

In October 2015, loans amounting to £84,757 were granted to two Directors to enable them to exercise share options. The loans are interest free and are repayable on a sale or flotation of the Company or earlier, at the borrowers' discretion. The loans were discounted to £79,611 and were fully repaid in the period ended 31 December 2016.

An additional loan of £12,547 was made to a director in the period ended 31 December 2016. This loan is interest free and was repaid in the period ended 31 December 2016.

In the period 1 January 2017 to 30 June 2017, Merlin Consultancy Ltd, a company owned by Nigel Payne (Non-Executive Chairman), invoiced ECSC Group plc £8,647 for services rendered. These transactions were entered into on an arms length basis.

15. Exceptional Costs

As part of the process of admission to trading on AIM for the first time, costs of £1,288k were incurred. Of this total, costs of £313k were allocated against Share Premium Account. The remaining costs of £975k were charged to the Profit & Loss Account in the 15 months to 31 December 2016.

16. Subsidiary Undertakings

The Company currently has the following wholly-owned subsidiaries, which are incorporated and registered in England and Wales, of which ECSC Group plc holds 100% of the share capital:

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	Dormant