

# ECSC GROUP PLC

Annual Report Year Ended 31 December 2020

PROVIDING CYBER SECURITY EXPERTISE  
inc. ARTIFICIAL INTELLIGENCE



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

On behalf of the board, I would like to thank all of our clients, partners, team, advisors, and investors for their continued support throughout a challenging year for us all.

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

**David Mathewson**

Non-Executive Chairman

## Company Information

### Directors

David Mathewson (Non-Executive Chairman)  
Ian Mann (Chief Executive Officer)  
Lucy Sharp (Chief Operating Officer)  
Gemma Basharan (Chief Financial Officer)\*  
Ian Castle (Chief Technical Officer)\*  
Elizabeth Gooch (Non-Executive Director)

\*Appointed on 25 March 2020

### Registered Office

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Listerhills Science Park  
Bradford  
BD7 1HR

### Telephone Number

01274 736 223

### Company Secretary

David Mathewson

### Website

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### Nominated Advisor & Broker to the Company

Allenby Capital Limited  
5 St. Helen's Place  
London  
EC3A 6AB

### Auditors to the Company

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Central Square  
29 Wellington Street  
Leeds  
LS1 4DL

### Financial Press and Investor Relations

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### Solicitors to the Company

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1 Vine Street  
Mayfair  
London  
W1J 0AH

### Registrar

Equiniti Group plc  
Sutherland House  
Russell Way  
West Sussex  
RH10 1UH

## Financial Highlights

**22%**

**Managed Detection & Response (MDR) recurring revenue growth of 22% to £2.42m**  
(2019: £1.98m)

**6%**

**MDR revenue up 6% to £2.73m**  
(2019: £2.59m)

**£0.4m**  
PROFIT

**Adjusted EBITDA\* profit £0.4m**  
(2019: break-even)

**£5.66m**

**Revenue of £5.66m**  
(2019: £5.91m)

**£1.12m**

**Cash at period end £1.12m\*\***  
**The Group's bank facility remains unutilised**  
(31 Dec 2019: £0.35m)

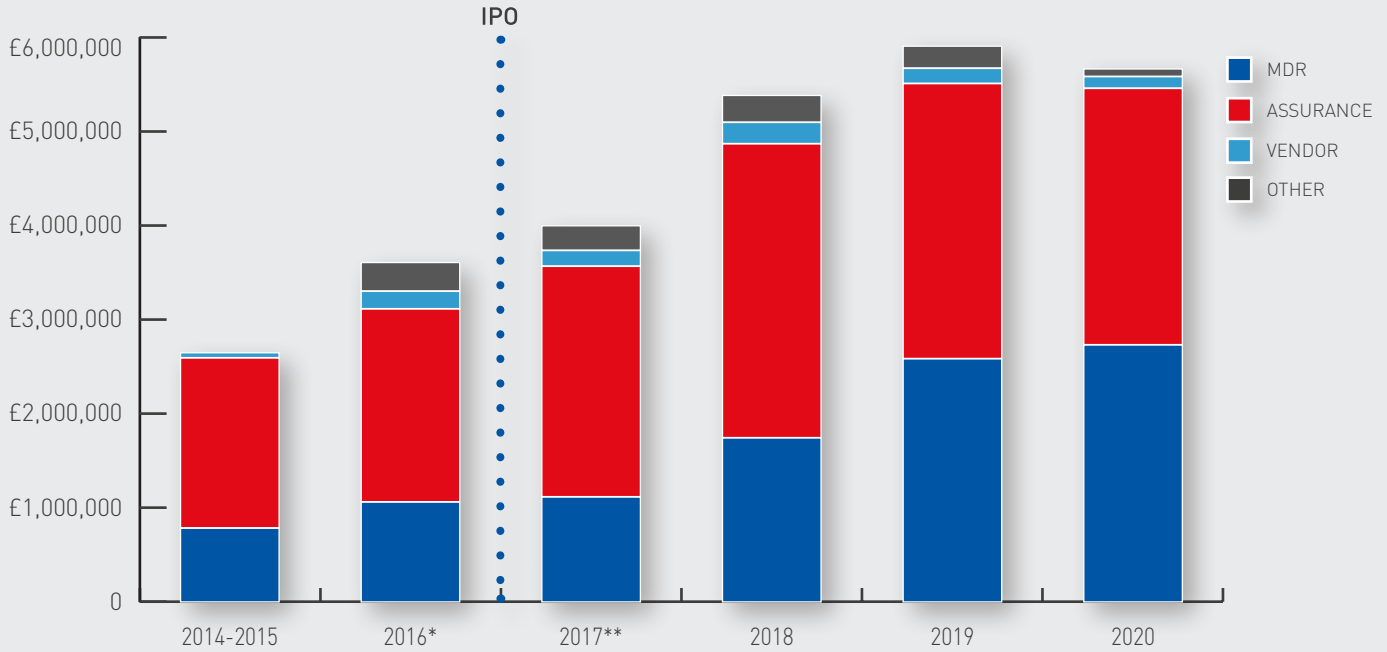
**90**

**90 new Assurance clients secured**  
(2019:118)

\* Adjusted EBITDA excludes one-off charges and share based charges

\*\* Including £0.42m of COVID-19 related medium-term government support relating to VAT and PAYE deferral

## Track Record Of Organic Growth



\* Adjusted for 12 months  
\*\* Restated for IFRS 15

## Global Offering



## Chairman's Statement

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

Despite the ongoing uncertainty caused by the pandemic and the economic risks associated with Brexit, the Group has continued to demonstrate resilience and financial progress based on quality of delivery and unrivalled client reputation and retention. I am proud of the way the team has adapted in order to achieve a very credible set of results throughout a period of unprecedented economic turmoil.

The confirmation of the multi-million-pound fines related to the UK and European General Data Protection Regulation (GDPR) substantiate the new regulatory environment that all organisations have to acknowledge; building resilience into their cyber security protection, detection and response capabilities. ECSC remains the trusted partner to help organisations of all sizes achieve this.

The continued growth in 24/7/365 detection services, delivered through the Security Operations Centres (SOCs) in the UK and Australia, supported by the ECSC Kepler Artificial Intelligence (AI), shows the importance of early breach detection to contain the incident and limit damaging consequences. For all but the largest global organisations, the outsourcing of this critical function continues to be the logical choice, and ECSC has the technology, people, and certified processes to deliver.

The Group's successful £0.5m (before costs) fundraise in April 2020 demonstrated the continued support from our institutional investors and reduced our risk exposure during the uncertain months of 2020. As a result of the growth in profitability and cash generation, the Group did not utilise this additional funding.

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

On behalf of the board, I would like to thank all of our clients, partners, team, advisors, and investors for their continued support throughout a challenging year for us all.

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



**David Mathewson**  
Non-Executive Chairman  
23 March 2021

# Chief Executive Officer's Review

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

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

## COVID-19 Impact

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

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

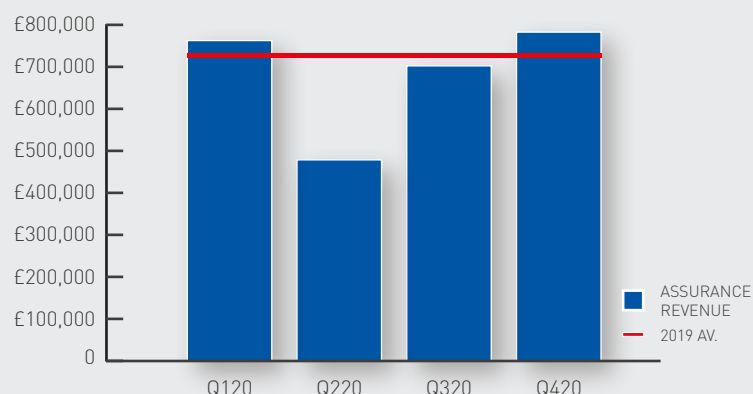
The management team, and the efforts of all employees, ensured we met the first two objectives and exceeded the third.

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

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

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

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

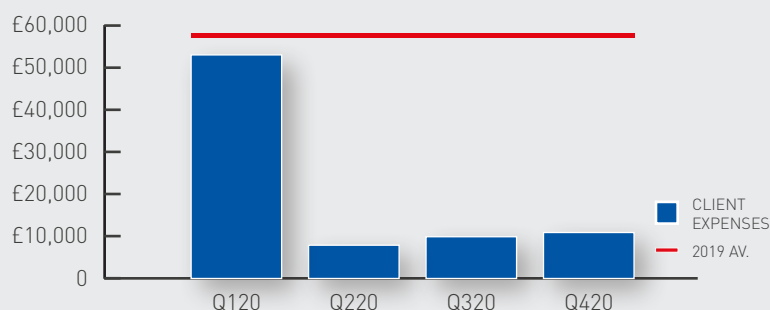


Secondly, client chargeable expenses declined from £53k in Q1 2020 to only £8k in Q2 2020, and only £21k combined in Q3 2020 and Q4 2020 as remote working continued.

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



## Chief Executive Officer's Review cont.



### Return to Profitability

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

### Growth Strategy

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

### Key Performance Indicators

The Key Performance Indicators below were established in 2018 to enable meaningful measurement of the Group's performance. See page 10.

### Outlook

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

**Ian Mann**

Chief Executive Officer  
23 March 2021

# Key Performance Indicator Table

## Key Performance Indicator Table

Performance Indicator	Rationale	2020	2019	2018	Management Comment
Revenue Growth	Measurement of the success of the organic growth strategy	<b>(4%)</b>	<b>10%</b>	<b>35%</b>	The Group saw a decline in Assurance revenue and rechargeable expenses due to COVID-19 pandemic. Assurance revenues returned to growth in Q4
Managed Detection and Response Recurring Revenue Growth	Visibility of the success of increasing the percentage of revenue from long-term recurring revenues	<b>22%</b>	<b>27%</b>	<b>46%</b>	Continued growth due to new contract wins and contract expansions, building on the 2017 investment.
Managed Detection and Response Recurring Revenue Proportion	Visibility of the success of increasing the percentage of revenue from long-term recurring revenues	<b>43%</b>	<b>34%</b>	<b>29%</b>	In line with the strategy to increase this proportion
Managed Detection and Response Order Book	Combined measurement of new client contracts together with renewals of existing client contracts	<b>£2.6m</b>	<b>£2.6m</b>	<b>£2.5m</b>	The management team's favoured overall measure of progress in managed services
Managed Detection and Response Gross Margin	Delivery efficiency measurement	<b>73%</b>	<b>68%</b>	<b>53%</b>	Indicative of increased leveraging of IPO investment in capacity
Assurance Repeat Revenue	Quasi-recurring from longer-term consulting clients	<b>73%</b>	<b>73%</b>	<b>78%</b>	Indicative of strong client retention and continued trust in ECSC quality
Assurance Gross Margin	Delivery efficiency measurement	<b>58%</b>	<b>54%</b>	<b>57%</b>	A reflection on capacity required for growth and management of consultant workload
Research and Development (of revenue)	Continued investment in technology and intellectual property development	<b>14%</b>	<b>13%</b>	<b>8%</b>	A new measure introduced to show continued investment in technologies for the future



Ian Mann, CEO, Security Operations Centre, Yorkshire

## Chief Operating Officer's Overview

**Whilst the last 12 months have been challenging for everyone due to the COVID-19 pandemic, the Group has not lost sight of the importance of our people and this has been at the forefront when considering plans to navigate through these unusual times.**

**As clients came to terms themselves with working remotely and therefore halting their own security projects, we saw a reduction in consultancy in Q2 of the year. For the Assurance division, historically delivering consultancy services predominantly on client sites, our teams had to adapt very quickly, switching to delivering all our services remotely. The team has responded remarkably well and this is reflected in the excellent client feedback we have received. After re-engineering our service offering to be delivered remotely, we were able to bring consulting delivery back up to pre-COVID numbers through Q3 and Q4, finishing the year in a strong position.**

We are delighted to report that we have maintained a stable team through these difficult times as seen from our 91% staff retention rate. Our most recent Employee Engagement Survey showed that the team continues to feel their contribution is valued and morale and commitment is as strong as ever. This is testament to our continued people-focused strategy, and in turn protects the strong, positive culture we have built at ECSC – one of continual development, learning and communication.

Professional development across all teams has continued throughout the last 12 months, meaning individuals feel equipped to be the best they can be and are on the front foot in this ever-changing cyber landscape. Within the Assurance division for example, this enables individuals to contribute to multiple service lines to increase their experience and skills, while also increasing utilisation levels, promoting innovation and our ability to respond to market demand.

Our in-house recruitment strategy continues to serve us well to ensure we attract and recruit the best people across all teams, guaranteeing the right mix of skills and diversity that complement and enhance the current team. Despite the pandemic, we have still been able to leverage our student placement, graduate and apprenticeship schemes, working closely with local universities, to ensure an appropriate pipeline of talent, so we have the right people in the right positions, for now and also with succession planning in mind for the future.

We are very proud of the way in which everyone has navigated through these challenging times, with minimal detrimental impact on our ability to both engage and retain our people, to successfully deliver our services, to maintain quality in what we do, as well as introduce new members across the business in support of our growth plans.

I am pleased to be resuming recruitment activities and have every confidence in the team to continue to deliver the excellent service we are known for.



**Lucy Sharp**  
**Chief Operating Officer**  
23 March 2021

## Employee Engagement Survey 2020

“I really enjoy working at ECSC and hope to for many years to come”

“I have never felt so appreciated in a role as I do at ECSC”

“The Senior Management Team are awesome, always willing to help and support”

**97%**

have faith in the Senior Management Team to deliver on their objectives

**98%**

have a good working relationship with their team

**97%**

feel proud of ECSC

**97%**

want to make a difference in helping the Company succeed

Sample response to our latest Employee Engagement Survey

## What We Do



Incident response  
'emergency' service



Remotely manage client  
cyber security devices  
from ECSC's Security  
Operations Centre (SOC)



Cyber security reviews



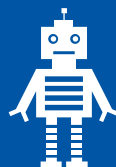
Consultancy to help  
clients achieve ISO 27001  
information security  
certification



Technical penetration  
testing of cyber security



Advise and assess clients  
for certification to the  
Payment Card Industry  
Data Security Standard  
(PCI DSS)



Develop Artificial  
Intelligence (AI)



Cyber Essentials  
Certifications



## What We Do

For most organisations, understanding their cyber security responsibilities is often complex and challenging, with new threats discovered daily. The priority given by organisations to cyber security has changed significantly since we started 20 years ago, helped most recently by the introduction of the General Data Protection Regulation (GDPR), the mandatory reporting of breaches to the Information Commissioner's Office (ICO) and increased fines. Given the legal responsibility now placed on organisations to protect personal data, the sensible approach for most is to seek external help.

Despite the complexities of cyber security, a consultative approach remains at the heart of ECSC's offering. All communications are carried out in a format and language that is easy to be understood by all.

ECSC's range of services can be broken down into three basic categories.



Despite regular scaremongering by certain product vendors, press releases from organisations that have suffered a breach, and at times the media, all breaches are preventable. We confidently make this statement based on 20 years experience in incident response.

An organisation's primary strategy should be breach prevention. ECSC helps in a number of ways. The most common is to test cyber security using similar techniques to those used by hackers. In the industry, this is referred to as penetration testing or ethical hacking. Finding the vulnerabilities before a hacker does and remedy accordingly.



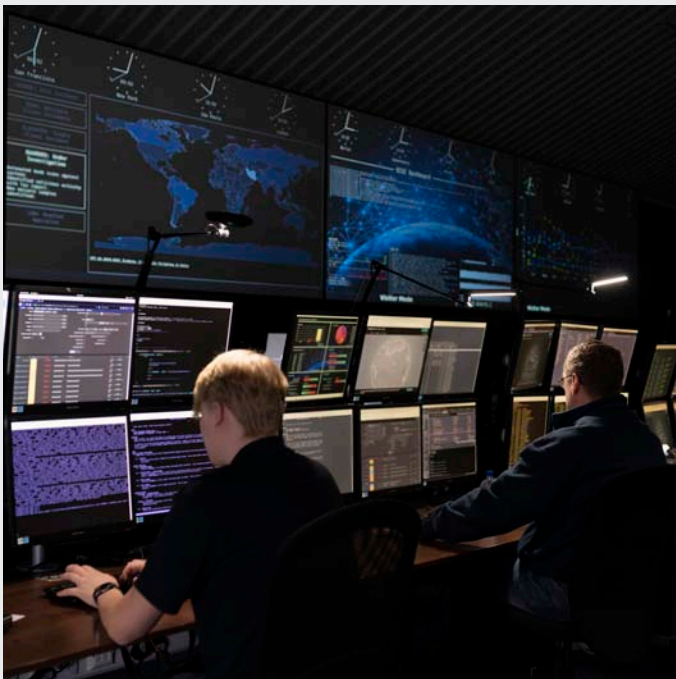
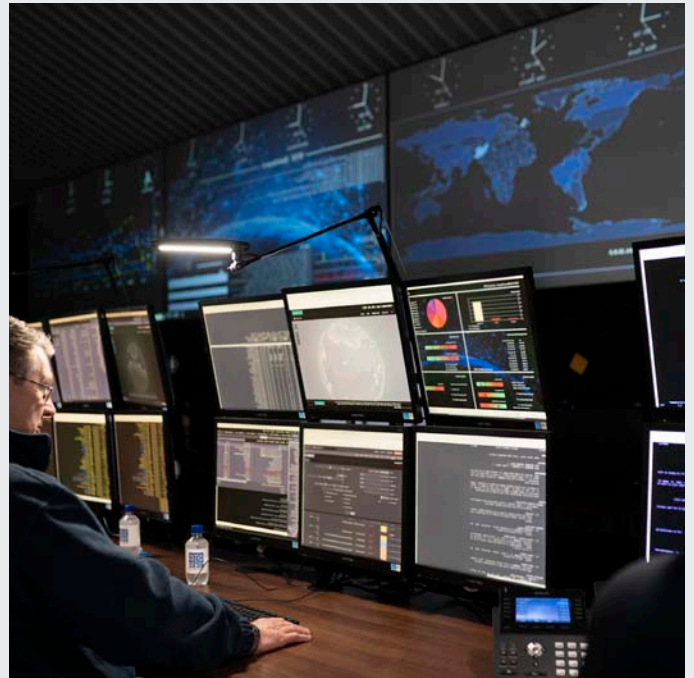
Although it may be possible to prevent all breaches, it is also sensible to have an ability to detect breaches. Done correctly, this means that incidents can usually be contained before expensive data-loss occurs. Additionally, under GDPR, there is a requirement to be able to detect breaches.

ECSC's full 24/7/365 cyber security monitoring, alerting, and analysis from the both UK and Australian Security Operations Centres provides our managed service clients with peace of mind.



Although it makes little sense for all but the largest organisations to build, and try and retain, an internal incident response capability, it does make sense to have a relationship with external experts that can respond 24/7.

ECSC's 20 years of incident experience mean that we can assist our clients from the smallest and simplest event, to the most complex incident requiring extensive investigation, an on-site team, and guidance with external stakeholder and regulator communications.



ECSC Group plc, Security Operations Centre, Yorkshire



## The ECSC Story

“I’ve got to say what a great piece of work your team have produced - really impressed with the quality of the document and the people. I am confident that this will be the start of a long and illustrious relationship with ECSC”.

Senior Support Analyst  
Major Utilities Supplier

The ECSC story begins in the dotcom boom of the late 1990s. Ian Mann was conducting government consultancy and running one of the first UK Cisco training academies, teaching the first generation of Internet engineers. Having just completed an MBA, Ian was looking to start his own business. He noticed that the security element of the network training was the biggest challenge for most students and therefore concluded that this would be a growing need for organisations as they began to fully utilise the Internet.

With the financial help of his credit cards, two re-mortgages, the backing from family and friends, and a few work colleagues, ECSC was born. ECSC’s second recruit was **Lucy Sharp** (now COO) who Ian employed as a school leaver.

Initially testing the security of organisations’ new connections to the Internet, and responding to security incidents, very quickly clients began to enquire whether

ECSC could manage this critical area. In 2001, the Group’s managed services division began; taking internally developed technologies originally for ECSC’s own use, and applying them to client environments.

As the industry began to mature, and international standards began to emerge, ECSC then started supporting clients efforts to achieve and manage a range of certifications.

Although focusing fully on ECSC, Ian continued to do some advisory work for the UK’s GCHQ, and more recently trained their new cyber security recruits in the art of people hacking (having authored two books on the subject of social engineering).

The next significant appointment was **Ian Castle**, who joined in 2003 as CTO to co-ordinate the research and development that forms the foundation of the already award winning ECSC proprietary technology and managed services.

The next current senior management appointments came in 2007, when **Paul Lambsdorn** took charge of the Group’s sales function, with **Gemma Basharan** later joining the finance team in 2011, and **Clare Macdonald** establishing the marketing team in 2013.

Despite numerous offers to buy the business, in 2016 ECSC decided to raise the first institutional investment via an initial IPO on the London Stock Exchange AIM market. This investment enabled the establishment of new Security Operations Centres in the UK and Australia, giving true 24/7/365 ‘eyes on glass’ cyber security monitoring, without the need for engineers to work night shifts.

Today, the senior management team has over 80 years combined experience within ECSC.

## Typical Client Journey

A client journey with ECSC tends to start from one of three starting points:

**HELP, WE THINK WE'RE  
IN THE MIDDLE OF A  
BREACH!**

Incident response call-outs can happen at any time (although they are more common outside of business hours).

The priority here is to help contain the breach, understand how to prevent re-occurrence and then deal with any ongoing impact. Following this, a longer-term view can be developed to help prevent a repeat breach and enable the organisation to function efficiently with an appropriate level of security.

**THE OWNERS/DIRECTORS  
NEED TO KNOW IF  
THEIR ORGANISATION IS  
SECURE?**

The ECSC Cyber Security Reviews are often a good place to start, as they give non-technical managers and owners a clear picture of the risks and a pragmatic route to risk reduction and ongoing management.

Where a technical person asks the same question, a more 'traditional' penetration test may be the best solution. By duplicating the approach of a hacker, we help a client uncover, and address, their vulnerabilities before a breach occurs.

**WE NEED TO  
DEMONSTRATE OUR  
CAPABILITY THROUGH  
A RECOGNISED  
CERTIFICATION**

The emergence of a number of UK and international standards, means that clients have an opportunity to demonstrate competence and develop trust with their stakeholders. Increasingly, this is becoming essential to doing business in some sectors, and taking part in sales tenders.

Although the initial objective may be 'get the badge', the process of certification usually does lead to organisational learning, and real enhanced security.

Although it is rare that a fully 24/7 managed solution is a starting point, it is increasingly the destination. Clients recognise that it is almost impossible to recruit and retain this level of expertise in-house, but do require the benefits associated with a 24/7 managed solution.

The ECSC approach has always been to understand the client's requirements, give honest, practical advice, and deliver effective solutions that contribute to building long-term partnerships based on trust and value.

## Typical Client Challenges

Cyber security brings many and varied new challenges for organisations of all sizes and complexities. They cut across vertical sectors and traditional competencies.

There are some common features in the challenges that we help our clients to solve:

DIFFICULTY IN RECRUITING AND RETAINING SPECIALIST SKILLS IN CYBER SECURITY	THE RATE OF COMMUNICATION AND INFORMATION TECHNOLOGY CHANGE	UNDERSTANDING THE COMMON MYTHS PROPAGATED BY SOME VENDORS AND/OR THE MEDIA
<p>This may be due to the cost of funding a specialist role, or not having the right environment to attract them. With a general skills shortage, qualified and experienced people have the choice of roles and will tend to be attracted by the variety and challenge, plus the chance to further develop their skills, not just by the money.</p> <p>However, it can also be a case that organisations won't need some skills full-time, only at specific times. For example, it makes little sense for most organisations to try and recruit people skilled in emergency incident response - an organisation may only need this once a year.</p>	<p>The increasing pace of change can nearly always be associated with new cyber security vulnerabilities.</p> <p>Despite what they say, technology providers do not make security a priority over their profits.</p> <p>For example, in the last 12-months, people migrating IT systems into the cloud have accounted for 90% of the breaches we have been called out to resolve.</p>	<p>These include the belief that breaches cannot be prevented (in 20 years of incident response, we have never seen or heard of a breach that was not preventable).</p> <p>Another common myth is that hackers target organisations because they are looking for specific targets. The reality is that most breaches are a result of organisations making technical or people mistakes that are then spotted and exploited by malicious hackers.</p>

# Client Perspective

It is fair to say that all ECSC clients want to prevent cyber security breaches. However, they also want more than this. They usually require a range of services that have some common elements:

EASY TO UNDERSTAND DELIVERY OUTPUTS THAT EXPLAIN CYBER SECURITY IN A LANGUAGE THEY UNDERSTAND	AN ONGOING PARTNERSHIP BUILT ON TRUST
<p>Easy to understand delivery outputs that explain cyber security in a language they understand.</p> <p>This may be an ECSC Cyber Security Review that maps and grades technical weaknesses into a language that non-technical executives can understand. This custom ECSC approach is now proven to be the best way for non-technical senior managers to understand current risks, and measure progress towards a more defensible position.</p> <p>Another example is where we summarise complex penetration testing (ethical hacking) into a simple Pass/Fail result that managers and business owners can understand, with prioritised findings - each graded by risk. This allows clients to address findings in order of priority.</p>	<p>It is common for our partnership with a client to develop over many years. Their requirements evolve as their technology usage changes, new threats emerge and they recognise the value that our expertise can bring to their organisation.</p> <p>In most cases, small initial engagements develop, and in many cases these evolve into full 24/7/365 outsourced managed services.</p>
VALUE	EMERGENCY RESPONSE
<p>Delivering the intended outcomes efficiently and professionally. Clients value the benefits of 20 years experience across the range of consulting, managed services and incident response. An unrivalled mix for any UK provider. This means less risk for clients than selecting new entrants.</p>	<p>If the worst happens, ECSC clients (and non clients) benefit from an experienced and calm response by an expert team. Early expert involvement in potential breaches means that incidents can usually be contained before expensive data-loss or system disruption occurs.</p> <p>If an incident does escalate, ECSC helps in all aspects of response management from the technical response and investigation to stakeholder and regulator communications.</p>

# Research and Development

Our continued investment in Research and Development takes many forms, all of which are of crucial importance to our continued success:

WHAT THE HACKERS ARE DOING	MANAGED SYSTEMS	INTERNAL SYSTEMS
<p>Each day, globally, there are about 40 new technical ‘vulnerabilities’ discovered and published. Keeping track of these, and how they relate to an organisation’s IT system, is complex. In reality only a small number of these are critical but extensive experience is needed to recognise the important trends and developments.</p> <p>Within ECSC we review new vulnerabilities formally every 8 hours, 365 days a year and relate them to our systems, systems managed for clients, and wider IT environments. We do this, so that our clients do not need to.</p> <p>Whilst technology continues to advance, most new offerings are designed to be pioneering and functional with security taking a back-seat. This means, new IT developments, such as cloud services, have introduced significant new vulnerabilities, resulting in an increased need for our incident response services.</p>	<p>With managed security devices deployed since 2001, ECSC has a long track record of intellectual property development, and delivering systems that work for our clients.</p> <p>The release of our Kepler Artificial Intelligence (AI) technology is an example, where we can process billions of pieces of security information from client’s IT systems and allow our Security Operations Centres to operate with efficiency and speed.</p> <p>Although some people over hype AI, we see this as enhancing the effectiveness of real experts, but not yet replacing the need for skilled, experienced people.</p>	<p>Given the sensitivity of our client data, ECSC does not allow any third-parties to store or process our information.</p> <p>Therefore, continued development of our internal systems is important to allow us to refine processes and enhance our effectiveness.</p> <p>Our integrated management systems mean that we have complete process control from the start of our marketing activities through to assurance delivery and fully managed services.</p>

## Evolving Threats

**Cyber security has evolved, as have the risks to every organisation. There is now the recognition that personal data has value, and with that comes a legal requirement to keep it secure.**

Organisations also recognise that an increasing reliance on information technology means that a breach can have immense impact on day-to-day operations.

Originally, before the term 'cyber security' was invented, most hacking was conducted by enthusiasts - often with no malicious intent. For example, the first computer virus was actually an experiment in a university that worked too well and spread globally.

However, as more and more organisations and individuals connected to the Internet, criminals recognised the potential to exploit technology weaknesses, knowing the law enforcement agencies would have difficulties catching them.

As a result, we have seen huge increases in hacking that results in criminal behaviour. The most common being:



**RANSOMWARE.** Where the hacker encrypts data and demands a ransom to give you access to your own data. For an individual this may be their photo collection, whereas for an organisation it may be to cripple their whole IT system.



**STEALING DATA.** Information has value, as it can form the basis of fraud. Therefore, credit card information and other personal data will always be a target as it can be sold on.

More recently, nation state hackers have gained significant media coverage, and, quite rightly, attention from the areas of government tasked with protecting critical national infrastructure. However, for most organisations they are not a target for this activity. The reality remains that hacking is not targeted, rather it exploits mistakes and weaknesses identified by scanning the Internet for known vulnerabilities and also tricking IT users into causing breaches.

Therefore, organisations need help in keeping up-to-date with the continually changing threat landscape, and understanding and controlling the potential impact of users being caught out. ECSC remains at the leading edge of both these critical areas.

# Market Opportunities

The EU General Data Protection Regulation (GDPR), enacted in the UK in May 2018 by a new Data Protection Act (DPA) represents the most significant legal protection to personal data in more than a decade. This new legislation impacts the cyber security market place in three main ways:

## 1. Mandatory Reporting

Organisations now have to report breaches of personal data to the Information Commissioner's Office (ICO) within 72 hours of being made aware.

This means that breaches can no longer be hidden and kept 'in-house'. Organisations should seek expert assistance to ensure that they have responded appropriately to avoid substantial fines.

## 2. New Maximum Fines

Increased from the previous £500,000 maximum to 10m Euros or 2% of total worldwide turnover.

## 3. Direct ICO Liability for Third-Parties

Previously IT providers could hide behind their agreed terms and conditions, with liability limits, if they caused a cyber security breach. The advent of GDPR gives them an independent liability to the ICO with the same maximum fines.

In addition, the GDPR states that third-party 'processors' must apply cyber security in relation to the risks present, not in proportion to their charges. This means all IT outsourcing organisations have to re-examine their approach to cyber security risk.

Other factors are also driving more market opportunities, including:

- The uptake of cloud IT services, where applying 'traditional' cyber controls can be difficult or impossible, and providers often lack the expertise to design security into their cloud offerings.
- Ongoing skills shortages in cyber security make more clients seek external help, either to test their security, help implement specific projects, or to outsource their cyber security management.
- The pace of IT system changes and new developments shows no sign of slowing. History shows that the quicker technology changes, the more cyber security vulnerabilities are introduced and the more breaches occur.



UK cyber security market estimated at over £8 billion



Proliferation of breaches making cyber security a strategic governance issue for company boards



UK legislation (GDPR) now in force making immediate breach reporting mandatory and fines up to 2% of global turnover





# STRATEGIC REPORT



# Financial Review

## Principal Activities

The principal activity of the Group during the year continued to be the provision of professional cyber security services, including Assurance, MDR and the sale of Vendor Products.

## Comparative Financial Information

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
<b>Revenue</b>		
Assurance	2,724	2,922
MDR	2,732	2,585
Vendor Products	125	162
Other	82	236
	<b>5,663</b>	<b>5,905</b>
<b>Gross Profit</b>		
Assurance	1,576	1,574
MDR	1,994	1,745
Vendor Products	25	29
Other	(47)	12
	<b>3,548</b>	<b>3,360</b>
<b>Adjusted EBITDA*</b>		
Other Income	297	263
Sales & Marketing Costs	(1,713)	(1,958)
Administration Expenses	(1,757)	(1,664)
	<b>375</b>	<b>1</b>
<b>EBITDA**</b>		
Share Based Payments	(101)	(105)
Exceptional Items	(65)	(6)
	<b>(209)</b>	<b>(110)</b>
Depreciation and Amortisation	(480)	(594)
<b>Adjusted Operating Loss*</b>	<b>(105)</b>	<b>(593)</b>
<b>Operating Loss</b>	<b>(271)</b>	<b>(704)</b>

\* 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

(As defined in note 25 in the Financial Statement).

## Financial Review (continued)

### Revenue & Organic Growth

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

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

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

### Margin Generation

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

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

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

controls.

### EBITDA & Operating Loss

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

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

### Cash Flow

Cash and cash equivalents increased by £0.77m to £1.12m as at 31 December 2020 primarily due to improved margins across the Assurance and MDR divisions, £0.29m of COVID-19 related Government grants, and the proceeds from the fund raise undertaken during the year which raised £0.5m (before costs).

### Intangible Asset

Intangible asset costs have increased to £1.28m (2019: £1.09m). This is offset by amortisation of £0.82m. The Group's development cost for the year was £0.19m. The Net Book Value of Intangible Assets as at 31 December 2020 was therefore £0.46m (2019: £0.43m). During the year, the Group received a refund

of £0.29m from HMRC in respect of a surrender of R&D Tax Credits from earlier periods.

### Tangible Asset

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

### Trade and Other Receivables

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

### Trade and Other Payables

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

### Key Performance Indicators

The Key Performance Indicators are set out on page 10.

## Financial Review (continued)

### Balance Sheet

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

### Going Concern

The Directors have assessed the going concern status of the Group by reference to a number of factors. In particular, the Directors have considered the strong rate of growth in the cyber security market; the fact that business continues to attract new clients and is not overly dependent on any single client; the fact that the business continues to retain key staff, and that the Group has a secured invoicing discounting facility of £0.5m, which remains unused. The facility was renewed in August 2020 for a minimum 12 months period with a three month notice period.

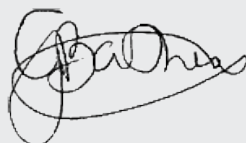
The Board expects to renew the facility for a further 12 months following the annual review expected in August 2021. However, if it is not renewed, the cash-flow forecast demonstrates that the facility is for prudence only and is not relied upon. The Board is positive about the future EBITDA trajectory of the Company and continues to manage the cash position of the Company carefully.

These factors give the Directors confidence in relation to going concern.

For further information please see pages 69.

### Dividend

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



**Gemma Basharan**  
Chief Financial Officer  
23 March 2021

## Principal Risks and Uncertainties

ECSC Group plc ('ECSC' or 'the Company' or 'the Group') is exposed to a number of Macro, Business and Financial risks. The Board is responsible for ensuring that the Group has taken a proactive approach to the identification and mitigation of these risks in a timely manner.

### Summary of Risks

The most significant risks to the Group are summarised in the table below. These risks are explained in further detail following the summary. The table does not include all the potential risks associated with Group activities and are not in any order of priority.

Principal Risks	Mitigating Actions/Factors
Economic conditions	Expenditure on cyber security has become non-discretionary in nature and is less sensitive to economic fluctuations
Rapid technological change	Investment in proprietary intellectual property
Competition	Maintaining a broad, full-service offering
Cyber security breach	Certifications to ISO 27001, PCI DSS and Cyber Essentials; avoidance of technologies associated with common security breaches
Reputation	Consistent focus on legal, financial, regulatory and technological compliance
Dependence on key personnel	Board and Senior Management structure and remuneration is designed to reduce the risks associated with the loss of any single person
Ability to recruit and retain skilled personnel	Ongoing development of a wide range of employee benefits and incentives, career progression and technical development
Reliance on key systems	Disaster recovery and business continuity plans
Client acquisition	Sales team training and development, partner programme, and expanded marketing activities.
Client retention	Expanded service delivery function and service management layer
Future funding requirements	Flotation on the Alternative Investment Market of the London Stock Exchange

# Principal Risks and Uncertainties (continued)

## Macro Risks

### Economic Conditions and uncertainty including Brexit and COVID-19

The Group could be affected by national and international economic factors outside its control, including an economic slowdown, changes in the monetary and fiscal policies of the Government, exchange rate fluctuations, commodity price volatility, inflation, increases in interest rates and banking sector conditions.

Any UK economic downturn, either globally or locally, may have an adverse effect on the demand for the Group's services. A more prolonged economic downturn may lead to an overall decline in the volume of the Group's activities and sales, restricting the Group's ability to realise a profit.

However, given the proliferation of cyber security breaches and the damage caused, in financial and reputational terms, expenditure by corporates on cyber security is increasingly of a non-discretionary nature, such that demand has become less sensitive to general economic fluctuations.

The recent COVID-19 global pandemic has brought additional challenges to the business environment. However during 2020 UK businesses saw an increase in cyber attacks and

demand for cyber security services are expected to increase in the future

### Geopolitical Risks

The Group's operations now or in the future may be adversely affected by factors outside the control of the Group, including election results, changes in Government policy, terrorist activities, labour unrest, civil disorder and political upheaval, war, subversive activities and sabotage, fires, floods, natural disasters and epidemics.

### Business Risks

#### Technology

The markets in which the Group operates are characterised by rapid technological change, changes in client requirements, frequent product and service introductions employing new technologies, and the emergence of new industry standards and practices that could render the Group's existing technology and services obsolete.

In order to compete successfully, the Group will need to continue to improve its services, and to develop and market new products that keep pace with technological change. This may place strain on the Group's capital resources, which may adversely impact the revenues and profitability of the Group.

The success of the Group depends on its ability to anticipate and respond to technological changes and client requirements in a timely and cost-effective manner. There can be no assurance that the Group will be able to effectively anticipate and respond to technological changes and client needs in the future.

### Intellectual Property

In order to mitigate Technology risk and maximise its competitive advantage, the Group seeks to protect its intellectual property. Much of the Group's intellectual property is not of a nature that is capable of registration, so protection of intellectual property relies on maintaining the confidentiality of know-how, methodologies and processes which, in turn, are largely dependent on people. There is a risk that if the confidentiality of the Group's intellectual property were compromised, this could lead to a loss of competitive advantage. To mitigate this risk, the Group employs strict terms of confidentiality in its standard terms of employment.

The Group's software is largely developed in-house. However, some aspects of it are based on open-source licences such as the General Public License (a widely used form of license within the free and open-source code software domain), which obliges ECSC to provide access to

## Principal Risks and Uncertainties (continued)

the source code of the relevant software package if a client requests it. There is a limited risk that ECSC could be pursued by way of enforcement action in this area, which may have a material adverse effect on the Group's performance.

### Competition

There can be no guarantee that the Group's current competitors or new entrants to the market will not bring superior technologies, products or services to the market, or equivalent products at a lower price, which may have an adverse effect on the Group's business. Such companies may also have greater financial and marketing resources than the Group. These competitive risks are mitigated by maintaining a full service offer, spanning Consulting and Managed Services, with a strategic focus on expanding the recurring revenue base from retained clients, underpinned by a proactive account management process.

### Cyber Security Breach

As with all providers in this sector, the potential embarrassment and reputational impact of a major cyber security breach for ECSC itself is significant. However, ECSC manages this risk in a number of ways:

- External certification to international security

standards, such as ISO 27001 and PCI DSS.

- Avoidance of technologies commonly targeted for attack – ECSC makes extensive use of Linux-based technologies, including all operational desktop PCs and laptops, and does not support Bring Your Own Device (BYOD) policies for any company business, including for Associate Consultants.
- The Company directs the same level of security expertise at its own security as to that of its clients, avoiding the common issue with IT companies that their own internal IT is managed by a less capable internal team than their client-facing delivery team.

### Reputation

The Group's reputation, in terms of the services it provides, the manner in which it conducts its business and the financial performance it achieves, are central to the Group's success.

The Group's services, and the software on which they are based, are complex and may contain undetected defects when first introduced. Such defects could damage the Group's reputation, ultimately leading to an increase in the Group's costs or reduction in its revenues.

Other issues that may give rise

to reputational risk include, but are not limited to, failure to deal appropriately with legal and regulatory requirements in any jurisdiction (which may result in the issuance of a warning notice or sanction by a regulator or an offence being committed by a member of the Company or any of its employees or Directors), money-laundering, bribery and corruption, factually incorrect reporting, staff disputes, fraud (including on the part of clients), technological delays or malfunctions, the inability to respond to a disaster, lack of data privacy, and poor record-keeping.

In addition, failure to meet the expectations of clients, suppliers, employees, shareholders, regulators and other business partners may have a material adverse effect on the Group's reputation.

To mitigate these varied risks, the Group has adopted a strict and thorough approach to compliance, investing resources to meet relevant legal, financial, regulatory and technological standards and requirements.

### Dependence on Directors and Senior Management

The Group's performance is substantially dependent on the continued services and performance of its Directors and senior management. Although certain Directors and

## Principal Risks and Uncertainties (continued)

key personnel have entered into Service Agreements or Letters of Appointment with the Group, there can be no assurance that the Group will retain their services.

The loss of the services of any of the Directors or key personnel may have a material adverse effect on the business, operations, relationships and/or prospects of the Group.

The risk of loss of a Director or member of senior management is mitigated by offering market competitive remuneration for key roles, including appropriate levels of equity incentivisation via the share option schemes of the Group.

### Ability to Recruit and Retain Skilled Personnel

The Group believes that it has the appropriate incentivisation structures to attract and retain the calibre of employees necessary to ensure the growth and development of the Group. However, any difficulties encountered in hiring appropriate employees and the failure to do so may have a detrimental effect upon the trading performance of the Group. The ability to attract new employees with the appropriate expertise and skills cannot be guaranteed.

### Reliance on Key Systems

The Group's dependency upon technology exposes it to

significant risk in the event that such technology or the Group's systems experience any form of damage, interruption or failure.

The Group's systems are vulnerable to damage or interruption from events including:

- power loss and infrastructure failure;
- fire or physical destruction;
- computer hacking activities; and
- acts of criminal damage or terrorism.

Any malfunctioning of the Group's technology and systems, or those of key third parties, even for a short period of time, could result in a lack of confidence in the Group's services, the termination of client contracts and potential claims for damages, with a consequential material adverse effect on the Group's operations and performance.

The Group has a well-considered, certified and regularly rehearsed disaster recovery and business continuity plan to mitigate this risk.

### New Client Acquisition and Retention of Existing Clients

The Group's future success depends on its ability to increase sales of its services and products to new clients, increase sales to its existing clients, and maintain existing client contractual

relationships.

The rate at which new and existing clients purchase services and existing clients renew their contracts depends on a number of factors, including the efficacy of the Group's services and the utility of the Group's new offerings, as well as factors outside of the Group's control, such as clients' perceived need for security solutions, the introduction of services by the Group's competitors that are perceived to be superior to the Group's services, end clients' IT budgets and general economic conditions. A failure to increase sales as a result of any of the above could materially adversely affect the Group's financial performance and position.

### Failure to Develop, Launch and Market New Services

The Group's long-term growth and profitability is dependent on its ability to develop and successfully launch and market new services. The Group's revenues and market share may suffer if it is unable to successfully introduce new products in a timely fashion or if any new or enhanced products or services are introduced by its competitors that its customers find more advanced and/or better suited to their needs.

While the Group continuously invests in research and development to develop products

## Principal Risks and Uncertainties (continued)

in line with client demand and expectations, if it is not able to keep pace with product development and technological advances, including shifts in technology in the markets in which it operates, or to meet client demands, this could have a material adverse effect on the Group's financial performance and position.

### Financial Risks

#### Future Funding Requirements

Although not presently anticipated by the Directors, the Group may need in the future (more than twelve months) to raise equity or additional debt capital to fund future acquisitions, expansion and/or business development. There can be no guarantee that the necessary funds will be available on a timely basis, on favourable terms, or at all, or that such funds, if raised, would be sufficient. If the Group is not able to obtain additional capital on acceptable terms, or at all, it may be forced to curtail or abandon acquisition opportunities, expansion and/or business development. The Board anticipates to renew the £0.5m invoice discounting facility it currently has with Barclays in August 2021. There is no guarantee that the Group will be able to renew the facility. However if it not renewed the cash-flow forecast demonstrates that the facility is not reliant upon but for prudence only.

This risk is partially mitigated by the Group's quotation on the Alternative Investment Market of the London Stock Exchange, which provides a conduit to equity investors.



# Statement by the Directors

## Statement by the Directors in performance of their statutory duties in accordance with s172(1) Companies Act 2006

The Board of Directors of ECSC Group plc consider that, individually and together, they have acted in the way which in good faith would be most likely to promote the success of the company for the benefit of its members as a whole (having regard to the stakeholders and matters set out in s172(1)(a-f) of the Act) in the decisions taken during the year ended 31 December 2019.

The Board looked to promote the success of the Company, having regard to the long term, whilst taking into account the interests of all stakeholders. It is designed to secure the long-term financial viability of the Company to the benefit of its members and all stakeholders, and in doing so have regard (amongst other matters) to:

- the likely consequence of any decisions in the long-term;
- the interests of the company's employees;
- the need to foster the company's business relationships with suppliers, customers and others;
- the impact of the company's operations on the community and environments;
- the desirability of the company maintaining a reputation for

high standards of business conduct; and

- the need to act fairly as between shareholders of the Company.

The following paragraphs summarises how the Directors fulfil their duties:

### Risk management

We provide business-critical service to our clients. As we grow, our business and our risk environment also becomes more complex. It is therefore vital that we effectively identify, evaluate, manage and mitigate the risks we face and that we continue to evolve our approach to risk management.

For details on our principal risks and uncertainties and how we manage our risk environment, please see page 28.

### Our People

The Board recognises that our employees are fundamental to the delivery of our plan. We aim to be a responsible employer in our approach to the pay and benefits our employees receive. The health, safety and well-being of our employees is of primary concern in the way we do business and is monitored extensively by the Board and taken into account in all major decision-making.

For further information please see

page 12.

### Business Relationships

Our strategy prioritises organic growth, driven by cross-selling and up-selling services to existing clients and bringing new clients into the Group. To do this we need to continue to develop and maintain strong client relationships.

We also aim to act responsibly and fairly in how we engage with our clients and suppliers, co-operate with our regulators and act on feedback received from these stakeholders. All of these considerations are taken into account by the Board when making strategic decisions for the Company.

### Community and environment

Our plan considered the impact of the company's operations on the community, the environment and our wider social responsibilities. The Group wants to positively impact the lives of the people we work with and for, providing long-term benefits to its employees, customers, suppliers and individuals in our local and wider community. We will do this by acting in a socially responsible way; and encouraging our staff and business partners to strive for matching performance; encouraging our staff to be mindful of the effect of their actions on any natural resource.

## Statement by the Directors

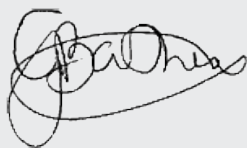
### Shareholders

The Board is committed to openly engaging with its shareholders, as we recognise the importance of effective dialogue, whether with major institutional investors, private or employee shareholders. It is important to us that shareholders understand our strategy and objectives, so these must be explained clearly, feedback heard and any issues or questions raised properly considered.

For further information on how we engage with our shareholders please see page 37.

As the Board of Directors, our intention is to behave responsibly with all stakeholders and to ensure that management operates the business in a responsible manner, operating within the high standards of business conduct and good governance expected for a business such as ours. Acting in this way will contribute to the delivery of our plan and we intend to maintain our reputation within the industry for responsible and compliant behaviour.

As the Board of Directors, our intention is also to make decisions which lead to the long-term success of the company whilst behaving responsibly toward our shareholders, treating them fairly and equally, so they benefit from the successful delivery of our strategy and plan.



**Gemma Basharan**  
Chief Financial Officer

23 March 2021

## Board of Directors

The Board of ECSC Group plc comprises four Executive Directors and two Non-Executive Directors. The Board has considered its independence and effectiveness, and is satisfied to the degree of competence and efficiency in place.

The Board is responsible for the formulation of business strategy, operational execution, financial performance and compliance. The Executive Directors are responsible for day-to-day operational and financial management, whilst the Non-Executive Directors are responsible for delivering effective corporate governance.

The profile of each Director is as follows:

### **David Mathewson | Non-Executive Chairman**

David is a Chartered Accountant who has spent most of his career in merchant banking and as a non-executive director. He was an Executive Director of Noble Grossart Limited, Scotland's premier merchant bank, for many years. Previous non-executive roles include Chairman of Sportech Plc and he was also a Director of Playtech Group plc. During his tenure at Playtech, he was appointed Chief Financial Officer and oversaw the company move from AIM to the Main Market of the London Stock Exchange. He is currently a Non-Executive Director of AIM traded SEC Newgate SPA, an Italian company, also traded on AIM, and Chairman of Scram Group Ltd. The Board has reviewed David's time commitment from his other directorships and has concluded that they average six to seven working days per month. The Board is therefore comfortable that David has sufficient available capacity to carry out his duties as a Non-Executive Chairman of ECSC Group plc.

### **Ian Mann | Chief Executive Officer**

Ian has over 19 years of experience in the cyber-security sector, having founded ECSC. He was previously an advisor for GCHQ, and established a Cisco Networking Academy for Dixons City Technology College. Ian's professional certifications include CISSP, PCI QSA, and ISO Lead Auditor. Ian holds a B.Eng. in Electrical and Electronic Engineering from the University of Nottingham, and an MBA from the Open University.

### **Lucy Sharp | Chief Operating Officer**

Lucy has over 19 years of experience in the cyber-security sector, having joined ECSC at its inception. Lucy worked as an ISO 27001 consultant, leading this area prior to taking the position of Operations Director in 2012. Lucy has held a number of professional certifications, including CISSP, PCI QSA, and ISO Lead Auditor. Whilst working at ECSC, Lucy completed a Masters in Business Management at Leeds Metropolitan University.

### **Elizabeth Gooch MBE | Non-Executive Director**

Elizabeth Gooch is an award-winning UK tech entrepreneur, having started her career in industry, joining Forward Trust (a subsidiary of Midland Bank) and then Birmingham Midshires Building Society, before establishing eg solutions in 1988. She pioneered the introduction of industrial production management methodologies into the service sector and invented the eg operational intelligence® software suite to embed these techniques into businesses. eg was listed on the Alternative Investment Market and was acquired by a major US Software Company in 2017. Elizabeth was named as one of The Telegraph's Most Disruptive Entrepreneurs and West Midlands Woman of the Year for her Outstanding Contribution to

## Board of Directors

Technology. She was made a Member of the Order of the British Empire in the Queens Jubilee Birthday Honours 2012, in recognition of her achievements in delivering significant benefits for clients with the products she designed. Elizabeth is now CEO of The Tech Growth Factory; a company she established to assist the founders of small technology companies achieve their growth potential.

### Ian Castle | Chief Technology Officer

Ian joined ECSC in 2003 and has been involved in the design and implementation of all technical aspects of ECSC's service lines and is now focused on managed services. Ian ensures the smooth and secure running of our own systems and heads up our research and development efforts.

### Gemma Basharan | Chief Financial Officer

Gemma is a Chartered Accountant who has over 14 years of financial experience both in the private and charity sector. Gemma joined ECSC in 2011 as a management accountant before taking the position of Financial Controller in 2016, and to Chief Financial Officer in April 2020.

## BOARD OF DIRECTORS



**DAVID MATHEWSON**  
Non-Executive Chairman



**IAN MANN**  
CEO



**LUCY SHARP**  
COO



**IAN CASTLE**  
CTO



**GEMMA BASHARAN**  
CFO



**ELIZABETH GOOCH**  
Non-Executive Director

# Directors' Report for the year ended 31 December 2020

The Directors present their report and financial statements for the year ended 31 December 2020.

## Principal Activities and Review of the Business

The principal activity of the Group during the year continued to be the provision of professional cyber security services. Future developments of the Group have been reviewed as part of the Strategic Report.

## Principal Risks and Uncertainties

For information on the principal risks and uncertainties of the Group, please see pages 28 to 32 of the Strategic Report.

## Results and Dividends

The loss for the period, after taxation, amounted to £269k (2019: loss of £776k). The Board has not declared a dividend for the year ended 31 December 2020 (2019: £nil).

## Going Concern

The Directors are satisfied that the Group has sufficient financial resources to continue to operate for the foreseeable future, which is considered to be at least the 12 months from the date of approval of the financial statements. For this reason, the going concern basis is considered appropriate for the preparation of the financial statements (for more information see note 4.2 to the Financial

Statements).

## Research and Development

Research and development activities are grouped into three broad areas:

- Proprietary software, operating systems, applications, tools and documentation used to provide Managed Services.
- Proprietary software, tools and techniques used to provide Consulting Services.
- Core internal business systems to support revenue generating activities.

## Chairman Corporate Governance

### Overview

As Chairman of the Board of Directors of ECSC Group plc it is my responsibility to ensure that ECSC has both sound corporate governance and an effective Board. As Chairman, my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring that good information flows freely between Executives and Non-Executives in a timely manner.

ECSC Group plc has adopted the QCA Corporate Governance Code in line with the London Stock Exchange's recent changes to the

AIM Rules, requiring all AIM-listed companies to adopt and comply or explain non-compliance with a recognised corporate governance code. The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company, and will disclose any areas of non-compliance in the text below. The Board believes that corporate governance is a framework which underpins the core values for running the business in which we all believe, including a commitment to open and transparent communications with stakeholders. Further details on Corporate Governance is on the Group's website at <https://investor.ecsc.co.uk/governance/corporate-governance.html>.

## QCA Principles

### 1. Establish a strategy and business model which promotes long-term value for shareholders

The Board has concluded that the highest medium and long-term value can be delivered to its shareholders by a focused strategy for the Company. Details of Business Strategy can be found on pages 8-9.

### 2. Seek to understand and meet shareholder needs and expectations

The Group is strongly committed

## Directors' Report for the year ended 31 December 2020

to the maintenance of good investor relations and seeks, wherever possible, to build a relationship of mutual understanding with both its institutional and private client investors. The Company communicates how it is governed and is performing through its Annual Report and Accounts, full-year and half-year announcements, regulatory announcements and its website: <https://investor.ecsc.co.uk/>. The Group have a dedicated email address [investor@ecsc.co.uk](mailto:investor@ecsc.co.uk) for shareholder enquiries.

### **3. Take into account wider stakeholder and social responsibilities and their implications for long-term success.**

The Board recognises that the long-term success of the Group is reliant upon the efforts of the employees of the Group and its suppliers, regulators and other stakeholders. The Group prepares an annual strategic plan and detailed budget which considers a wide range of key resources and stakeholders. Everyone within the Group is a valued member of the team, and our aim is to help every individual achieve their full potential. We offer equal opportunities regardless of race, gender, gender identity or reassignment, age, disability, religion or sexual orientation. See employee survey, (page 12).

### **4. Embed effective risk management, considering both opportunities and threats, throughout the organisation.**

The Board attaches considerable importance to the Company's system of internal control and risk management. An ongoing process has been established for identifying, evaluating, and managing the significant risks faced by the Group. Details of key risks to the business can be found on page 28.

### **5. Maintain the board as a well-functioning, balanced team led by the Chair.**

ECSC is controlled by the Board of Directors. There are two independent Directors; David Mathewson and Elizabeth Gooch. Their time commitment to ECSC are as follows:

- David Mathewson: devotes at least two full working days in each calendar month to perform the duties of office; and
- Elizabeth Gooch: reasonable endeavours to attend all meetings of the Board and/or committees of the Board of which she is a member and to attend all general meetings of the Company.

Details of the Board and the roles can be found on pages 35-36.

### **6. Ensure that between them the Directors have the necessary up-to-date experience, skills and capabilities.**

The Directors have both a breadth and depth of skills and experience to fulfil their roles and deliver the strategy of the Group for the benefit of the shareholders over the medium to long-term. The Group believes that the current balance of skills in the Board as a whole, reflects a very broad range of commercial and professional skills. The Directors continue to develop their skill set and keep up to date with current regulations in their prospective markets.

Details of the Directors' experience and areas of expertise are outlined on pages 35-36.

### **7. Evaluate board performance based on clear and relevant objectives, seeking continuous improvement.**

The Board informally review board performance as part of the day to day running of the business. ECSC Group plc has yet to carry out a formal assessment of board effectiveness and the Board will keep this under consideration and put in procedures when it is felt appropriate.

The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose

# Directors' Report for the year ended 31 December 2020

securities are traded on AIM, and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016.

## 8. Promote a corporate culture that is based on ethical values and behaviours.

The company has clearly defined values upon which our culture and behaviours are based. These are outlined in the Chief Operating Officer's Overview on pages 12.

## 9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the board.

The Board is committed to, and ultimately responsible for, high standards of corporate governance, and has chosen to adopt the QCA Code. We review our corporate governance arrangements regularly and expect to evolve these over time, in line with the Group's growth. The Board delegates responsibilities to Committees and individuals as it sees fit, with the Chairman being responsible for the effectiveness of the Board, and the Executive Directors being accountable for the management of the Company's business and shareholder liaison.

## 10. Communicate how the company is governed and is performing by maintaining a dialogue with shareholders and other relevant stakeholders.

The Board is strongly committed to the maintenance of good investor relations and to having constructive dialogue with its shareholders. Executive Directors and Chair seek to meet with shareholders and other investors/potential investors at regular intervals during the year.

### Committee Chairman

This report sets out information about the remuneration of the Directors of the Company for the year ended 31 December 2020. As a company admitted to AIM, ECSC Group is not required to prepare a Directors Remuneration report. However, the board supports the principle of transparency and has prepared this report in order to provide information to shareholders on Directors remuneration arrangements.

### THE REMUNERATION COMMITTEE

#### Committee Composition

**Elizabeth Gooch MBE** was appointed chair of the Committee on 16 April 2018. The other member of the committee is David Mathewson.

### Committee Responsibilities

The Remuneration Committee's primary purpose is to ensure that the remuneration packages of the senior and most highly rewarded team at ECSC Group are both aligned to the company's purpose and values and linked to the successful delivery of the company's long-term strategy.

### Committee Meetings

The Remuneration Committee met at least four times in the period, with other board members in attendance as appropriate. The Committee's main activities during the year included:

- Approved proposals for changes in the remuneration of Directors for the forthcoming period.
- Agreed individual share option awards;
- Agreed targets and performance measures for bonus payments for the forthcoming financial period; and
- Administered the group's share schemes.

In determining the Directors remuneration for the year, the Committee consulted Ian Mann, Chief Executive and Lucy Sharp, Chief Operating Officer about its proposals.



## Directors' Report for the year ended 31 December 2020

### Social Responsibility

ECSC Group plc's commitment to the continuous improvement of our Corporate and Social Responsibility (CSR) strategy is an integral part of our company's vision and values. We want ECSC Group plc to positively impact the lives of the people we work with and for, providing long-term benefits to its employees, customers, suppliers and individuals in our local and wider community. We do this by acting in a socially responsible way; encouraging our staff and business partners to strive for matching performance; and, encouraging our staff to be mindful of the effect of their actions on any natural resource.

ECSC is a sponsor of the GiveBradford 100 Club which is a network of like minded organisations wanting to address the challenges facing the district. The GiveBradford scheme have distributed over £3.8 million in grants to date across the Bradford District, enabling positive change in the lives of hundreds of thousands of people in our communities.

During the 2020 ECSC supported a local secondary school by supplying wifi dongles to students who did not have internet at home and therefore could not continue their studies from home during lockdown or if they were forced to isolate. Lucy Sharp, COO said

"As a Bradford based technology company, we're were very happy to help this local school and to support the students continued learning during these difficult times. After all these children might be our apprentices in the future!"

Charities are given discounted rates when engaging our services and where practicable we seek to support charities and/or clients in their CSR efforts e.g. providing prizes for raffles, raising money for their causes and attending charity functions.

### Environmental

ECSC Group plc recognises that it has a responsibility to the environment above and beyond regulatory requirements. Action on all parts of this policy will be the responsibility of all staff. The Management Team are committed to continuous improvements in our environmental performance.

Environmental regulations, laws and code of practice will be followed to ensure the continuous awareness of environmental issues and to maintain good practice in our operations.

Monitoring environmental performance will be part of our yearly board review. We will monitor our energy consumption for improved environmental performance We will monitor our use of paper and other office

supplies to ensure a steady reduction in consumption.

### Directors' Interests and Remuneration

The Directors who held office during the period were as follows:

David Mathewson  
Ian Mann  
Lucy Sharp  
Elizabeth Gooch  
Ian Castle  
Gemma Basharan

### Audit Committee

The duties of the Audit Committee are to consider the relationship with the Company's auditor (appointment, re-appointment and terms of engagement), to review the integrity of the Company's financial statements, to keep under review the appropriateness of the Company's accounting policies, and to review the effectiveness and adequacy of the Company's internal financial controls. In addition, it will receive and review such reports as it from time to time requests from the Company's management and auditor. The Audit Committee meets at least twice a year and has unrestricted access to the Company's auditor. The Audit Committee comprises David Mathewson and Elizabeth Gooch and is chaired by David Mathewson.



# Directors' Report for the year ended 31 December 2020

## Nomination Committee

The duties of the Nomination Committee are to consider the structure, size and composition of the Board and make recommendations to the Board with regard to any changes. It is also responsible for identifying and nominating candidates to fill Board vacancies as and when they arise. The Nomination Committee also makes recommendations to the Board concerning, among other things, plans for succession for both Executive and Non-Executive Directors. It meets at least twice a year. The Nomination Committee comprises Elizabeth Gooch and David Mathewson and is chaired by David Mathewson.

## Disclosure Committee

The Disclosure Committee is the first point of contact with the NOMAD for all routine and non-routine matters which the NOMAD wishes to discuss with the Board and shall carry out duties to ensure the Company's compliance with the AIM Rules and Market Abuse Regulations. The Disclosure Committee meets twice a year and comprises David Mathewson and Elizabeth Gooch and is chaired by David Mathewson.

## Attendance at Board and Committee meetings

There were 12 Board meetings held during the year, all of which were attended by Ian Mann, Lucy Sharp, David Mathewson and Elizabeth Gooch. Gemma Basharan attended 11 Board meetings and Ian Castle attended 7 Board meetings during the year.

The Audit Committee had two meetings during the year at which both Elizabeth Gooch and David Mathewson attended.

The following Directors had interests in the ordinary shares of the Company as at 31 December 2020:

	Number of Ordinary Shares	% of Issued Share Capital
David Mathewson	35,419	0.35%
Ian Mann	2,300,948	22.99%
Lucy Sharp	242,635	2.42%
Elizabeth Gooch	50,000	0.50%
Ian Castle	237,441	2.37%
Gemma Basharan	4,214	0.04%

Details of the Directors remuneration are included in the Remuneration Report on pages 43-49.

## Substantial Interests

At 31 December 2020, the Company had been notified, under the Disclosure guidance and Transparency Rules, of the following major shareholdings and the percentages of voting rights represented by such holdings, excluding the shareholdings and associated voting rights of the Directors noted above, as follows:

## Directors' Report for the year ended 31 December 2020

	Number of Ordinary Shares	% of Issued Share Capital
Unicorn Asset Management	1,448,946	14.48%
Ravinder Bahra	1,069,068	10.68%
Hargreaves Lansdown	343,721	3.43%
Artemis Investment Management	294,733	2.95%
Phil McLear	472,290	4.72%
Malcolm Hoare	300,300	3.00%
John Leach	283,920	2.84%

### Annual General Meeting

The next Annual General Meeting will take place on 23 June 2021.

### Statement of Disclosure of Information to Auditor

The Directors of the Company who held office at the date of approval of this Annual Report as set out above each confirm that:

- so far as each Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Auditor

BDO LLP has indicated its willingness to continue as auditor. Accordingly a resolution proposing its reappointment as auditor will be put to the members at the next Annual General Meeting.

On behalf of the Board



David Mathewson  
Non-Executive Chairman  
23 March 2021

# Remuneration Committee Report

As an AIM listed company ECSC Group plc is not required to comply with schedule 8 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008. Nor is it required to comply with the principles relating to Directors remuneration in the UK Corporate Code 2018 ("the code"). The content of this report is unaudited unless stated.

## Remuneration Policy

The objectives of the remuneration policy are to ensure that the overall remuneration of Executive Directors is aligned with the performance of the Group and preserves an appropriate balance of reward and shareholder value.

The Company's policy is to remunerate Directors appropriately such that they are sufficiently rewarded and incentivised for their level of responsibility, the complexity of their role and to reflect their skills and experience. The use of Annual Performance Bonuses and equity-based incentives, linked to Company performance, helps to align the interests of the Directors and Shareholders.

The Remuneration Committee sets the level of basic pay and other benefits for Executive Directors and other Senior Managers. It does this in line with its assessment of the appropriate market rate for the roles, wishing to be able to attract and retain good candidates for these roles. In addition, the Company operates an Executive Annual Performance Bonus Scheme covering the Executive Directors. The criteria for payment of bonuses (which are not pensionable if paid) are set by the Remuneration Committee at the beginning of each financial year. The award of any bonus is decided by the Remuneration Committee at the end of the year by reference to the objectives set for the year, the corresponding performance of the Company, and by using its discretion. The Company also operates a share based incentive scheme as outlined below.

The Company's policy is also that a substantial proportion of the remuneration of the Executive Directors should be performance related in order to encourage and reward improving business performance and shareholder returns. In determining remuneration arrangements for Executive Directors, the Committee is sensitive to pay and employment conditions elsewhere in the Cyber Security and general IT Software and Services markets, especially when determining base salary increases.

The committee has reviewed the Remuneration Policy for the forthcoming year and has concluded that it remains appropriate for the forthcoming three year period.

## Remuneration Committee Report (continued)

The main components of the remuneration arrangements for Executive Directors are as follows:

Purpose & Link to Strategy	Operation	Maximum Opportunity	Performance Conditions
<b>Base Salary</b> To provide fixed competitive remuneration that will attract and retain key employees and reflect their experience and position in the Group.	Reviewed annually taking into account industry-standard executive remuneration and pay levels elsewhere within the sector.	Salaries for the year ended 31 December 2020 are set out below.	None.
<b>Benefits</b> To provide market levels of benefits on a cost-effective basis.	Private health cover for the executive and their family, life insurance cover of one-times salary and a company car.	Private healthcare benefits are provided through third-party providers and therefore the cost to the Company may vary from year to year.	None.
<b>Pension</b> Providing post-retirement benefits.	The Group contributes to individual's personal pension schemes	10% of base salary	None.
<b>Annual incentive</b> Recognises achievements of annual objectives which support the short to medium term strategy of the Group	Performance targets are set by the Remuneration Committee at the start of the year with input, as appropriate, from the Executive Directors	The Executive Directors Annual Performance Bonus Scheme for 2021 was structured so as to pay up to 25% of basic salary for the Chief Executive Officer and Chief Operating Officer 20% of basic salary for the Chief Technology Officer and Chief Financial Officer based on the achievement of stretching targets in certain key performance indicators aligned with the Group's strategy.	The bonus related Key Performance Indicators for this period were Revenue and EBITDA, and they were appropriately weighted.
<b>Executive Share Options Plan</b> Setting value creation through share growth as a major objective for Executive Directors and senior managers. Alignment of option holder interests with those of shareholders through delivery of shares.	The Group introduced a Share Option scheme during 2020. All the Executive Directors, participates in the EMI scheme. See below.	N/A	N/A

The committee reviewed the performance of the Executive Directors against the performance for the Annual Incentive scheme and concluded that the stretching targets agreed for the period had not been met. However, in recognition of achievements made with establishing a successful Partner Programme and other key objectives, the committee recommended payment of modest bonuses as detailed below.

## Remuneration Committee Report (continued)

The annual incentive paid to Executive Directors for the year ended 31 December 2020 was 7% of the basic salary of the Chief Executive, 8% of the basic salary of the Chief Operating Officer, 7% of basic salary of the Chief Technology Officer and 6% of basic salary of the Chief Financial Officer.

An Annual Performance Bonus Scheme for the Executive Directors is structured so as to pay up to 25% of basic salary for both the Chief Executive and Chief Operating Officer and 20% of basic salary for both the Chief Technology Officer and Chief Financial Officer. For the forthcoming period payment will continue to be based on the achievement of stretching targets in weighted Key Performance Indicators linked to the Group's strategy.

The committee introduced a Long-Term Incentive Plan ("LTIP") for the Executive Directors during 2020:

Vesting Period	1 Year	2 Years	3 Years	4 Years	Total Ordinary Shares
<b>Target Price</b>	<b>167 Pence</b>	<b>200 Pence</b>	<b>225 Pence</b>	<b>250 Pence</b>	
Ian Mann	25,000	25,000	25,000	25,000	100,000
Lucy Sharp	25,000	25,000	25,000	25,000	100,000
Ian Castle	20,000	20,000	20,000	20,000	80,000
Gemma Basharan	20,000	20,000	20,000	20,000	80,000

### Remuneration for Non – Executive Directors

Remuneration of the Non-Executive Directors is determined by the Board within the limits set by the Company's Articles of Association and is based on fees paid in similar companies, the skills required, and the expected time commitment required of each individual. Non-Executive Directors are not entitled to pensions, annual bonuses or employee benefits. They are entitled to participate in share option arrangements relating to the Company's shares and both were allocated 100,000 options on 20 April 2018. The options had an exercise price of 78 pence and are subject to a three year vesting period and the performance condition that the Company's closing mid-market share price must exceed 200 pence for 10 consecutive business days following the vesting date. The grant represented 2% of the current issued share capital of the company.

Each of the Non-Executive Directors has a letter of appointment stating his/her annual fee and that his/her appointment is initially for a term of three years, subject to re-appointment at the AGM and renewable for further periods of three years. Their appointment may be terminated with three months written notice at any time.

# Remuneration Committee Report (continued)

## Annual Bonus Payments for 2020

Following the success of the financial year ended 31 December 2020, the committee resolved to pay modest bonuses (as set out in the table below) in recognition of the performance of the Executive Directors during the year. The bonuses were paid after the financial year end.

Name of Director	Salary or Fees Paid £'000	Benefit-in-Kind £'000	Pension £'000	Annual Bonus £'000	Share Based Payments £'000	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Ian Mann	200	2	20	13	4	239	214
Lucy Sharp	125	14	13	10	58	220	181
Ian Castle	100	1	10	7	38	156	-
Gemma Basharan	80	-	4	5	4	93	-
David Mathewson	65	-	-	-	8	73	89
Elizabeth Gooch	40	-	-	-	8	48	48
<b>Total</b>	<b>610</b>	<b>17</b>	<b>47</b>	<b>35</b>	<b>120</b>	<b>829</b>	<b>532</b>

### Notes:

- Benefits-in-Kind includes the provision of Company Cars and Private Medical insurance; and
- Share Based Payments are stated at the cost of the award recognised in the financial period.

Ian Mann, Chief Executive is the highest paid Director.

Employee Benefit Expense (including Directors) during the periods amounted to:

	GROUP Year ended 31 December 2020 £'000	GROUP Year ended 31 December 2019 £'000	COMPANY Year ended 31 December 2020 £'000	COMPANY Year ended 31 December 2019 £'000
Wages and Salaries - Gross	4,269	4,091	4,033	3,944
Government Grants	(292)	-	(203)	-
Wages and Salaries	3,977	4,091	3,830	3,944
Social Security Costs	452	440	404	392
Pension Contributions	179	153	161	134
Share Based Payments	101	105	101	105
	<b>4,709</b>	<b>4,789</b>	<b>4,496</b>	<b>4,575</b>

During 2020 the Group has benefited from £0.2m of Coronavirus Job Retention Scheme (CJRS) and £0.1m of Australia grants. (see note 4.5)

# Remuneration Committee Report (continued)

## Directors Interests

Details of the Directors Shareholdings are included in the Director's Report on page 41.

## Share Incentives

The Company operates an Enterprise Management Incentive ('EMI') Scheme. The EMI Scheme provides the opportunity for eligible Directors and employees to buy ECSC ordinary shares at a future date in accordance with the scheme rules. The options are subject to the option holder's continuing employment, are not transferable, and have a life of 10 years. All grants under the scheme are subject to approval by the Remuneration Committee.

In August 2020 the Company cancelled over 588,040 Ordinary Share options to 20 employees, following the cancellation the Company granted options over 588,040 new Ordinary Shares to the same Company employees, at an exercise price of 65 pence per share. The exercise price was set by reference to the average mid-market share price being the closing market price on 20 August 2020 in accordance with HMRC guidelines. There was a performance condition attaching to this grant, ordinary shares trade at a mid-market minimum price of 167 pence per share over 10 consecutive business days.

The Company also granted over 450,000 new Ordinary Shares to 32 employees, at an exercise price of 69 pence per share, subject to a 1- 4 year vesting period. The exercise price was set by reference to the average mid-market share price being the closing market price on 27 August 2020 in accordance with HMRC guidelines. There was a performance condition attaching to this grant, ordinary shares trade at a mid-market minimum price of 167 pence per share over 10 consecutive business days.



# Remuneration Committee Report (continued)

## Outstanding Share Based Awards

The outstanding Share Based Awards of the Directors as at 31 December 2020 are:

Name Of Director	Type Of Reward	Date Of Grant	Granted In Year	Cancelled/ Lapsed In Year	Vested In Year	Not Vested End Of Year	Market Price At Grant	Exercise Price
Lucy Sharp	Share Option	19 May 2017	69,758	69,758	-	-	497.5p	167.0p
Lucy Sharp	Share Option	16 July 2019	50,000	50,000	-	-	78.0p	78.0p
Lucy Sharp	Share Option	5 Feb 2020	25,000	25,000	-	-	1.08p	108.0p
Lucy Sharp	Share Option	21 Aug 2020	144,758	-	-	144,758	0.65p	0.65p
Lucy Sharp	Share Option	28 Sept 2020	100,000	-	-	100,000	0.69p	0.69p
Ian Mann	Share Option	28 Sept 2020	100,000	-	-	100,000	0.69p	0.69p
Ian Castle	Share Option	19 May 2017	18,602	18,602	-	-	497.5p	167.0p
Ian Castle	Share Option	7 Aug 2018	50,000	50,000	-	-	0.93p	93.0p
Ian Castle	Share Option	16 July 2019	15,000	15,000	-	-	78.0p	78.0p
Ian Castle	Share Option	5 Feb 2020	20,000	20,000	-	-	1.08p	108.0p
Ian Castle	Share Option	21 Aug 2020	103,602	-	-	103,602	0.65p	65.0p
Ian Castle	Share Option	28 Sept 2020	80,000	-	-	80,000	0.69p	69.0p
Gemma Basharan	Share Option	19 May 2017	4,651	4,651	-	-	497.5p	167.0p
Gemma Basharan	Share Option	7 Aug 2018	25,000	25,000	-	-	0.93p	93.0p
Gemma Basharan	Share Option	16 July 2019	15,000	15,000	-	-	78.0p	78.0p
Gemma Basharan	Share Option	5 Feb 2020	20,000	20,000	-	-	1.08p	108.0p
Gemma Basharan	Share Option	21 Aug 2020	64,651	-	-	64,651	0.65p	65.0p
Gemma Basharan	Share Option	28 Sept 2020	80,000	-	-	80,000	0.69p	69.0p
Elizabeth Gooch	Share Option	18 Apr 2018	100,000	-	-	100,000	79.0p	78.0p
David Mathewson	Share Option	18 Apr 2018	100,000	-	-	100,000	79.0p	78.0p

The closing mid-market price of the Group's shares at 31 December 2020 was 67.5 pence. During the financial year the share price reached a high of 145.0 pence and a low of 60.0 pence.

# Remuneration Committee Report (continued)

## Directors Service Contracts

The Service contracts and letters of appointment of Directors include the following terms:

Executive Directors	Date of Appointment	Notice Period
Ian Mann	13 April 2018	6 months
Lucy Sharp	02 November 2012	6 months
Ian Castle	25 March 2020	6 months
Gemma Basharan	25 March 2020	6 months

Non-Executive Directors	Date of Appointment	Notice Period
David Mathewson	18 April 2018	3 months
Elizabeth Gooch	16 April 2018	3 months

## Statement of Voting at General Meeting

At the Annual General Meeting of the Company held (last years date 30 June 2020), all resolutions, except resolution 7, were passed. The Board notes that resolution 7, which would have enabled the Board to issue up to 20% of the Company's issued share capital for cash, was not passed.

## Approval

This report was approved by the Directors and signed by order of the Board.



**Elizabeth Gooch MBE**  
Chairman of the Remuneration Committee  
23 March 2021

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company Law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International accounting standards in conformity with the requirements of the Companies Act 2006. Under Company Law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and the Group and of the profit or loss of the Group for the reporting period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Financial information is published on the Company's website. The maintenance and integrity of this website is the responsibility of the Directors. The work carried out by the Company's auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may occur to the financial statements after they are initially presented on the website.

It should be noted that legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board



David Mathewson  
Non-Executive Chairman  
23 March 2021



# INDEPENDENT AUDITOR'S REPORT

## Independent auditor's report to the members of ECSC Group plc

### Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006;
- the Parent Company financial statements have been properly prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of ECSC Group plc (the 'Parent Company') and its subsidiaries (the 'Group') for the year ended 31 December 2020 which comprise the Consolidated Statement of Comprehensive Income, the Consolidated and Company Statements of Financial Position, the Consolidated and Company Cash Flow Statements, the Consolidated and Company Statements of Changes in Equity and notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and international accounting standards in conformity with the requirements of the Companies Act 2006 and, as regards the Parent Company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remain independent of the Group and the Parent Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

## Independent auditor's report to the members of ECSC Group plc

As a result of the significant assumptions and judgements made by management in assessing going concern, which were based on their best estimates and analyses of the current market conditions, including the potential impacts of COVID-19, going concern was considered to be a key audit matter.

Our evaluation of the Directors' assessment of the Group and the Parent Company's ability to continue to adopt the going concern basis of accounting included:

- Obtaining and examining the Board's Going concern paper, alongside supporting forecasts for the next two years.
- Challenging management's assumptions, such as revenue pipeline, as used in the forecast period through review of the historic forecast accuracy, comparing forecasts to post year end results, cost performance, current business trends and pipeline/contract analysis.
- Considering the Board's probable scenarios of sensitivities, including COVID-19 potential impact, to understand the robustness of the forecast trading model and the headroom available to the Group and Parent Company.
- Review of the available cash and financing facilities within the Group, and evaluation of management's downside sensitivities on cash flow headroom, incorporating a review of financial covenants compliance and headroom analysis throughout the forecast period.
- Review of the disclosures made in the financial statements and in the strategic report. We assessed whether these adequately disclose the basis of the judgements taken and the view formed by the Directors with respect to going concern.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the entity's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

<b>Coverage</b>	100% (2019: 100%) of Group loss before tax 100% (2019: 100%) of Group revenue 100% (2019: 100%) of Group total assets		
<b>Key audit matters</b>	Going concern assessment	2020 <input checked="" type="checkbox"/>	2019 <input checked="" type="checkbox"/>
<b>Materiality</b>	Group financial statements as a whole  £108k (2019: £97k) based on 1.85% (2019: 1.65%) of revenue - refer to 'Our application of materiality' section below for details.		



## Independent auditor's report to the members of ECSC Group plc

### An overview of the scope of our audit

Our Group audit was scoped by obtaining an understanding of the Group and its environment, including the Group's system of internal control, and assessing the risks of material misstatement in the financial statements. We also addressed the risk of management override of internal controls, including assessing whether there was evidence of bias by the Directors that may have represented a risk of material misstatement.

Financial information relating to the Parent Company and its Australian operating subsidiary were subject to a full scope audit by the Group audit team, covering 100% of the revenue, loss before tax and total assets of the Group for the year.

### Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified, including those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit, and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. Besides the matter described in the Conclusions relating to going concern section, we have not determined any other matters as key audit matters to be communicated in our report.

### Our application of materiality

We apply the concept of materiality both in planning and performing our audit, and in evaluating the effect of misstatements. We consider materiality to be the magnitude by which misstatements, including omissions, could influence the economic decisions of reasonable users that are taken on the basis of the financial statements.

In order to reduce to an appropriately low level the probability that any misstatements exceed materiality, we use a lower materiality level, performance materiality, to determine the extent of testing needed. Importantly, misstatements below these levels will not necessarily be evaluated as immaterial as we also take account of the nature of identified misstatements, and the particular circumstances of their occurrence, when evaluating their effect on the financial statements as a whole.



## Independent auditor's report to the members of ECSC Group plc

Based on our professional judgement, we determined materiality for the financial statements as a whole and performance materiality as follows:

	Group financial statements		Parent company financial statements	
	2020 £'000s	2019 £'000s	2020 £'000s	2019 £'000s
Materiality	108	97	104	92
Basis for determining materiality	1.85% of revenues	1.65% of revenues	1.85% of revenues	1.65% of revenues
Rationale for the benchmark applied	We considered revenue to be the most appropriate measure of performance and basis for determining materiality, given the volatility in loss before tax.			
Performance materiality	81	73	78	69
Basis for determining performance materiality	75% of materiality, based upon there being a limited number of areas subject to significant estimation uncertainty and no significant errors identified in the prior period.			

### Component materiality

We set materiality for the one significant component of the Group (being the Parent company) based on a percentage of 96% (2019: 95%) of Group materiality, which is considered aligned with the size and our assessment of the risk of material misstatement of that component. In the audit of each component, we further applied performance materiality levels of 75% of the component materiality to our testing to ensure that the risk of errors exceeding component materiality was appropriately mitigated.

### Reporting threshold

We agreed with the Audit Committee that we would report to them all individual audit differences in excess of £4,320 (2019: £3,880). We also agreed to report differences below this threshold that, in our view, warranted reporting on qualitative grounds.

### Other information

The directors are responsible for the other information. The other information comprises the information included in the Group Strategic Report, Directors Report and Consolidated Financial Statements other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

## Independent auditor's report to the members of ECSC Group plc

### Other Companies Act 2006 reporting

Based on the responsibilities described below and our work performed during the course of the audit, we are required by the Companies Act 2006 and ISAs (UK) to report on certain opinions and matters as described below.

<p><b>Strategic report and Directors' report</b></p>	<p>In our opinion, based on the work undertaken in the course of the audit:</p> <ul style="list-style-type: none"> <li>the information given in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and</li> <li>the Strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.</li> </ul> <p>In the light of the knowledge and understanding of the Group and Parent Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.</p>
<p><b>Matters on which we are required to report by exception</b></p>	<p>We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:</p> <ul style="list-style-type: none"> <li>adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or</li> <li>the Parent Company financial statements are not in agreement with the accounting records and returns; or</li> <li>certain disclosures of Directors' remuneration specified by law are not made; or we have not received all the information and explanations we require for our audit.</li> </ul>

### Responsibilities of Directors

As explained more fully in the statement of Directors' responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Group's and the Parent Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## Independent auditor's report to the members of ECSC Group plc

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

As part of the audit we gained an understanding of the legal and regulatory framework applicable to the Group and the industries in which it operates, and considered the risk of acts by the Group that were contrary to applicable laws and regulations, including fraud. We considered the Group's compliance with laws and regulations that have a significant impact on the financial statements to be UK company law, UK tax legislation, the accounting framework and ISO security standards, and we considered the extent to which non-compliance might have a material effect on the Group financial statements.

Based on our understanding we designed our audit procedures to identify instances of non-compliance with such laws and regulations. Our procedures included enquiries of management and of the Directors, reviewing the financial statement disclosures agreeing to underlying supporting documentation where necessary, review of Board meeting minutes and review of any applicable correspondence with legal counsel or tax authorities.

Our assessment of the susceptibility of the financial statements to fraud was through management override of controls and revenue recognition (cut-off) which was addressed through detailed testing. We addressed the risk of management override of internal controls, including testing journal entries processed during and subsequent to the year, testing of significant estimates (included capitalised development costs) and evaluating whether there was evidence of bias in the financial statements by the Directors that represented a risk of material misstatement due to fraud.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditor's report.  
Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the

## Independent auditor's report to the members of ECSC Group plc

Parent Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Parent Company and the Parent Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Handwritten signature in black ink that reads "BDO LLP" followed by a horizontal flourish.

Mark Langford (Senior Statutory Auditor)  
For and on behalf of BDO LLP, Statutory Auditor  
Leeds, UK  
23 March 2021

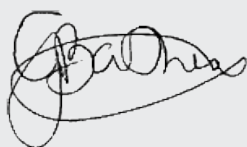
**BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).**

# Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
<b>Revenue</b>	<b>6</b>	<b>5,663</b>	<b>5,905</b>
Cost of Sales		(2,115)	(2,545)
<b>Gross Profit</b>	<b>6</b>	<b>3,548</b>	<b>3,360</b>
Other Income	<b>7</b>	297	263
Sales & Marketing Costs		(1,713)	(1,958)
Administration Expenses		(2,403)	(2,369)
<b>Operating Loss before Exceptional Items and Share Based Payments</b>		<b>(105)</b>	<b>(593)</b>
Share Based Payments	<b>23</b>	101	105
Exceptional Items	<b>26</b>	65	6
<b>Operating Loss</b>	<b>8</b>	<b>(271)</b>	<b>(704)</b>
Finance Cost		(48)	(46)
<b>Loss before Taxation</b>	<b>25</b>	<b>(319)</b>	<b>(750)</b>
Taxation Credit/ (Charge)	<b>10</b>	50	(26)
<b>Loss for the Year</b>		<b>(269)</b>	<b>(776)</b>
Other Comprehensive Income		-	-
<b>Total Comprehensive Income for the Year</b>		<b>(269)</b>	<b>(776)</b>
<b>Attributed to Equity Holders of the Company</b>		<b>(269)</b>	<b>(776)</b>
<b>Loss per Share</b>	<b>11</b>	<b>pence</b>	<b>pence</b>
Basic Loss per Share		(2.7)	(8.5)
Diluted Loss per Share		(2.7)	(8.5)

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2021 and were signed on its behalf by:



**Gemma Basharan**  
Director  
23 March 2021

# Consolidated Statement of Financial Position

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019* £'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Intangible Assets	12	455	429
Property, Plant and Equipment	13	148	283
Right-of-use Assets	18	746	896
Deferred Tax Asset	10	118	77
<b>Total Non-current Assets</b>		<b>1,467</b>	<b>1,685</b>
<b>Current Assets</b>			
Inventory	14	9	26
Trade and Other Receivables	15	811	890
Corporation Tax Recoverable	7	216	265
Cash and Cash Equivalents	16	1,122	351
<b>Total Current Assets</b>		<b>2,158</b>	<b>1,532</b>
<b>TOTAL ASSETS</b>		<b>3,625</b>	<b>3,217</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	17	(2,085)	(1,817)
Lease Liability	18	(143)	(150)
<b>Total Current Liabilities</b>		<b>(2,228)</b>	<b>(1,967)</b>
<b>Non-current Liabilities</b>			
Deferred Tax Liability	10	(90)	(99)
Lease Liability	18	(659)	(781)
<b>Total Non-current Liabilities</b>		<b>(749)</b>	<b>(880)</b>
<b>TOTAL LIABILITIES</b>		<b>(2,977)</b>	<b>(2,847)</b>
<b>NET ASSETS</b>		<b>648</b>	<b>370</b>
<b>EQUITY</b>			
<b>Equity attributable to Owners of the Parent:</b>			
Share Capital	20	100	91
Share Premium Account	20	6,098	5,661
Share Option Reserve	20	392	291
Retained Earnings	20	(5,942)	(5,673)
<b>TOTAL EQUITY</b>		<b>648</b>	<b>370</b>

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

The financial statements were approved and authorised for issue by the Board of Directors on 23 March 2021 and were signed on its behalf by:



**Gemma Basharan** | Director

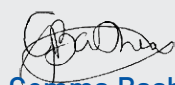
23 March 2021

# Company Statement of Financial Position

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019* £'000
<b>ASSETS</b>			
<b>Non-current Assets</b>			
Intangible Assets	12	455	429
Property, Plant and Equipment	13	147	272
Right-of-use Assets	18	711	839
Deferred Tax Asset	10	118	77
<b>Total Non-current Assets</b>		<b>1,431</b>	<b>1,617</b>
<b>Current Assets</b>			
Inventory	14	9	26
Trade and Other Receivables	15	887	960
Corporation Tax Recoverable	7	216	265
Cash and Cash Equivalents	16	1,119	350
<b>Total Current Assets</b>		<b>2,231</b>	<b>1,601</b>
<b>TOTAL ASSETS</b>		<b>3,662</b>	<b>3,218</b>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and Other Payables	17	(2,163)	(1,879)
Lease Liability	18	(119)	(128)
<b>Total Current Liabilities</b>		<b>(2,282)</b>	<b>(2,007)</b>
<b>Non-current Liabilities</b>			
Deferred Tax Liability	10	(90)	(99)
Lease Liability	18	(645)	(744)
<b>Total Non-current Liabilities</b>		<b>(735)</b>	<b>(843)</b>
<b>TOTAL LIABILITIES</b>		<b>(3,017)</b>	<b>(2,850)</b>
<b>NET ASSETS</b>		<b>645</b>	<b>368</b>
<b>EQUITY</b>			
<b>Equity attributable to Owners of the Parent:</b>			
Share Capital	20	100	91
Share Premium Account	20	6,098	5,661
Share Option Reserve	20	392	291
Retained Earnings	20	(5,945)	(5,675)
<b>TOTAL EQUITY</b>		<b>645</b>	<b>368</b>

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

For the year ended 31 December 2020, Loss after Taxation for the Company was £270k (2019: loss of £775k).



**Gemma Basharan** | Director

23 March 2021



## Consolidated Statement of Changes in Equity

	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
<b>Balance as at 31 December 2018</b>	91	5,661	186	(4,897)	1,041
Loss and Total Comprehensive Income:					
Total Comprehensive Loss for the Year	-	-	-	(776)	(776)
<b>Transactions with shareholders</b>					
Issue of Shares	-	-	-	-	-
Share Based Payments	-	-	105	-	105
<b>Balance as at 31 December 2019</b>	91	5,661	291	(5,673)	370
Loss and Total Comprehensive					
Total Comprehensive Loss for the Year	-	-	-	(269)	269
<b>Transactions with shareholders</b>					
Issue of shares	9	437	-	-	446
Share Based Payments	-	-	101	-	101
<b>Balance as at 31 December 2020</b>	100	6,098	392	(5,942)	648

## Company Statement of Changes in Equity

	Share Capital £'000	Share Premium Account £'000	Share Option Reserve £'000	Retained Earnings £'000	Total £'000
<b>Balance as at 31 December 2018</b>	91	5,661	186	(4,900)	1,038
Loss and Total Comprehensive Income:					
Total Comprehensive Loss for the Year	-	-	-	(775)	(775)
<b>Transactions with shareholders</b>					
Issue of Shares	-	-	-	-	-
Grant of Share Options	-	-	105	-	105
<b>Balance as at 31 December 2019</b>	91	5,661	291	(5,675)	368
Loss and Total Comprehensive					
Total Comprehensive Loss for the Year	-	-	-	(270)	(270)
<b>Transactions with shareholders</b>					
Issue of shares	9	437	-	-	446
Share Based Payments	-	-	101	-	101
<b>Balance as at 31 December 2020</b>	100	6,098	392	(5,945)	645

# Consolidated Cash Flow Statement

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
<b>Cash Flow from / (used in) Operating Activities</b>			
Loss before Taxation		(319)	(750)
<b>Adjustment for:</b>			
Amortisation of Intangibles	12	168	177
Depreciation of right-of-use assets	18	175	200
Depreciation of Property, Plant and Equipment	13	137	217
Profit on Disposal of Equipment		(4)	(1)
Finance Costs		48	46
Share Based Payments	23	101	105
<b>Cash used up in Operating Activities before changes in Working Capital</b>		<b>306</b>	<b>(6)</b>
Change in Inventory	14	17	(8)
Change in Trade and Other Receivables	15	(214)	(349)
Change in Trade and Other Payables	17	268	428
Change on Other Non Cash Items	4	-	(13)
<b>Cash Generated from Operating Activities</b>		<b>377</b>	<b>52</b>
R&D Tax Credit Received		343	152
<b>Net Cash Flow Generated from Operating Activities</b>		<b>720</b>	<b>204</b>
<b>Acquisition of Property, Plant and Equipment</b>	13	(5)	(129)
Disposal Proceeds		6	16
Development Costs capitalised	12	(194)	(194)
<b>Net Cash Flow used in Investing Activities</b>		<b>(193)</b>	<b>(307)</b>
Principal Paid on Lease Liabilities	18	(195)	(195)
Interest Paid on Loans and Borrowings		(7)	(1)
Proceeds from Issue of Shares		500	-
Costs of Share Issuance		(54)	-
<b>Net Cash generated from / (used in) Financing Activities</b>		<b>244</b>	<b>(196)</b>
<b>Net increase/decrease in Cash &amp; Cash Equivalents</b>		<b>771</b>	<b>(299)</b>
Cash & Cash Equivalents at beginning of period		351	650
<b>Cash &amp; Cash Equivalents at end of period</b>	16	<b>1,122</b>	<b>351</b>

# Company Cash Flow Statement

	Note	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
<b>Cash Flow from / (used in) Operating Activities</b>			
Loss before Taxation		(320)	(749)
<b>Adjustment for:</b>			
Amortisation of Intangibles	12	168	177
Amortisation of right-of-use assets	18	153	178
Depreciation of Property, Plant and Equipment	13	127	198
Profit on Disposal of Equipment		(4)	(1)
Finance Costs		46	43
Share Based Payments	23	101	105
<b>Cash used up in Operating Activities before changes in Working Capital</b>		<b>271</b>	<b>(49)</b>
Change in Inventory	14	17	(8)
Change in Trade and Other Receivables	15	(220)	(348)
Change in Trade and Other Payables	17	284	450
Change on Other Non Cash Items		-	(13)
<b>Cash Generated from Operating Activities</b>		<b>352</b>	<b>32</b>
R&D Tax Credit Received		343	152
<b>Net Cash Flow Generated from Operating Activities</b>		<b>695</b>	<b>184</b>
<b>Acquisition of Property, Plant and Equipment</b>			
Disposal Proceeds		6	16
Development Costs Capitalised	12	(194)	(194)
<b>Net Cash Flow used in Investing Activities</b>		<b>(193)</b>	<b>(306)</b>
Principal Paid on Lease Liabilities	18	(172)	(173)
Interest Paid on Loans and Borrowings		(7)	(1)
Proceeds from Issues of Shares		500	-
Costs of Share Issuance		(54)	-
<b>Net Cash generated from / (used in) Financing Activities</b>		<b>267</b>	<b>(174)</b>
<b>Net increase / (decrease) in Cash &amp; Cash Equivalents</b>		<b>769</b>	<b>(296)</b>
Cash & Cash Equivalents at beginning of period		350	646
<b>Cash &amp; Cash Equivalents at end of period</b>	16	<b>1,119</b>	<b>350</b>



NOTES TO THE  
FINANCIAL  
STATEMENTS

# Notes to the Financial Statements

## 1. Corporate Information

ECSC Group plc is incorporated in England and Wales and admitted to trading on the market of the London Stock Exchange (AIM: ECSC). Further copies of these financial statements will be available at the Company's registered office: 28 Campus Road, Listerhills Science Park, Bradford, West Yorkshire, BD7 1HR. These financial statements for the year ended 31 December 2020 were approved by the Board of Directors on 23 March 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 financial statements for the year ended 31 December 2020 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 Company has taken advantage of Section 408 of the Companies Act 2006 and has not

included its individual statement of comprehensive income in these financial statements. The Company's overall result for the year is given in the company statement of financial position and statement of changes in shareholders' equity.

The financial statements for the period ended 31 December 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.

### 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 25).

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.

# Notes to the Financial Statements (continued)

## 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)
<b>New Standards</b>			
IFRS 17 Insurance contracts	18-May-2017 and 25-June-2020	01-Jan-2023	TBC
<b>Amendments to existing standards</b>			
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 IFRS 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-Jun-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.



## Notes to the Financial Statements (continued)

### 4.2 Going Concern

The Directors have reviewed whether the Group has adequate resources to continue in operational existence for the foreseeable future, being no shorter than 12 months from the date of approving the Annual Report. In conducting this review, the Directors have considered a range of factors, including the market prospects for cyber security services, client relationships and dependency, supplier relationships and dependency, actual or potential litigation, staff retention and reliance, relationships with HMRC and regulators, financing arrangements, historic trading and cash flow performance, current trading and cash flow performance, and future trading and cash flow expectations. In undertaking their review, the Directors have prepared financial projections for the years ending 31 December 2021 and 2022, a review which assumed continued revenue growth and cost efficiency.

The budget figures are closely monitored against actuals on a monthly basis. Variances that may arise are discussed a Board level on a monthly basis during a review of the monthly numbers. In the event that this revenue and cost performance is not achieved, the Directors have also considered a sensitivity analysis based on lower revenue growth and have formulated contingency plans for

this scenario, which enable the Group to preserve its financial resources.

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

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

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

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

with Barclays Bank PLC of £0.5m.

Based on this review, the Directors have concluded that the Group has adequate resources to meet its liabilities as they fall due and continue in operational existence for the foreseeable future, which is considered to be at least the next 12 months from the date of approval of the financial statements. Consequently, the Directors have adopted the going concern basis in preparing the financial statements.

### 4.3 Revenue Recognition

The core principle is that revenue should only be recognised as the client receives the benefit of the goods or services provided under a commercial contract, in an amount that reflects the consideration to which the provider expects to be entitled for the transfer of the goods or services.

#### Performance obligations and timing of revenue recognition

Revenue comprises the sales value of goods and services supplied during the year, exclusive of Value Added Tax and trade discounts. Revenue from the provision of Consulting services is recognised as services are rendered, based on the contracted daily billing rate and the number of days delivered during the period.

## Notes to the Financial Statements (continued)

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 6.

Revenue from MDR contracts includes:

**Hardware** – hardware revenue is recognised on delivery and is included within other revenue as set out in note 6. 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 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.

## Notes to the Financial Statements (continued)

### Contract Balances

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

\* Prior year restatement

A prior year restatement of £320k is accounted for to remove trade receivables and contract liabilities in relation to amounts invoiced but not due as at 31 December 2019 where the performance obligation had not commenced at that date. This restatement impacted the presentation of both the Group or Company Statement of Financial Position page 60-61. This restatement does not impact the statement of comprehensive income for the Group and Company only financial statements. Trade receivables and contract liabilities are stated net in respect of advance billing in line with the requirements of IFRS 15.

Contract Assets balance of £34k (2019: £43k) is included in the Trade Receivables and Other Receivables (note 15).

Contract Liabilities balance of £878k (2019: £866k) is included in Trade Payables and Other Payables (note 17).

### 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 (see note 7).

### Coronavirus Job Retention Scheme (CJRS)

Where the Group receive Coronavirus Job Retention Scheme (CJRS) expenditure credits, it is accounted

## Notes to the Financial Statements (continued)

for as government grant as income and matched with the relevant staff costs in which they are intended to compensate. The income has been recognised in the period to which the underlying furloughed staff costs relate to in accordance with IAS20. (see note 9)

### Australia Government Grants

Where the Group received the JobKeeper payment (wage subsidy which provided a \$1,500 payment per fortnight per employee from 1st April 2020 until 27 September 2020) and the Cash Flow Boost for Employers, it is accounted for as government grant as income and matched with the relevant staff costs in which they are intended to compensate. The income has been recognised in the period to which the underlying grant staff costs relate to in accordance with IAS20. (see note 9)

### 4.6 Operating Profit

Operating Profit is stated after all expenses, including those considered to be exceptional, but before finance income or expenses. Exceptional items are items of income or expense which, because of their nature or size, require separate presentation to allow shareholders to better understand the financial performance of the period and allow comparison with prior years.

### 4.7 Foreign Currencies

Financial assets and liabilities in foreign currencies are translated into sterling at the rates of exchange prevailing at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange prevailing at the date of the transaction. Exchange differences are recognised in Operating Profit.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating those prevailing when the transactions took place. All assets and liabilities of overseas entities are translated at the rate prevailing at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in Other Comprehensive Income and accumulated in the foreign exchange reserve.

### 4.8 Employee Benefits

#### Short-Term Benefits

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Company.

#### Defined Contribution Pension Scheme

The Company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the Company. The annual contributions are charged to the Statement of Comprehensive Income. The Company also contributes to the personal pension plans of the Directors in

## Notes to the Financial Statements (continued)

accordance with their Service Contracts.

### Employee Share Based Payments

Where equity settled share options are granted to employees (including Directors), the fair value of the options at the date of grant is charged to the Consolidated Statement of Comprehensive Income, as a Share Based Payment Charge, over the vesting period of the options, with a corresponding movement in the Share Option Reserve.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each reporting date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Non-vesting conditions and market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied.

Where the terms and conditions of options are modified before they vest, the increase in the fair value of the options, measured immediately before and after modification, is also charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period.

Where options are cancelled and replaced, modification treatment is adopted which results in the recognition of any incremental fair value but not any reduction in fair value. Any increase in the fair value of the options, measured immediately at replacement, is charged to the Consolidated Statement of Comprehensive Income. The cancelled options continue to be charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period.

### 4.9 Property, Plant and Equipment

All additions are initially recorded at historic cost. Depreciation is calculated so as to write-off the cost of an asset, less its estimated residual value, over the useful economic life of that asset as follows:

- Leasehold Property 20% reducing balance
- Office Furniture and Equipment 20% reducing balance
- Computer Equipment 33% straight line
- Motor Vehicles 20% straight line

### 4.10 Research and Development Expenditure

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

Expenditure on development activities generating an intangible asset is capitalised if all of the criteria set out in IAS 38 are met. Capitalised assets are amortised over their useful economic life, which is considered to be five years.

If the criteria set out in IAS 38 are not met, expenditure on development activities is recognised as an

## Notes to the Financial Statements (continued)

expense in the period in which it is incurred.

### 4.11 Inventories

Inventories are carried at the lower of cost or net realisable value. Net realisable value is calculated based on the expected revenue from sale in the normal course of business less any costs to sell. Due allowance is made for obsolete and slow moving items.

### 4.12 Financial Instruments

#### Financial Assets

The Group and Company's Financial Assets include Cash and Cash Equivalents, Trade Receivables and Other Receivables.

- **Initial Recognition and Measurement**

Financial Assets are classified as amortised cost and initially measured at fair value.

- **Subsequent Measurement**

Financial assets are subsequently measured at amortised cost, using the effective interest method, less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

The Group has applied the simplified method of the expected credit loss model when calculating impairment losses on its financial assets measured at amortised cost, such as trade receivables. This resulted in greater judgement due to the need to factor in forward-looking information when estimating the appropriate amount to provisions.

- **De-recognition of Financial Assets**

The Group and Company de-recognises a Financial Asset only when the contractual rights to the cash flows from the asset expire, or it transfers the Financial Asset and substantially all the risks and rewards of ownership of the asset to another entity.

- **Invoice Discounting Facility**

The Group and Company will continue to retain substantially all the credit risk and therefore will continue to recognise the receivables.

#### Financial Liabilities and Equity Instruments

The Group and Company's Financial Liabilities include Trade Payables, Accruals and Other Payables .

## Notes to the Financial Statements (continued)

Financial Liabilities are classified at amortised cost.

- **Classification as Debt or Equity**

Financial Liabilities and Equity Instruments issued by the Company are classified according to the substance of the contractual arrangements entered into and the definitions of a Financial Liability and an Equity Instrument.

- **Equity Instruments**

An Equity Instrument is any contract that evidences a residual interest in the assets of the Company after deducting all of its liabilities. Equity Instruments are recorded at the proceeds received, net of direct issue costs.

- **Trade Payables, Other Payables and Accruals**

Trade Payables, Accruals and Other Payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis.

- **De-recognition of Financial Liabilities**

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

### **Offsetting of Financial Instruments**

Financial Assets and Financial Liabilities are offset, and the net amount reported in the Statement of Financial Position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

### **4.13 Cash and Cash Equivalents**

Cash and Cash Equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

### **4.14 Impairment of Assets**

#### **Non-Financial Assets**

The carrying amounts of the Group and Company's Non-Financial Assets, other than Deferred Tax Assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.



## Notes to the Financial Statements (continued)

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risk specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets.

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its estimated recoverable amount. Impairment losses are recognised in profit and loss.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

### 4.15 Corporation Tax

Corporation Tax expense represents the sum of the tax currently payable and Deferred Tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the Statement of Comprehensive Income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible.

The Company's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial period.

Government tax credits available on eligible Research and Development expenditure and not reclaimable through other means are recognised as Other Income and treated as a government grant. This applies when there are no taxable profits against which to offset the tax credit. The amount receivable by the Group and Company is shown on the face of the balance sheet within Corporation Tax Recoverable.

### 4.16 Deferred Tax

Deferred Tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less or to receive more tax.

Deferred Tax Assets are recognised only to the extent that the Directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred Tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods

## Notes to the Financial Statements (continued)

in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### 4.17 Share Capital

Ordinary Share Capital is recorded at nominal value and proceeds received in excess of nominal value of shares issued, if any, is accounted for in the Share Premium Account. Both Ordinary Share Capital and Share Premium Account are classified as equity. Costs incurred directly to the issue of shares are accounted for as a deduction from Share Premium Account; otherwise such costs are charged to the Statement of Comprehensive Income.

### 4.18 Operating Segments

An operating segment is a component of the Group and the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components.

An operating segment's operating results are reviewed regularly by the Directors of the Company to assess performance and make decisions about resource allocation.

The Board considers that the Company's activity constitutes three operating and three reporting segments as defined under IFRS 8.

### 4.19 Related Parties

Parties are considered to be related if one party has the ability (directly or indirectly) to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities.

## 5. Critical Accounting Judgements, Estimates and Sources of Estimation Uncertainty

In applying the accounting policies, the Directors may at times be required to make critical accounting judgements and estimates about the carrying amount of assets and liabilities. These estimates and assumptions, when made, are based on historical experience and other factors that the Directors consider are relevant.

The key estimates and assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are stated below.

# Notes to the Financial Statements (continued)

## Judgements

### Going Concern

Management apply their judgement in reviewing whether the Group has adequate resources to continue in operational existence for the foreseeable future, which is considered to be 12 months from the date of approval of the financial statement. The Group have undertaken sensitivity analysis around a possible uncertainties, further detail regarding the impact is detail on page 28.

### Development Costs Capitalised & Amortised

Management apply their judgement in determining whether an identified intangible software asset meets the criteria for capitalisation under IAS 38. The carrying value of Intangible Assets as at 31 December 2020 was £455k (2019: £429k).

Management estimate the percentage of development staff time used to enhance and improve the Company's intangible software assets in order to capitalise a proportion of salary costs each period. In the year ended 31 December 2020, the amount of staff time capitalised into Intangible Assets was £194k (2019: £194k).

Development Costs capitalised into Intangible Assets are amortised over management's estimate of the useful economic life of the asset recognised. In the year ended 31 December 2020, the useful economic life of all Intangible Assets was estimated to be 5 years, resulting in an amortisation charge of £168k (2019: £177k).

## 6. Revenue and Segment Information

The Group's principal revenue is derived from the provision of cyber security professional services.

During this period, the Directors received information on financial performance on a divisional basis. The Directors consider that there are three reportable operating segments: Assurance (including Remote Support services), MDR, and Vendor Products. There were a small number of other transactions recorded during each period which are not considered to be part of either of the three reportable operating segments. These are presented below within the 'Other' caption and are not significant.

The Directors do not receive any information on the financial position of each segment, including information on assets and liabilities. Accordingly, no such information has not been presented.

The Group is not reliant on any single client, with no single client accounting for 10% or more of revenue. All revenue recognised is derived from external clients.

## Notes to the Financial Statements (continued)

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

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

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

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

## Notes to the Financial Statements (continued)

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

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

### 7. Other Income

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Withholding Tax	-	-
Gain on sale of Asset	4	1
R&D Tax Credits	293	262
<b>Total</b>	<b>297</b>	<b>263</b>

A credit has been recognised within Other Income as a result of R&D Tax Credit surrenders. For the year ended 31 December 2020, the surrender resulted in a credit of £212k relating to R&D undertaken in 2020, included within Corporation Tax Recoverable, and an additional credit received of £81k for additional R&D expenditure relating to 2018.

## Notes to the Financial Statements (continued)

### 8. Operating Loss

Operating Loss is stated after charging:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Depreciation of Fixed Assets	137	217
Amortisation of Intangibles - Development Costs	168	177
Amortisation of leases	175	200
R&D expenditure	786	785
Short-term and low value lease expense	76	62
Auditors Remuneration - Audit Services	45	42
Auditors Remuneration - Non-Audit Services		
Taxation Compliance Services	8	8
Other Taxation and Compliance Services	12	13
Exceptional items	65	6
Inventories Expensed	8	44

The amount charged in respect of Auditors' Remuneration for the Group and the Company audit was £45k. None of the subsidiaries (see note 27) of the Group were subject to audit in the year ended 31 December 2020.

### 9. Employee Benefit Expense

Employee Benefit Expense (including Directors) during the periods amounted to:

	GROUP Year Ended 31 December 2020 £'000	GROUP Year Ended 31 December 2019 £'000	COMPANY Year Ended 31 December 2020 £'000	COMPANY Year Ended 31 December 2019 £'000
Wages and Salaries - Gross	4,269	4,091	4,033	3,944
Government Grants	(292)	-	(203)	-
Wages and Salaries	3,977	4,091	3,830	3,944
Social Security Costs	452	440	404	392
Pension Contributions	179	153	161	134
Share Based Payments	101	105	101	105
	<b>4,709</b>	<b>4,789</b>	<b>4,496</b>	<b>4,575</b>

## Notes to the Financial Statements (continued)

Directors' remuneration for the Group and Company is as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Salaries, Bonus, Benefits-in-Kind	662	455
Pension Contributions	47	30
Share Based Payments	120	47
Social Security Costs	78	57
	<b>907</b>	<b>589</b>

Details of Directors' remuneration can be found in the Remuneration Report on pages 43-49.

Key management personnel, being those persons having responsibility for planning, directing and controlling the activities of the Group, are considered to be the Directors listed on pages 35-36 (Board of Directors).

Amounts paid to the highest paid director in the period were as follows:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Salaries, Bonus, Benefits-in-Kind	219	196
Pension Contributions	20	18
	<b>239</b>	<b>214</b>

### Group

The average monthly number of employees during the year was:

	Year ended 31 December 2020	Year ended 31 December 2019
Directors	6	4
Operational	81	81
	<b>87</b>	<b>85</b>



## Company

The average monthly number of employees during the year was:

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Directors	6	4
Operational	77	77
	<b>83</b>	<b>81</b>

## 10. Taxation

### Recognised in the Statement of Comprehensive Income

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

### Reconciliation of Total Tax (Credit)/Charge

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Loss before Tax	(319)	(750)
UK Corporation At Rate Of 19.0% (2019: 19.0%)	(61)	(143)
Expenses Not Deductible For Tax Purposes	2	2
Over/Under Provision in Prior Period - Deferred Tax	(50)	26
Tax Losses on Which Deferred Tax Not Recognised	59	141
<b>Total Tax (Credit) / Charge</b>	<b>(50)</b>	<b>26</b>

### Deferred Tax Assets & Liabilities

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

## Notes to the Financial Statements (continued)

Deferred Tax Assets of £118K is recognised in respect of unutilised trading losses, Share Based Payments and short-term timing differences. Deferred Tax Liabilities of £90k arise on timing differences in the carrying value of certain of the Company's assets for financial reporting purposes and for corporation tax purposes. These will reverse as the fair value of the related assets are depreciated over time. Deferred Tax balances have been calculated at the rate of 19%, being the rate of Corporation Tax expected to be in force when the timing differences reverse.

### Unutilised Trading Losses

The Company continues to carry forward unutilised trading losses of £5,111k (2019: £5,696k). A Deferred Tax Asset of £35k (2019: £22k) has been recognised as at 31 December 2020 in respect of the unutilised trading losses. No further Deferred Tax Asset has been recognised because the Board envisages that a significant period of time will be required to generate sufficient profits to utilise the trading losses carried forward.

### 11. Earnings per Share

Basic Earnings per Share is calculated by dividing the loss for the period attributable to Equity Holders of the Company by the weighted average number of Ordinary Shares outstanding during the period ('Basic Number of Ordinary Shares').

Diluted Earnings per Share is calculated by dividing the loss for the period attributable to Equity Holders of the Company by the weighted average number of Ordinary Shares outstanding during the period plus the weighted average number of Ordinary Shares that would be issued on conversion of all the potential dilutive Ordinary Shares ('Diluted Number of Ordinary Shares'), subject to the effect of anti-dilutive potential shares being ignored in accordance with IAS 33.

Adjusted Earnings per Share is calculated by dividing Adjusted loss (after adding-back exceptional costs incurred in the period; see note 25) by Diluted Number of Ordinary Shares.

## Notes to the Financial Statements (continued)

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

	Year ended 31 December 2020 £'000	Year ended 31 December 2019 £'000
Net Loss Attributable To Equity Holders Of The Company	(269)	(776)
Add Back: Exceptional Costs	65	6
Add Back: Share Based Payments	101	105
<b>Adjusted Loss</b>	<b>(103)</b>	<b>(665)</b>
<b>Number Of Ordinary Shares ('000)</b>		
Initial Weighted Average	9,098	9,098
Shares Issued in April 2020	909	-
<b>Basic Number Of Ordinary Shares</b>	<b>10,007</b>	<b>9,098</b>
Weighted Average Dilutive Shares In Period	906	661
<b>Diluted Number Of Ordinary Shares</b>	<b>10,913</b>	<b>9,759</b>
<b>Earnings Per Share (Pence):</b>		
Basic Losses Per Share	(2.7)	(8.5)
Diluted Losses Per Share**	(2.7)	(8.5)
Adjusted Losses Per Share	(1.0)	(7.3)

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

During the year ended 31 December 2020, the following dilutive events have occurred:

- On 17 April 2020, 909,091 ordinary shares were issued for £0.45m (net of expenses of £0.05m).
- On 21 August 2020, the Company granted options over 588,037 Ordinary Shares to selected employees, including 144,758 to Director Lucy Sharp, 103,602 to Director Ian Castle and 64,651 to Director Gemma Basharan, of which 587,107 remain outstanding as at 31 December 2020.
- On 28 August 2020, the Company granted options over 450,000 Ordinary Shares to selected employees, including 100,000 to Director Ian Mann, 100,000 to Director Lucy Sharp, 80,000 to Director Ian Castle and 80,000 to Director Gemma Basharan, of which 450,000 remain outstanding as at 31 December 2020.

These dilutive events were taken into account in calculating Diluted Number of Ordinary Shares.

# Notes to the Financial Statements (continued)

## 12. Intangible Assets

### GROUP & COMPANY

#### Development Costs

Costs	£'000
As at 1 January 2019	891
Additions	194
As at 31 December 2019	1,085
As at 1 January 2020	1,085
Additions	194
<b>As at 31 December 2020</b>	<b>1,279</b>
<b>Amortisation</b>	
As at 1 January 2019	479
Charges for the year	177
As at 31 December 2019	656
As at 1 January 2020	656
Charges for the year	168
<b>As at 31 December 2020</b>	<b>824</b>
<b>Net Book Value</b>	
As at 31 December 2019	429
<b>As at 31 December 2020</b>	<b>455</b>

## Notes to the Financial Statements (continued)

### 13. Property, Plant and Equipment

#### GROUP

	Leasehold Property £'000	Office Equipment £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>					
At 1 January 2019	103	120	639	57	919
Reclassification due to IFRS16	-	-	(61)	-	(61)
Additions	12	16	101	-	129
Disposals	-	-	-	(34)	(34)
At 31 December 2019	115	136	679	23	953
Additions	-	-	5	-	5
Disposals	-	-	(5)	-	(5)
<b>At 31 December 2020</b>	<b>115</b>	<b>136</b>	<b>679</b>	<b>23</b>	<b>953</b>
<b>Depreciation</b>					
At 1 January 2019	48	50	370	24	492
Reclassification due to IFRS16	-	-	(20)	-	(20)
Charge for Period	15	25	168	9	217
Disposals	-	-	-	(19)	(19)
At 31 December 2019	63	75	518	14	670
Charge for Period	16	21	95	5	137
Disposals	-	-	(2)	-	(2)
<b>At 31 December 2020</b>	<b>79</b>	<b>96</b>	<b>611</b>	<b>19</b>	<b>805</b>
<b>Net Book Value</b>					
At 31 December 2019	52	61	161	9	283
<b>At 31 December 2020</b>	<b>36</b>	<b>40</b>	<b>68</b>	<b>4</b>	<b>148</b>

## Notes to the Financial Statements (continued)

### COMPANY

	Leasehold Property £'000	Office Equipment £'000	Computer Equipment £'000	Motor Vehicles £'000	Total £'000
<b>Cost</b>					
At 1 January 2019	103	99	604	57	863
Reclassification due to IFRS16	-	-	(61)	-	(61)
Additions	12	15	101	-	128
Disposals	-	-	-	(34)	(34)
At 31 December 2019	115	114	644	23	896
Additions	-	-	5	-	5
Disposals	-	-	(5)	-	(5)
<b>At 31 December 2020</b>	<b>115</b>	<b>114</b>	<b>644</b>	<b>23</b>	<b>896</b>
<b>Depreciation</b>					
At 1 January 2019	48	41	352	24	465
Reclassification due to IFRS16	-	-	(20)	-	(20)
Charge for Period	15	17	157	9	198
Disposals	-	-	-	(19)	(19)
At 31 December 2019	63	58	489	14	624
Charge for Period	16	18	88	5	127
Disposals	-	-	(2)	-	(2)
<b>At 31 December 2020</b>	<b>79</b>	<b>76</b>	<b>575</b>	<b>19</b>	<b>749</b>
<b>Net Book Value</b>					
At 31 December 2019	52	56	155	9	272
<b>At 31 December 2020</b>	<b>36</b>	<b>38</b>	<b>69</b>	<b>4</b>	<b>147</b>

### 14. Inventory

	GROUP Year Ended 31 December 2020 £'000	GROUP As At 31 December 2019 £'000	COMPANY Year Ended 31 December 2020 £'000	COMPANY As At 31 December 2019 £'000
Inventory	9	26	9	26

## Notes to the Financial Statements (continued)

### 15. Trade Receivables and Other Receivables

	GROUP As At 31 December 2020 £'000	GROUP As At 31 December 2019* £'000	COMPANY As At 31 December 2020 £'000	COMPANY As At 31 December 2019* £'000
Trade Receivables - Gross	613	653	613	653
Allowance for Credit Losses	(5)	-	(5)	-
Trade Receivables	608	653	608	653
Other Receivables	9	8	9	8
Intercompany Receivables	-	-	98	92
Prepayments	159	182	137	160
Accrued Income	1	4	1	4
Contract Asset	34	43	34	43
	<b>811</b>	<b>890</b>	<b>887</b>	<b>960</b>

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

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

Intercompany Receivables represent loans provided by ECSC Group plc to ECSC Australia Pty Ltd. The loans are repayable on demand, no expected credit loss is attributed to them.

### 16. Cash & Cash Equivalents

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



## Notes to the Financial Statements (continued)

### 17. Trade Payables and Other Payables

	GROUP As At 31 December 2020 £'000	GROUP As At 31 December 2019* £'000	COMPANY As At 31 December 2020 £'000	COMPANY As At 31 December 2019* £'000
Trade Payables	146	197	146	195
Other Taxation and Social Security	823	436	821	434
Accruals	207	259	206	258
Contract Liabilities (Restated)	878	866	878	866
Intercompany Payables	-	-	86	72
Other Payables	31	59	26	54
	<b>2,085</b>	<b>1,817</b>	<b>2,163</b>	<b>1,879</b>

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

The carrying amount of Trade Payables and Other Payables approximates to their fair value due to their short term nature.

### 18. Leases

On commencement of a contract (or part of a contract) which gives the group the right to use an asset for a period of time in exchange for consideration, the group recognises a right-of-use asset and a lease liability unless the lease qualifies as a 'short-term' lease or a 'low-value' lease.

All leases are accounted for by recognising a right-of-use and a lease liability except for:

- Leases of low-value assets**

Leases where the underlying asset is 'low-value', £5k lease payments are recognised as an expense on a straight-line basis over the lease term. The group has elected to apply the 'low-value' lease exemption to all qualifying leases, but the election can be made on a lease-by-lease basis.

- Short term lease**

Where the lease term is twelve months or less and the lease does not contain an option to purchase the leased asset, lease payments are recognised as an expense on a straight-line basis over the lease term.

The group sometimes negotiates break clauses in its property leases. On a case-by-case basis, the group will consider whether the absence of a break clause would expose the group to excessive risk. Typically factors considered in deciding to negotiate a break clause include:

## Notes to the Financial Statements (continued)

- the length of the lease term;
- the economic stability of the environment in which the property is located; and
- whether the location represents a new area of operations for the group.

### Right-of-use Assets

A right-of-use asset is recognised at commencement of the lease and initially measured at the amount of the lease liability, plus any incremental costs of obtaining the lease and any lease payments made at or before the leased asset is available for use by the group.

The right-of-use asset is subsequently measured at cost less accumulated amortisation and any accumulated impairment losses. The amortisation methods applied is on a straight-line basis over the term of the lease.

Amortisation charge for the year included in 'administrative expenses' for right-of-use assets.

### Group

	Office buildings £'000	Motor vehicles £'000	IT equipment £'000	Total £'000
<b>At 1 January 2019</b>	981	56	41	1,078
Additions	-	18	-	18
Amortisation	(132)	(48)	(20)	(200)
<b>NBV at 31 December 2019</b>	<b>849</b>	<b>26</b>	<b>21</b>	<b>896</b>
<b>At 1 January 2020</b>	849	26	21	896
Additions	-	22	-	22
Variable Lease Payment Adjustment	4	-	(1)	3
Amortisation	(133)	(22)	(20)	(175)
<b>NBV at 31 December 2020</b>	<b>720</b>	<b>26</b>	<b>-</b>	<b>746</b>

## Notes to the Financial Statements (continued)

### Company

	Office buildings £'000	Motor vehicles £'000	IT equipment £'000	Total £'000
<b>At 1 January 2019</b>	902	56	41	<b>999</b>
Additions	-	18	-	<b>18</b>
Amortisation	(110)	(48)	(20)	<b>(178)</b>
<b>NBV at 31 December 2019</b>	<b>792</b>	<b>26</b>	<b>21</b>	<b>839</b>
<b>At 1 January 2020</b>	792	26	21	<b>839</b>
Additions	-	22	-	<b>22</b>
Variable Lease Payment Adjustment	4	-	(1)	<b>3</b>
Amortisation	(111)	(22)	(20)	<b>(153)</b>
<b>NBV at 31 December 2020</b>	<b>685</b>	<b>26</b>	<b>-</b>	<b>711</b>

### Lease Liability

The lease liability is initially measured at the present value of the lease payments during the lease term discounted using the interest rate implicit in the lease, or the incremental borrowing rate if the interest rate implicit in the lease cannot be readily determined.

The lease term is the non-cancellable period of the lease plus extension periods that the group is reasonably certain to exercise and termination periods that the group is reasonably certain not to exercise.

The lease liability is subsequently increased for a constant periodic rate of interest on the remaining balance of the lease liability and reduced for lease payments.

Interest expense for the year on lease liabilities is recognised in 'finance costs'.

## Notes to the Financial Statements (continued)

### Group

	Office buildings £'000	Motor vehicles £'000	IT equipment £'000	Total £'000
<b>At 1 January 2019</b>	968	55	40	1,063
Additions	-	18	-	18
Interest Expense	42	3	-	45
Lease Payments	(121)	(53)	(21)	(195)
<b>At 31 December 2019</b>	<b>889</b>	<b>23</b>	<b>19</b>	<b>931</b>
<b>At 1 January 2020</b>	889	23	19	931
Additions	-	22	-	22
Variable Lease Payment Adjustment	4	-	(1)	3
Interest Expense	37	2	2	41
Lease Payments	(150)	(24)	(21)	(195)
<b>At 31 December 2020</b>	<b>780</b>	<b>23</b>	<b>(1)</b>	<b>802</b>

### Company

	Office buildings £'000	Motor vehicles £'000	IT equipment £'000	Total £'000
<b>At 1 January 2019</b>	890	55	40	985
Additions	-	18	-	18
Interest Expense	39	3	-	42
Lease Payments	(99)	(53)	(21)	(173)
<b>At 31 December 2019</b>	<b>830</b>	<b>23</b>	<b>19</b>	<b>872</b>
<b>At 1 January 2020</b>	830	23	19	872
Additions	-	22	-	22
Variable Lease Payment Adjustment	4	-	(1)	3
Interest Expense	35	2	2	39
Lease Payments	(127)	(24)	(21)	(172)
<b>At 31 December 2020</b>	<b>742</b>	<b>23</b>	<b>(1)</b>	<b>764</b>

### Group and Company

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

## Notes to the Financial Statements (continued)

At 31 December 2020	Up To 12 months £'000	1-5 years £'000	more than 5 years £'000
Lease Payments	176	446	317
Interest Expense	(33)	(84)	(20)
<b>Lease Liabilities</b>	<b>143</b>	<b>362</b>	<b>297</b>

### 19. 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. The renewal date of the facility is August 2021, where the Board is expected to renew the facility with Barclay's.

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

### 20. Share Capital

#### Ordinary Share Capital

During the period ended 31 December 2020, the movement in Share Capital was:

Ordinary Shares	Number of Shares Issued and Fully Paid	Ordinary Share Capital £'000
As at 1 January 2019	9,098,497	91
Exercise of Share Options	-	-
<b>At at 31 December 2019</b>	<b>9,098,497</b>	<b>91</b>
As at 1 January 2020	9,098,497	91
New Shares Issued	909,091	9
<b>At at 31 December 2020</b>	<b>10,007,588</b>	<b>100</b>

On 17 April 2020 909,091 ordinary shares were issued for £0.45m (net of expenses of £0.05m).

#### Share Premium Account

The balance of the Share Premium Account represents amounts received in excess of the nominal value (1 pence per share) of Ordinary Shares. This account is non-distributable.

#### Share Option Reserve

The balance of the Share Option Reserve represents the accumulated amounts charged to the Statement of Comprehensive Income in respect of Share Based Payments. This reserve is non-distributable.

# Notes to the Financial Statements (continued)

## Retained Earnings

The balance of the Retained Earnings account represents the accumulated retained profits or losses of the Group. This account is a distributable reserve, provided that the accumulated balance is positive.

## 21. Financial Instruments and Financial Risk Management

The Group's and Company's principal financial instruments comprise:

- Cash and Cash Equivalents
- Trade Receivables
- Other Receivables
- Intercompany Receivables
- Trade Payables
- Accruals
- Intercompany Payables
- Other Payables

The Group's and Company's accounting policies, including the criteria for recognition, and the basis on which income and expenses are recognised in respect of each class of financial asset and financial liability, are set out in note 4.14 to the financial statements. The information about the extent and nature of these recognised financial instruments, including significant terms and conditions that may affect the amount, timing and certainty of future cash flows, are disclosed in the respective notes where applicable. The Group and Company does not use financial instruments for speculative purposes.

## Notes to the Financial Statements (continued)

The principal financial instruments used by the Group and Company, from which financial instrument risk arises, are as follows:

	GROUP As At 31 December 2020 £'000	GROUP As At 31 December 2019* £'000	COMPANY As At 31 December 2020 £'000	COMPANY As At 31 December 2019* £'000
<b>Financial Assets</b>				
Trade Receivables	608	653	608	653
Other Receivables	9	8	9	8
Intercompany Receivables	-	-	98	92
Cash and Cash Equivalents	1,122	351	1,119	350
<b>Total Financial Assets</b>	<b>1,739</b>	<b>1,012</b>	<b>1,834</b>	<b>1,103</b>
<b>Financial Liabilities</b>				
Trade Payables	146	197	146	195
Accruals	207	259	206	258
Intercompany Payables	-	-	86	72
Other Payables	31	59	26	54
<b>Total Financial Liabilities</b>	<b>384</b>	<b>515</b>	<b>464</b>	<b>579</b>

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

### Fair Values

The Directors have assessed that the fair values of Cash and Cash Equivalents, Trade Receivables, Trade Payables, Other Payables approximate to their carrying amounts largely due to the short-term maturities of these instruments. There are no fair value adjustments to assets or liabilities charged to the Statement of Comprehensive Income.

### Market Risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate due to changes in market prices. Market risk comprises three types of risk – commodity price risk, interest rate risk; and foreign currency risk. The Group and Company has limited exposure to each of these risks as discussed below.

### Capital Management

The Group and Company manages its capital to ensure that it will be able to continue as a going concern while attempting to maximise the return to stakeholders through the optimisation of the debt and equity structure.

## Notes to the Financial Statements (continued)

The capital structure of the Group and Company consists of issued Share Capital, Retained Earnings and Finance Leases.

The Group and Company do not generally enter into derivative transactions (such as interest rate swaps and forward foreign currency contracts) and has been throughout the period covered by these financial statements, the Group's and Company's policy that no trading in financial derivative instruments shall be undertaken.

### Credit Risk

Credit risk is the risk that a counterparty will cause a financial loss to the Group by failing to discharge its obligations to the Group. The Group manages its exposure to this risk by applying limits to the amount of credit exposure to any one counterparty and employs strict minimum credit worthiness criteria as to the choice of counterparty. The maximum exposure to credit risk for receivables and other financial assets is represented by their carrying amount. The Group considers credit risk to be low due to its processes and the nature of its clients, which includes a broad spread of large corporates, SMEs and public sector organisations.

The Group uses an expected credit loss model for impairment that represents its estimate of incurred losses in respect of the Trade Receivables as appropriate.

The Group applies the IFRS 9 simplified approach to measure expected credit losses using a lifetime expected credit loss provision for trade receivables and contract assets. The expected loss rates are based on the Group's historical credit losses experienced over the two year period prior to the period end.

The historical loss rates are then adjusted for current and forward-looking information on macroeconomic factors affecting the Group's customer. Under the expected credit loss model impairment allowance wasn't material resulting in no provision being made.

### Trade Receivables

Trade Receivables, net of impairment provisions, for the Group and Company as at 31 December 2020 were £608k (2019: £653k). These Trade Receivables are not secured by any collateral or credit insurance. The Group's standard terms are 30 days from date of invoice but non-standard terms may be agreed with certain customers. Invoices which remain unpaid for periods greater than agreed terms are assessed as overdue.

As at 31 December 2020, Trade Receivables past due for the Group and Company total £196k (2019: £307k) of which nil (2019: nil) have been impaired.



## Notes to the Financial Statements (continued)

As at 31 December 2020, Trade Receivables of £196k (2019: £307k) were past due but not impaired, as follows:

	GROUP As At 31 December 2020 £'000	GROUP As At 31 December 2019* £'000	COMPANY As At 31 December 2020 £'000	COMPANY As At 31 December 2019* £'000
Up to 3 months	196	305	196	305
3 months to 6 months	-	2	-	2
6 months to 12 months	-	-	-	-
	<b>196</b>	<b>307</b>	<b>196</b>	<b>307</b>

### Cash Holdings

The Group only holds cash at mainstream banking institutions to mitigate the credit risk on cash deposits. The credit rating of the principal banking institution is A (Standard & Poor's).

### Interest Rate Risk

The Company's exposure to changes in interest rates relates to Cash Holdings and Finance Leases.

Cash is held either on current or short term deposits at a floating rate of interest determined by the relevant bank's prevailing base rate.

### Interest Rate Sensitivity

When reviewing sensitivity to movement in interest rates, it is noted that interest rates are at historically low levels and that Cash balances significantly outweigh debt balances.

The Directors consider that any downward movement in interest rates would be immaterial to the Group. The Directors consider that an upward movement in interest rates would benefit the Group, although the impact of a 1% rise in interest rates would be immaterial.

### Foreign Currency Exchange Risks

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of the changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange rates relates primarily to the Group's operating activities when revenue or expenses are denominated in a foreign currency.

The Group does not hedge its foreign currencies. Transactions with customers are mainly denominated in GBP.

## Notes to the Financial Statements (continued)

The Group has suppliers that invoice in US dollars and Australian dollars. The balances exposed to credit risk at year end were as follows:

	As At 31 December 2020 000	As At 31 December 2019 000
US Dollars	-	-
Australian Dollars	3	1
	<b>3</b>	<b>1</b>

### Liquidity Risks

Liquidity risk arises from the Group's management of working capital. It is the risk that the Group will encounter difficulty in meeting its financial obligations as they fall due. The Group's policy is to ensure that it will always have sufficient cash to allow it to meet its liabilities when they become due. Budgets and forecasts are agreed and set by the Board in advance to ensure the Group's cash requirement to be anticipated.

The maturity profile of the Group's financial liabilities at the reporting dates, based on contractual undiscounted payments including lease payments, are summarised below:

	As At 31 December 2020 £'000	As At 31 December 2019 £'000
<b>Due within 3 months</b>		
Trade Payables, Other Taxation and Social Security, Accruals, Other Payables	1,207	951
	<b>1,207</b>	<b>951</b>

## 22. Related Party Transactions

### ECSC Australia Pty Ltd

During the year ended 31 December 2020, ECSC Group plc incurred management fees to ECSC Australia Pty Ltd of £204k (2019: £312k). As at 31 December 2020, the balance payable by ECSC Group plc to ECSC Australia Pty Ltd in respect of outstanding management fees was £86k (2019: £72k).

As at 31 December 2020, the loan balance payable by ECSC Australia Pty Ltd to ECSC Group plc was £98k (2019: £92k). The loan is repayable on demand and attracts interest at the rate of 3% over base rate.

### Athene VCS Ltd

During the year ended 31 December 2019, Athene VCS a company owned by Elizabeth Gooch (Non-Executive

## Notes to the Financial Statements (continued)

Director), invoiced ECSC Group plc £5k for a strategic review service. This transaction was entered into on an arm's length basis. The balance payable as at 31 December 2020 was £nil (2019: nil)

### Expandly

During the year ended 31 December 2020, ECSC Group plc invoiced Expandly £5k a company that Elizabeth Gooch (Non-Executive Director) is a Director of, for consultancy work. This transaction was entered into on an arm's length basis. The balance payable as at 31 December 2020 was £nil (2019: nil)

## 23. Share Based Payments

### Share Based Payment Schemes

The Company operates a number of equity-settled Share Based Payment schemes, as follows:

- Enterprise Management Incentive ('EMI') Scheme
- Save As You Earn ('SAYE') Share Option Scheme
- Non-Executive Director Remuneration Scheme ('NED Scheme')
- Non-Executive Directors Share Options ('NED1 Scheme')

### EMI Scheme

On 04 February 2020 the Company granted over 65,000 Ordinary Shares at an exercise price of 108 pence per share, subject to a three year vesting period to the following Directors:

	Ordinary Shares
Lucy Sharp	25,000
Ian Castle	20,000
Gemma Basharan	20,000

In order for the options to vest, Ordinary Shares must trade at a minimum mid-market price 200 pence per share over 30 consecutive trading days during the vesting period.

During the year ended 31 December 2020, option over 65,000 Ordinary Shares were cancelled.

## Notes to the Financial Statements (continued)

On 21 August 2020 the Company cancelled options over 588,040 Ordinary Shares in the Company as set out below.

EMI Grant Date	Exercise Price (pence)	Cancelled Ordinary Shares
May-17	167	152,540
Dec-17	140	25,000
Aug-18	93	170,000
Jul-19	78	175,500
Feb-20	108	65,000
<b>TOTAL</b>		<b>588,040</b>

Following the above cancellation of Ordinary Shares options, on 21 August 2020, the Company granted options over 588,040 new Ordinary Shares to the same Company employees, at an exercise price of 65 pence per share. In order for the new Options to vest and become exercisable at any time over a ten-year period from the date of grant subject to the Company's closing mid-market price exceeding 167 pence per Ordinary Share for 10 consecutive business days.

Within the grant the following Directors of the Company were granted the following Ordinary Shares:

	Ordinary Shares
Lucy Sharp	144,758
Ian Castle	103,602
Gemma Basharan	64,651

During the year ended 31 December 2020, options over 933 Ordinary Shares have lapsed, such that options over 587,107 Ordinary Shares remain exercisable in the future.

On 28 August 2020 the Company granted over 450,000 new Ordinary Shares in the Company at an exercise price of 69 pence per share. Over 95,000 Ordinary Share options were granted to Employees and become exercisable one year from the date of grant, subject to the Company's closing mid-market share price exceeding 167 pence for 10 consecutive business days. All Options expire on the tenth anniversary of the date of grant.

## Notes to the Financial Statements (continued)

Within the grant the following Directors of the Company were granted the following Ordinary Shares:

	<b>Ordinary Shares</b>
Ian Mann	100,000
Lucy Sharp	100,000
Ian Castle	80,000
Gemma Basharan	80,000

The Director Options are exercisable from the relevant vesting date, subject to the Company's closing mid-market share price exceeding certain targets for 10 consecutive business days, being 167 pence for the first vesting period, 200p for the second vesting period, 225 pence for the third vesting period and 250 pence for the final vesting period.

None have lapsed by the year 31 December 2020, such that options over 450,000 Ordinary Shares remain exercisable in the future.

## Notes to the Financial Statements (continued)

Scheme	EMI (May-17)	EMI (Dec'17)	EMI (Aug'18)	EMI (Jul'19)	EMI (Feb 20)	EMI (Aug 20)	EMI (Sep 20)	SAYE	NED	NED 1 (Apr'18)	Total
<b>Number of Options:</b>											
<b>Outstanding at 01 January 2019</b>	174,490	25,000	180,000	-	-	-	-	26,784	6,411	200,000	612,685
Granted during the year	-	-	-	175,500	-	-	-	-	-	-	175,500
Forfeited during the year	(21,950)	-	(10,000)	-	-	-	-	(7,200)	-	-	(39,150)
Exercised during the year	-	-	-	-	-	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-	-	-	-	-	-
<b>Outstanding at 31 December 2019</b>	<b>152,540</b>	<b>25,000</b>	<b>170,000</b>	<b>175,500</b>	-	-	-	<b>19,584</b>	<b>6,411</b>	<b>200,000</b>	<b>749,035</b>
Exercisable at 31 December 2019	-	-	-	-	-	-	-	-	6,411	-	6,411
Outstanding at 01 January 2020	152,540	25,000	170,000	175,500	-	-	-	19,584	6,411	200,000	749,035
Granted during the year	-	-	-	-	65,000	588,040	450,000	-	-	-	1,103,040
Forfeited during the year	(152,540)	(25,000)	(170,000)	(175,000)	(65,000)	(933)	-	-	-	-	(588,973)
Exercised during the year	-	-	-	-	-	-	-	-	-	-	-
Expired during the year	-	-	-	-	-	-	-	(19,584)	-	-	(19,584)
<b>Outstanding at 31 December 2020</b>	-	-	-	-	-	<b>587,107</b>	<b>450,000</b>	-	<b>6,411</b>	<b>200,000</b>	<b>1,243,518</b>
<b>Option Pricing Assumptions:</b>											
Pricing Model	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes	Black Scholes
Weighted Average share price at grant date (pence)	312	135	93	78	108	65	69	131	125	79	
Weighted average exercise price (pence)	167	140	93	78	108	65	69	125	-	78	
Weighted Average contract life	3 years	3 years	3 years	3 years	3 years	10 years	10 years	3 years	0 years	3 years	
Weighted Average risk free rate	1%	1%	1%	1%	1%	1%	1%	1%	1%	1%	
Volatility	40%	40%	40%	40%	40%	40%	40%	40%	40%	40%	
<b>Option Valuation:</b>											
<b>Option Valuation at grant date (£'000)</b>	-	-	-	-	-	190	155	-	8	45	398
<b>Share Based Payments Charge in 2020:</b>											
<b>Share Based Payment Charge (£'000)</b>	30	3	15	13	6	-	24	(5)	-	15	101
<b>Weighted Average Exercise Price:</b>											
At grant date, forfeit date and end of period (pence)	-	-	-	-	-	65	69	-	-	78	

## Notes to the Financial Statements (continued)

### Share Based Payment Charge

In accordance with the requirements of IFRS 2, the Company calculated the fair value of the share options at the date of grant using a Black Scholes option pricing model for the EMI and SAYE Schemes. For the NED scheme, the fair value of the services rendered was assessed.

A Share Based Payment charge is recognised by spreading the fair value of the option over the maturity period, with allowance made for options that have lapsed in the period.

The movement in the number of options during the year, the option pricing assumptions, the option valuation at the grant date and the Share Based Payment Charge in the year, for each scheme described above, is as follows:

The volatility assumption, calculated at the standard deviation of expected share price returns, is based on analysis of the share prices of comparable companies over the last 3-5 years.

### Modification treatment

In accordance with the requirements of IFRS 2, the Company adopted the modification treatment with regards to the cancellation and replacement of options. This resulted in no incremental fair value being recognised as the fair value at the grant date of the replacement options was lower than the fair value of the cancelled options. The cancelled options continue to be charged to the Consolidated Statement of Comprehensive Income over the remaining vesting period.

### 24. Controlling Party

ECSC Group plc does not have an ultimate controlling party.

## Notes to the Financial Statements (continued)

### 25. Adjusted Loss before Taxation and Adjusted EBITDA

Adjusted Loss before Taxation

	Year Ended 31 December 2020 £'000	Year Ended 31 December 2019 £'000
<b>Loss Before Taxation</b>	<b>(319)</b>	<b>(750)</b>
Share Based Payments	101	105
Exceptional Items	65	6
<b>Adjusted Loss Before Taxation</b>	<b>(153)</b>	<b>(639)</b>

Adjusted EBITDA:

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

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

\* Adjusted Operating Loss and EBITDA excludes one-off charges and share based charges.

\*\* EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation.



## Notes to the Financial Statements (continued)

### 26. Exceptional Costs

During the year ended 31 December 2020, the Company undertook a restructure exercise to reduce its operating costs due to the effect of COVID-19 on consultancy revenues. In achieving these recurring cost savings, a number of one-off, exceptional costs were incurred, including payments in lieu of notice and redundancy payments. These Exceptional Costs totalled £65k and were charged to the Statement of Comprehensive Income in the year ended 31 December 2020.

Exceptional Costs are analysed as follows:

	As At 31 December 2020 £'000	As At 31 December 2019 £'000
Payments in Lieu of Notice	46	-
Redundancy Payments	7	-
<b>Employee Benefit Expense</b>	<b>53</b>	<b>-</b>
Taxation & Social Security Costs	8	-
<b>Staff Related Costs</b>	<b>61</b>	<b>-</b>
Legal Costs	4	6
<b>Exceptional Costs</b>	<b>65</b>	<b>6</b>

## Notes to the Financial Statements (continued)

### 27. 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
<b>Total</b>			<b>£60</b>

\*AUD = Australian Dollars

““

Who would have believed we would ever get to this point! I know it is silly, but I am sat here with a huge smile on my face for once!

[ECSC Employee] has just left for his train - and I am the only person in the office to know the news!

Thanks very much - we've a few to go yet, but the support we have had on this long slog has been first class!

**Compliance Manager, Major Train Operator**

””

““

[ECSC Employee] was extremely helpful and helped us through the certification procedures and what would be required and expected. However, [ECSC Employee] went over and above at each opportunity, offering up suggestions on up-skilling our in house teams and gave tips on things to look out for and improve upon.

[ECSC Employee] ensured he was on hand at all times throughout the process, offering up several communication methods, and helped us work through issues working with a third party to ensure we completed the requirement in time to help us achieve certification.

ECSCs professional services have gone over and above expectations. [ECSC Employee] is a true asset to the company, and I would be more than happy to work with him again on our next project.

**Security and Infrastructure Analyst, Online Retailer**

””

““

I've got to say what a great piece of work your team have produced - really impressed with the quality of the document and the people.

I am confident that this will be the start of a long and illustrious relationship with [ECSC Client].

**Senior Support Analyst, Major Utilities Supplier**

””