Eckoh

Annual Report 2019

Contents

Strategic Report 1

Highlights of the Year

Eckoh plc (AIM: ECK), the global provider of Secure Payment products and Customer Contact solutions, is pleased to announce its final results for the year ended 31 March 2019.

£m unless otherwise stated	FY19	FY18 Restated[1]	*Change*
New business contracted[5]	22.6	15.3	*47%*
Total business contracted[7]	32.7	20.2	*62%*
Revenue	28.7	27.2	*+5%*
Recurring Revenue % [2]	*83%*	*82%*	*+100 bps*
Gross profit	24.1	23.5	*+3%*
Adjusted EBITDA[3]	4.3	5.1	*(16%)*
Profit before taxation	1.2	1.1	*+7%*
Diluted earnings per share	0.36	0.52	*(31%)*
Proposed Full Year dividend per share	0.61	0.55	*+11%*
Net cash	8.3	3.6	*+4.7*

NEW BUSINESS CONTRACTED up 47%
TOTAL BUSINESS CONTRACTED up 62%

MORE THAN $16M IN NEW BUSINESS IN THE USA

MORE THAN £10m IN NEW BUSINESS IN THE UK

DEFERRED REVENUE[6] UP 44% to £14.6m
(FY18[1]: £10.1m)

REVENUES up 5%

RECURRING REVENUE[2] UP TO 83%
(FY18[1]: 82%)

INVESTMENT IN INNOVATION 5 NEW PATENTS GRANTED DURING THE YEAR

FINAL DIVIDEND INCREASED BY 11% to 0.61p per share
(FY18: 0.55p)

1. Restatement as a result of adoption of IFRS 15 – *Revenue from Contracts and Customers*
2. Recurring revenue is defined as on-going revenue on a transactional basis, rather than revenue derived from the set-up and delivery of a new service or hardware.
3. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is the profit before tax adjusted for depreciation, amortisation, finance income, finance expense, legal fees, settlement costs and expenses relating to share option schemes (see page 15)
4. Constant currency (using last year exchange rates)
5. New business contracted excluding renewals with existing customers
6. Deferred revenue is defined in IFRS 15: *Revenue from Contracts with Customers* as contract liabilities
7. Total business contracted includes new business from new clients, new business from existing clients as well as renewals from existing clients

Strategic Highlights:

- **Strong UK & US momentum – record levels of new and total business contracted, up 47% and 62%**
- **US Secure Payments – new business up 48% to $13.7m and order book grew 63% to $22.7m (FY18[1]:$13.9m)**
- **UK grew strongly – more than £10m in new business driven by improved sales channel**
- **Investment in innovation – five new patents granted during the year**

Financial Highlights:

- **Results in line with market expectations**
- **Revenues up 5%, or 5% at constant currency[4], with growth in the UK and US**
- **Recurring revenue[2] up to 83% (FY18[1]: 82%)**
- **Deferred revenue[6] up 44% to £14.6m (FY18[1]: £10.1m), reflecting business wins and impact of IFRS 15[1]**
- **Adjusted EBITDA[3] £4.3m reduced by 16% (FY18[1]: £5.1m) demonstrating a planned increase in headcount, investment in Sales, Marketing and IT ahead of the recognition of deferred revenue[6] under IFRS 15[1]**
- **Strong cash performance – Net Cash of £8.3m (FY18: £3.6m)**
- **Proposed final dividend increased by 11% to 0.61p per share (FY18: 0.55p)**

Current Trading:

- **Significant new contracts won since period end**
  - Three-year UK contract for Contact Centre digital transformation project
  - Five-year Secure Payments Cloud contract covering the US, UK and Europe
- **Largest UK contract renewal for FY20 signed with Premier Inn**
- **Strong sales pipeline in both the UK and US Secure Payments**
- **Record visibility for current year**

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Chairman's Statement

> *I am pleased to present this Annual Report 2019, which demonstrates strong progress in both the UK and US markets, with growth in revenue and gross profit in both divisions in the year.*

Results

With the implementation of IFRS 15 *Revenue from Contracts with Customers* from 1 April 2018, the business has introduced new Key Performance Indicators (KPIs), one of which is reporting against business contracted. In the year total business contracted[1] in both the UK and US was strong at £32.7million (FY18: £20.2m), an increase year on year of 62%.

In the US we have seen further growth in new business won in the Secure Payments channel, and this opportunity remains the largest single opportunity for the group. During the year the US team secured $13.7 million new orders (FY18: $9.3m) in this revenue channel, an increase of 48%.

In the UK we grew revenue and gross profit as well as new business contracted[2]. In addition to the strong new business contracted of £10.1million (FY18: £6.0m), a growth of 69% year on year, the value of renewals more than doubled on the previous year, demonstrating the strong client retention levels.

Adjusted EBITDA[4] is £4.3 million (FY181: £5.1m) a decrease on last year of 16%. During the year we have invested in people, IT, Sales and Marketing to grow the business and the costs have hit the income statement ahead of the revenue from the new business contracted, which is deferred under IFRS 15 *Revenue from Contracts with Customers* until the solution has been delivered to the client.

During the year the Group has continued to have strong cash generation and the year-end net cash balance grew to £8.3 million (FY18: £3.6m). As indicated previously the commercial model has not been impacted by the implementation of IFRS 15 *Revenue from Contracts with Customers* and this strong cash generation demonstrates the strength of the growing business.

Following the implementation of IFRS 15 *Revenue from Contracts with Customers* from 1 April 2018 we now have improved revenue visibility from the increasing levels of deferred revenue[3] coupled with the fast-growing order book, which provides a solid platform for predictable significant growth.

The Board recommends a final dividend of 0.61 pence per Ordinary Share (2018: 0.55p), which, subject to approval by Shareholders at the 2019 AGM, will be paid on 25 October 2019.

Board

In the financial year ended 31 March 2018, there were significant changes to the Board. In the Annual Report 2018 I committed to carry out an internal evaluation of the Board during the financial year ended 31 March 2019, which I am pleased to report has been carried out and the results of which, are detailed in the Governance section on page 28.

Full details of the current Directors are on page 28.

Corporate Governance

On 30 March 2018 the AIM Rules were amended to require all companies quoted on AIM to implement a recognised corporate governance code from 28 September 2018. With the release of the Quoted Companies Alliance Corporate Governance Code (QCA code) and the changes to the Financial Reporting Council UK Corporate Governance Code. We undertook a review over the summer and as a Board decided that the QCA code was the code most appropriate for the size and complexity of the business. In the Governance section we outline how we have complied with the 10 principles of the QCA Code. The Board considers that it does not depart from any principles of the QCA code.

Full details of the Company's Principal Risks and Uncertainties are on page 12 to 13.

People

Our strong progress in the last year and future success is down to the hard work and dedication of all our employees across the Group, and on behalf of the Board I would like to thank them for their dedication and hard-work over the last 12 months.

I, and all my Board colleagues, plan to attend the AGM on 18 September 2019 and we look forward to the opportunity to meet with as many Shareholders as possible on the day.

Christopher Humphrey
CHAIRMAN
12 June 2019

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Chief Executive Review

A clear growth strategy

Our strategic objectives remain largely consistent, reflecting our aim to become the global leader in our areas of expertise, and in particular, Contact Centre security.

Our objectives include:

- Expanding our US footprint to capitalise on the fast-growing market for Secure Payment opportunities
- Extending our market leader position for Contact Centre security into the Cloud
- Further enhancing the Eckoh Experience Portal to enable faster and more flexible delivery of our solutions
- Continuing to invest in R&D to underpin next generation product development; protect and enhance our proprietary technologies; and maintaining our market leading position
- Maximising client value through cross-selling
- Continuing to evaluate acquisition opportunities that can support our growth strategy in Contact Centre security and Customer Engagement.

Introduction

Eckoh enjoyed a strong performance in the 2019 financial year, in line with market expectations, with record levels of new business sales and total business contracted[1] in the Group growing 62% to £32.7m (FY18: £20.2m). This included a return to revenue growth in the UK with significant growth in both new business and renewals with existing clients. Once again, the US had a strong period with Secure Payments new business contracted growing by 48% to $13.7m.

Total revenue for the year was £28.7m, an increase year on year of 5.4% (FY18[1]: £27.2m) or adjusting for constant exchange rates 5.0%. Both the UK and the US operations grew their revenue year on year, the UK at 5.2% and the US at 5.9%.

In 2019 we have evolved our reported financial KPIs to ensure they accurately measure the performance and financial health of the business. As a result, we will cease reporting some KPIs used historically, if no longer deemed appropriate.

Cash and cash generation will become an even more important KPI and we finished the year with a strong Net Cash position of £8.3m, an increase of £4.7m on the previous year. This comprises a cash balance of £11.6m, less an outstanding loan of £3.2m, taken out in 2015 in part to purchase the Group's UK head office.

Given the delay in revenue being recognised following adoption of IFRS 15, we introduced new business contracted[1] as a new KPI in the half year. We are pleased to report a significant increase in new business contracted, which grew 47% year on year to £22.6m (FY18: £15.3m).

In the US, total new business contracted was $16.3m, an increase of 33% (FY18: $12.3m). US Secure Payments performed especially well, with $13.7m of new business contracted, our strongest period since we entered the US market in FY15 (FY18: $9.3m). Our continued focus on larger contracts means that the timing of new customer wins remains hard to predict given the typically longer sales cycle.

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In the UK we grew revenue and gross profit, as well as new business contracted, showing the benefit of the restructure of the sales function in FY18. New business contracted was £10.1m (FY18: £6.0m), the highest level in five years.

Including renewals of existing client contracts, total contracted business for the year is £32.7m, compared to £20.2m in the prior year, an increase of 62%. Going forward, given the length of contracts and the revenue of individual clients is varied, we expect total renewal value to be somewhat unevenly spread between periods.

During the year, as indicated a year ago, the business invested in headcount, IT, Sales and Marketing. This investment is in line with the growth of the business, however as IFRS 15: *Revenue from Customers and Contract*s has delayed the revenue recognition over the length of the contract for the areas of the business that are growing, the costs have impacted the income statement ahead of the revenue. In the near term, IFRS 15 has reduced reported revenue and profitability, particularly in the US operation, but has strengthened recurring revenues and substantially increased levels of deferred revenue, which gives the Group even better revenue visibility and an excellent platform for continued, predictable growth in future periods. Add to that the significant increase in the value of our newly contracted business and we expect this to lead to faster levels of revenue growth over the coming periods.

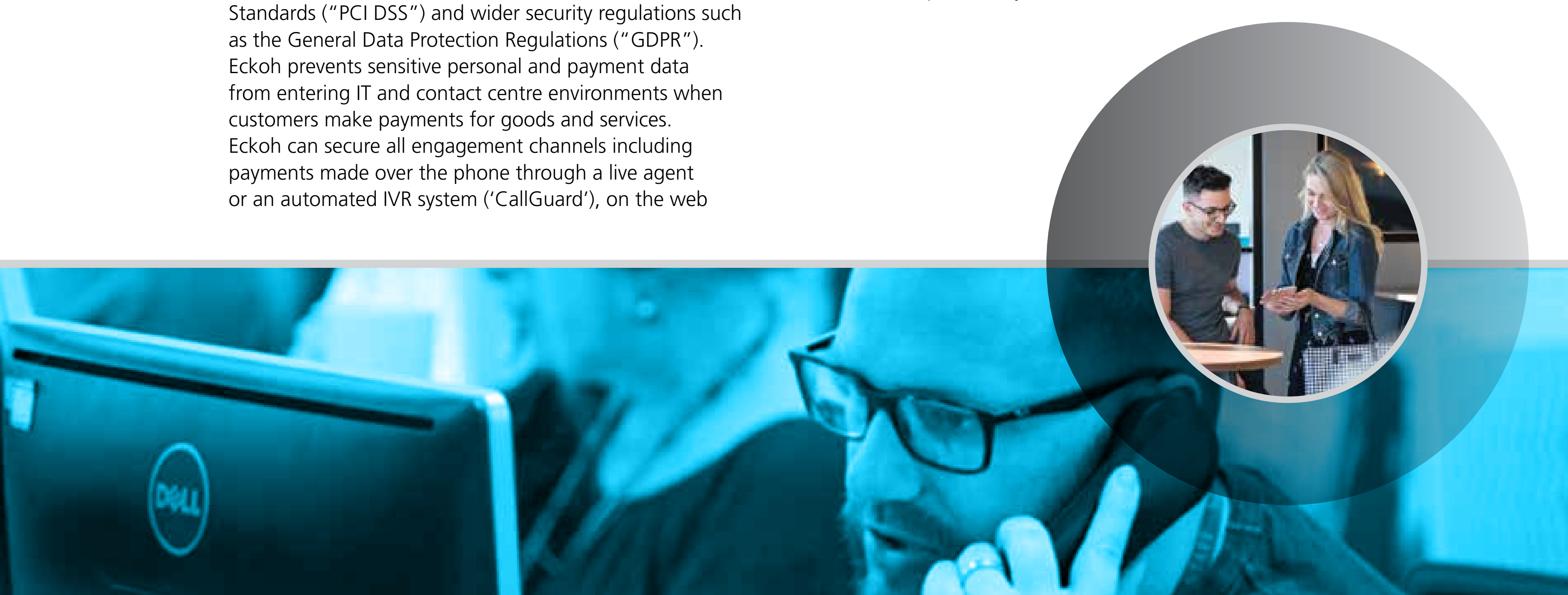
Highly complementary products and attractive proposition

Eckoh's go-to-market proposition encompasses two highly complementary areas: Secure Payment products and Customer Contact solutions.

- The Group's patented Secure Payment products help organisations to reduce the risk of fraud; secure sensitive data; comply with the Payment Card Industry Data Security Standards ("PCI DSS") and wider security regulations such as the General Data Protection Regulations ("GDPR"). Eckoh prevents sensitive personal and payment data from entering IT and contact centre environments when customers make payments for goods and services. Eckoh can secure all engagement channels including payments made over the phone through a live agent or an automated IVR system ('CallGuard'), on the web or a mobile ('DataGuard'), or through a Web Chat or Chatbot ('ChatGuard'). Our Secure Payments products are straightforward to deploy as they require no change to our clients' existing processes or systems; enjoy extremely high renewal rates and provide an excellent platform from which to cross-sell other Eckoh solutions to our customer base.
- The Group's Customer Contact solutions help organisations transform the way they engage with their customers. Eckoh's proposition, which is delivered through the Eckoh Experience Portal ("EXP"), enables enquiries and transactions to be performed on whatever device the customer chooses, through any inbound communication channel and allows customers to self-serve or to engage with a customer service advisor. It enables our clients to increase efficiency, lower operational costs and increase customer satisfaction by providing a true Omnichannel experience.

The UK has the entire product portfolio, but in the US, a territory that Eckoh entered only five years ago, the focus is on products where we have the greatest differentiation and the least competition – Secure Payments, Contact Centre infrastructure support and our browser-based agent desktop tool, Coral. With the introduction of Web Chat and ChatGuard at the beginning of this financial year this is the first step in opening up our Customer Contact proposition in the US, focusing on the newer Customer Engagement channels.

Contracts for both propositions are typically multi-year in length and have a high proportion of recurring charges, usually underpinned by minimum commitments. In the UK, almost all solutions are currently delivered from Eckoh's hosted managed service platform, whilst in the US customers are still more predicated to deploy our solutions on-site. However, with Eckoh's AWS Cloud platform now fully covered by our level 1 PCI DSS accreditation we expect this to be a growing destination, particularly for our smaller customers.



A significant and largely untapped market opportunity

Our target market both in the UK and US is any sizeable enterprise or organisation that either transacts or engages with its customers at scale and at volume. This activity will usually be supported either by an in-house or outsourced contact centre provider. The greater the volume of transactions or customer engagement activity that organisation has, the more attractive they are to Eckoh, and the larger the contact centre operation supporting the organisation is likely to be.

With regulation tightening and the financial impact of data breaches and fraud growing, organisations are increasingly looking for ways to secure themselves and we see that trend only continuing. Information security budgets and remit is broadening, and this can only benefit Eckoh with our payments proposition enabling companies to effectively remove the risk of a data breach from some of the most challenging parts of their businesses.

The contact centre industry in both the UK and US is extremely large, representing around 4% of the entire workforce, and the industry continues to grow. We target organisations that utilise contact centres with more than 50 agent seats and this represents over 2,500 in the UK and 14,000 in the US. With so little of our target market currently addressed, and with very limited competition to our offering, this represents a huge opportunity for Eckoh in the coming years.

Operational Review

US Division:

US Division (55% of Group new business won, 32% of Group revenue, 68% recurring revenue[2])

The US division achieved new business contracted of $16.3m (FY18: $12.3m), an increase year on year of 32%. Revenue in the period was $12.2m, an increase of 4.6% (FY18[1]: $11.7m), with growth in Secure Payments and Coral offset by a short-term decline in our Support business in the first half of the year. In the second half of the year the Support business returned to year on year growth leading to overall growth in H2 of 29.5%. Recurring revenues for the year in the US were 68% (FY18[1]: 67%) and we anticipate this to grow further as the proportion of revenue from Secure Payments increases.

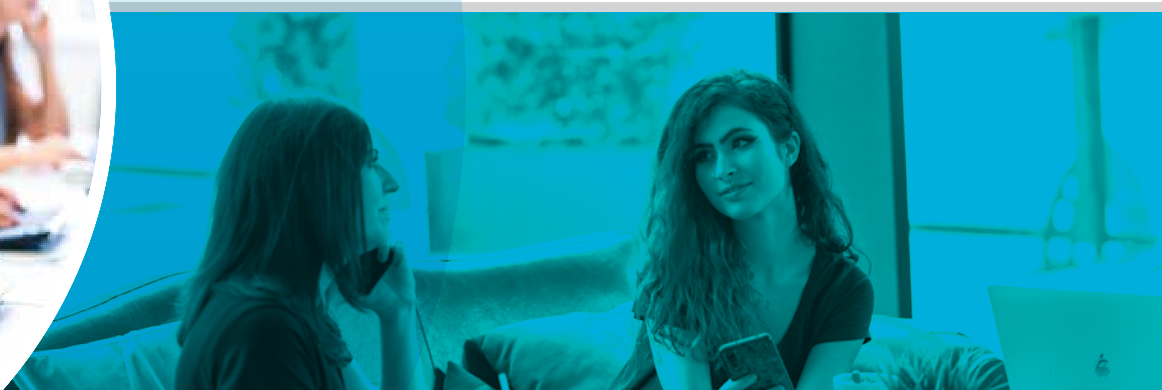
The US remains focused on three sales activities where it has the greatest differentiation and the least competition.

- **Secure Payments** revenue grew 35% to $5.0m, representing 41% of the US division's revenue compared to $3.7m and 32% for the same period last year.
- **Support** revenue accounted for 45% of revenue in the period at $5.4m, a decline of 6% (FY18: $5.8m) due to our largest client partially ceasing some of their support activity but grew in the second half.
- **Coral** had revenue of $1.8m in the period an increase of 6% year on year (FY18: $1.7m) and other product revenues in the period were nil (FY18: $0.5m).

Secure Payments continued to see significant momentum, with revenues up 35%, despite limited revenue arising from the new contracts won during the period due to IFRS 15.

Since Eckoh entered the US market in 2015, new business contracted has grown from $0.3m in FY15 to $13.7m in FY19, as shown below.

Financial Year	FY15	FY16	FY17	FY18	FY19
New Business Contracted	**$0.3m**	**$1.6m**	**$8.3m**	**$9.3m**	**$13.7m**



The Company is focused on large enterprise contracts, the size and timing of which are difficult to forecast, but the record levels of new business contracted this year included our largest ever contract win. This was a two-year contract worth $7.4m and won in a competitive tender process, to provide Secure Payment solutions to one of the largest telecommunications corporations in the United States. No revenue was recognised for this contract during the year, but billing has now begun. As a result of this contract, the average contract value in this period is significantly greater than the $750k average contract size we have typically expected to see. Our pipeline remains strong and is growing.

Other contracts won in the year came from a range of vertical markets including financial services, insurance, retail and healthcare; and these were almost all for on-site deployment. We have, however, seen an increasing interest in Cloud delivery although this is currently coming from predominantly small clients.

In **Support,** we provide third party support within large Contact Centre operations for software and hardware from vendors such as Avaya, Cisco, Genesys and Aspect. Revenues declined year on year by 6%, principally due to the large three-year contract that commenced in July 2016 with a major US telecommunications company reducing in scope and value as expected from September 2017.

The nature of Support contracts is that they begin and end with relatively short notice, which can lead to a fluctuation in revenue between periods. To illustrate this point in the second half we have seen Support revenues grow 25% year on year; this came largely from an enhanced contract with an existing telecommunications client and a new contract with a financial services company. Since period end we have also added a further new contract with a US mobile operator.

Support remains a key part of our US strategy as we seek to leverage our US staff across all our sales channels. The clients for whom we provide Support can be excellent prospects for both our Secure Payments and Coral product, as seen from the lucrative contracts the Group has already won through cross selling. To supplement future Support opportunities we have entered into a new partnership with Ribbon Communications, a communications solutions company, which will enable Eckoh to not only support but also install Ribbon equipment. Eckoh already uses Ribbon's session border controllers ("SBCs") for some of its on-site Secure Payments solutions, and this partnership should allow us to derive greater margin from these installations as well as target new Support contracts.

Coral is a browser-based desktop that increases efficiency by bringing all the contact centre agents' communication tools into a single screen. It also enables organisations, particularly those who have grown by acquisition, to standardise their Contact Centre facilities, as Coral can be implemented in environments that operate on entirely different underlying technology. Coral, as has been previously stated, has low visibility that can lead to greater variation in any one period from these activities compared to Secure Payments, which is largely underpinned by high levels of recurring revenue. Coral had some new licence orders in this period, and recurring support fees, which saw revenue grow modestly to $1.8m. We remain confident that Coral can deliver sizeable future contracts.

The improved visibility from new business and revenue deferred under IFRS 15 gives us tremendous confidence for the future growth prospects for the division, and current year US revenue visibility stands at $14.4m, 18% higher than last year.

UK Division

UK Division (45% of Group new business won, 68% of Group revenue, 90% recurring revenue[2])

The UK division delivered a strong performance with total new contract value growing 69% to £10.1m (FY18: £6.0m), and renewal values more than doubling on the previous year.

In the UK, unlike the US, the Group sells its full portfolio of services, the vast majority of which are delivered through Eckoh's hosted platform. IFRS 15 impacts these, although the impact is not as great as the US due to the more mature nature of our business in the UK, and the lower proportion of upfront fees.

Revenue in the period was £19.4m, an increase on last year of 5.2% (FY18[1]: £18.4m), and gross profit increased 4.4% to £16.5m (FY18[1]: £15.8m). Gross margins in the UK decreased marginally by 1% to 85% (FY18[1]: 86%) but recurring revenue[2] increased marginally to 90% from (FY18[1]: 89%). Over the next three years, we would expect recurring revenue to fall back to the level pre-implementation of IFRS 15, a steady state of approximately 86%.

"The Company is focused on large enterprise contracts, the size and timing of which are difficult to forecast, but the record levels of new business contracted this year included our largest ever contract win."

It was very pleasing to see the improvement in revenue and new business, which can be attributed to the action taken last year when revenue reduced for the first time in many years. The sales function was restructured and the team re-focused on larger, more complex opportunities, where Eckoh's breadth of portfolio and expertise delivers more value to the client and differentiates us.

There has also been greater emphasis placed on our indirect sales channel that has in turn yielded positive results. The Capita relationship, which delivered no new contracts last year, returned to more normal activity with two sizeable contracts in this period. The first new contract, worth a minimum of £1.4m, was the fifth significant deal won through Capita since the partnership was created in 2013. The second, worth a minimum of £1m, is to deliver Omnichannel capability including live Web Chat to a key Capita account, with the expectation that further Capita customers will follow. This was the largest Omnichannel win since the acquisition of Kick2Contact ("K2C") in 2016 and is expected to go live in 2019. The ability to effectively deliver our comprehensive Omnichannel capability integrated with our longstanding voice and Secure Payments proposition is a key part of our strategy, and we will continue to invest in our Eckoh Experience Portal to improve the speed and agility of deploying this combined offering to our customers.

"The strong new business and consistent renewals of existing clients gives us high revenue visibility for this year. At this early point in the year we have visibility in excess of 90% of expected revenue."

The BT partnership, which has been in place since the outset of the Company, has also been rejuvenated delivering more new contracts than for some years, the majority of which have been for Secure Payments. There were also significant contacts won through Maintel and Unify Communications, and since period end a significant 3-year contract has been secured through a new partner for a contact centre transformation project with a large building society. We have also won a 5-year contract for Secure Payments on behalf of an international manufacturer of home appliances, that will see us deliver them a Cloud solution for operations in the US, UK and Europe.

Looking at the segmentation of UK revenue, 23% came from Secure Payment only services (FY18[1]: 28%), 31% from Customer Contact Solutions (FY18[1]: 26%) and the remaining 46% from those clients where we provide a combination of both solutions (FY18[1]: 45%). This shift towards Customer Contact has largely come from the injection of Omnichannel capability that was acquired with K2C and has been now integrated into the core Eckoh offering.

Our model of cross-selling to existing clients remains a key part of the Eckoh strategy, not just to generate incremental revenue but also to continue the trend of strong client retention and to further increase the lifetime value of the Group's customers. Of the new business contracted in the year of £10.1m secured, £2.4m was contracted with existing customers for delivery of new solutions or modifications.

During the year, our strong track record with existing clients has continued to be demonstrated through the levels of renewal business contracted. The largest contract to come up for renewal during the year was the Vue contract, which was renewed at £2.0m over three years, taking the relationship to 15 years, making them the longest serving client. Whilst renewals were extremely high this year, and our very high customer retention is expected to continue, the aggregate value of renewals will, by its nature, fluctuate from year to year depending on when the largest contracts come up for renewal.

Since the period end we have also renewed the contract with Premier Inn, who have been a customer since 2010, which was the largest contract to come up for renewal in this financial year.

The strong new business and consistent renewals of existing clients gives us high revenue visibility for this year. At this early point in the year we have visibility in excess of 90% of expected revenue.

Innovation

Eckoh has a long track record of creating innovative solutions to challenging problems and where we can we seek to protect these solutions with patents. During the year we were granted a further five patents covering not only our existing Secure Payments proposition but also in the wider area of fraud and security around Customer Engagement.

We now have patents granted in the UK, US and the EU that cover our lead Secure Payments proposition. This is the ‘secure proxy’ process, which is the way that we exchange sensitive data, such as card numbers, for valueless tokens or placeholders prior to a payment being made. This patented approach is a key differentiator from our competitors as it allows us to protect our clients' environment without any major integration or the need to change any of their processes or systems. This lack of change also means that limited time is required from the client’s IT team, which is always seen as a huge benefit compared to other approaches. Since period end, we have had a further patent granted.

Current Trading and Outlook

Following the strong performance in FY19 the new financial year has started in line with our expectations, with the Group continuing to grow the UK and US operations. We have strong sales pipelines in both markets and our high client retention rates and investment in our business and people, provide an excellent platform for future growth. The exact timing of deployments, which triggers revenue recognition can sometimes be hard to predict, particularly for the large enterprise contracts on which we are focussed. However, our high levels of recurring revenue combined with the record levels of new business contracted in FY19 provides excellent revenue visibility for the year and beyond and reinforces the Board’s confidence that the long-term prospects for Eckoh remain extremely positive.

Nik Philpot
CHIEF EXECUTIVE OFFICER
12 June 2019

“...reinforces the Board’s confidence that the long-term prospects for Eckoh remain extremely positive.”

Principal Risks & Uncertainties

Eckoh is exposed to a number of risk factors which may affect its performance. The Group has a framework for reviewing and assessing these risks on a regular basis and has put in place appropriate processes and procedures to mitigate against them. However, no system of control or mitigation can completely eliminate all risks. The Board has determined that the following are the principal risks facing the Group.

SPECIFIC RISK	MITIGATION

Cyber, technology & processes

SPECIFIC RISK	MITIGATION
Loss or inappropriate usage of data	
The Group's business requires the appropriate and secure usage of client, consumer and other sensitive information. Fraudulent activity, cyber-crime or security breaches in connection with maintaining data and the delivery of our products and services could harm our reputation, business and operating results.	The Group has established physical and logical security controls at its data centres with rigorous cyber security controls, monitoring procedures, recruitment and training schemes, which are embedded throughout the business operations. The Group also screens new employees carefully. Continued investments are made in cyber security; infrastructure, monitoring and services, improvements in email and web filtering as well as the introduction of enhanced data loss prevention tools. Eckoh has concluded its program of ISO 27001:2017 certification to further audit these measures.
Interruptions in business processes or systems	
The Group's ability to provide reliable services largely depends on the efficient and uninterrupted operation of our telecoms platform, network systems, data and contact centres as well as maintaining sufficient staffing levels. System or network interruptions, recovery from fraud or security incidents or the unavailability of key staff or management resulting from a pandemic outbreak could delay and disrupt our ability to develop, deliver or maintain our products and services. This could cause harm to our business and reputation, resulting in loss of customers or revenue.	Comprehensive business continuity plans and incident management programmes are maintained to minimise business and operational disruptions, including system or platform failure. Testing and confirmation of plans is performed to ensure business continuity relevance and training is maintained.

Legal, regulatory and industry standards

SPECIFIC RISK	MITIGATION
Risk of non-compliance with legal and industry standards	
The Group's operations require it to be compliant with certain standards including Payment Card Industry Data Security Standards (PCI DSS) and General Data Protection Regulation (GDPR). Failure to comply with such regulations and standards could significantly impact the Group's reputation and could expose the Group to fines and penalties.	We continually audit, review and enhance our controls, processes and employee knowledge to maintain good governance and to comply with legal requirements and industry standards. Our new employees are carefully screened.
Loss or infringement of intellectual property rights	
The Group's success depends, in part, upon proprietary technology and related intellectual property rights. Some protection can be achieved but, in many cases little protection can be secured. Third parties may claim that the Group is infringing their intellectual property rights or our intellectual property rights could be infringed by third parties. If we do not enforce or defend the Group's intellectual property rights successfully, our competitive position may suffer, which could harm our operating results. We may also incur cost from any legal action that is required to protect our intellectual property.	The Group, where appropriate and feasible, relies upon a combination of patent and trade mark laws, to protect our intellectual property and continues to monitor competitors in the market to identify potential infringements of our intellectual property rights. The Group would vigorously defend all third party infringement claims.

SPECIFIC RISK	MITIGATION
HR & Personnel	
Dependence on recruitment and retention of highly skilled personnel	
The ability of the Group to meet the demands of the market and compete effectively is, to a large extent, dependent on the skills, experience and performance of its personnel. Demand is high for individuals with appropriate knowledge and experience in payments security, telecoms, IT development and support services. The inability to attract, motivate or retain key talent could have a serious consequence on the Group's ability to service client commitments and grow our business.	Effective recruitment programmes are on-going across all business areas, as well as personal and career development initiatives. The Management team reviews key individuals on a quarterly basis and retention plans are put in place for individuals identified at risk of leaving. Compensation and benefits programmes are competitive and are reviewed regularly. Employee feedback is encouraged and an employee engagement survey has been undertaken in the year.
Products & Clients	
Technological & product development	
The Group provides technical solutions for clients and their end customers. As customer preferences and technology solutions develop, competitors may develop products and services that are superior to ours, which could result in the loss of clients or a reduction in revenue.	The Group is committed to continued research and investment in products and technology to support its strategic plan. Product development roadmaps for Secure Payment and Customer Contact solutions are managed centrally in the UK.
Dependence on key clients	
While the Group has a wide customer base, the loss of a key customer, or a significant worsening in their success or financial performance, could result in a material impact on the Group's results. Eckoh's largest customer accounted for 5.9% (2018: 9.4%) of total revenue.	We mitigate this risk by monitoring closely our contract performance, churn and renewal success with all customers by maintaining strong relationships. We continue to expand our customer base, particularly in the US business.
Economic growth	
Executing the US opportunity	
The Group has a low market share in the US, where there is significant market opportunity for its Secure Payments products. The inability to execute in the US, winning new clients and implementing Secure Payment solutions for clients, could have a material impact on the Group's results.	The Group sets clear targets for growth expectations for the US business. We continually assess our performance and adapt our approach taking into account our actual and anticipated performance. Product offerings are being extended to expand the reach of the services offered in the US. AWS Cloud based solutions have been adopted to ensure Eckoh offer all potential solutions that clients may demand.
Exchange rate & Brexit	
The Group is exposed to the US dollar and the translation of net assets and income statements of its US division. The increased uncertainty of the Brexit negotiations have increased the risk and may increase Sterling volatility in the next few years, which in turn may have a material impact on the Group's translated results.	We regularly review and assess our exposure to changes in exchange rates. The Group does not hedge the translation effect of exchange rate movements on the Income Statement or Balance Sheet of the US division.
Reputation of the Eckoh Group	
Damage to our reputation and our brand name can arise from a range of events such as poor solution design or product performance, unsatisfactory client services and other events either within, or outside of, our control.	We address this risk by recognising the importance of our reputation and attempting to identify any potential issues quickly and address them appropriately. We recognise the importance of providing high quality solutions, good client services and managing our business in a safe and professional manner. Eckoh has concluded its program of ISO 9001:2015 certification to further audit these measures.

Financial Review

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* with effect from 01 April 2018, the prior year financial statements and the opening retained earnings at 01 April 2017 have been restated. Full disclosure of the impact of the adoption of IFRS 15 are in note 28. In principal, IFRS 15 has impacted the business as revenue for product solutions such as the hosted Customer Contact solutions and Secure Payment solutions in the UK and the on-site Secure Payment solutions in the US, which are in effect a hosted solution, are only recognised from the point the client accepts the service. The provision of the solution is deemed to be one single performance obligation, which includes the hardware revenue, the implementation fees and ongoing support and maintenance revenue which are spread evenly over the term of the contract once the solution has been delivered to the client. The costs directly attributable to the delivery of the hardware and the implementation fees will be capitalised as 'costs to fulfil a contract' and released over the contract term, thereby also deferring costs to later periods.

As a result of the implementation of IFRS 15, to understand the growth of the business, the revenue reported in the income statement needs to be reviewed in conjunction with the new business that has been secured during the year and the level of deferred costs and liabilities held on the balance sheet. This new business and increased levels of deferred revenue will continue to support future revenue growth as our solutions are delivered to clients and we are able, under IFRS 15, to start to recognise revenue.

Revenue for the year increased by 5.4% to £28.7 million (FY18[1]: £27.2m) and at constant exchange[4] rates by 5.0%. Adjusted operating profit[2] was £3.1 million compared to £3.9 million last year. Profit after tax for the year was £0.9 million (FY18[1]: £1.4m). Earnings per share for the year ended 31 March 2019 was 0.37 pence per share (FY18[1]: 0.55 pence per share).

	FY19 (UK) £000	**FY19 (US) £000**	**FY19 Total £000**	FY18[1] (UK) £000	FY18[1] (US) £000	FY18[1] Total £000
Revenue	**19,399**	**9,320**	**28,719**	18,434	8,803	27,237
Gross Profit	**16,527**	**7,578**	**24,105**	15,807	7,683	23,490
Gross Profit %	**85%**	**81%**	**84%**	86%	87%	86%

Divisional performance

Revenue in the UK, which represents 68% (FY18[1]: 68%) of total group revenues, increased by 5.2% to £19.4 million (FY18[1]: £18.4m). The US represented 32% (FY18[1]: 32%) of total group revenues and revenues increased in the period by 4.6% to £12.2 million (FY18[1]: £11.7m), revenues in local currency grew by 5.9% year on year.

Gross profit

The Group's gross profit increased to £24.1m (FY18[1]: £23.5m). Gross profit margin was 84% for the year compared to 86% for the full year 2018. The UK gross profit margin decreased by 1% year on year. In the US the full year margin decreased from 87% to 81% due principally to the loss of revenue from Support activity in the first half of the year and the implementation of US Secure Payment clients. In the second half of the year the US revenue grew by 29.5%.

In the UK, as the service is hosted on an Eckoh platform there is typically no hardware provided to clients and the gross profit margin is expected to remain level at 85%. In the US, due to the impact of IFRS 15, and the growth in the Secure Payments activities, which are typically provided on-site and require hardware, we would expect, over the next three years the gross profit margin to gradually decrease to approximately 75%.

Administrative expenses

Total administrative expenses for the year were £22.9m (FY18: £23.3m). Adjusted administrative expenses[5] for the year were £21.0m (FY18: £19.6m). During the year, as indicated a year ago, the business invested in headcount, IT, Sales and Marketing. This investment is in line with the growth of the business, however as IFRS 15: *Revenue from Customers and Contracts* has delayed the revenue recognition over the length of the contract for the areas of the business that are growing, the costs have impacted the income statement ahead of the revenue. In the first half of 2019, the intangible asset from the acquisition of Veritape became fully amortised. In the first half of 2018, the deferred consideration in relation to the K2C earn-out was released.

Profitability measures

Adjusted EBITDA[3] for the year was £4.3m, a decrease year on year of 16% (FY18[1]: £5.1m).

	Year ended 31 March 2019 £'000	Year ended 31 March 2018[1] £'000
Profit from operating activities	**1,194**	193
Amortisation of acquired intangible assets	**1,325**	2,329
Legal fees and settlement costs	**-**	595
Expenses relating to share option schemes	**567**	793
Adjusted operating profit[2]	**3,086**	3,910
Amortisation of intangible assets	**275**	325
Depreciation	**960**	914
Adjusted EBITDA[3]	**4,321**	5,149

Legal fees and settlement costs

There were no legal fees and settlement costs in the financial year ended 31 March 2019. During the financial year ended 31 March 2018, the Group chose to settle a claim relating to the US closed professional services division. The Group is not aware of any other contractual commitments from the closed professional services division.

Statement of financial position

Whilst Eckoh continue to innovate by developing new products and features such as those detailed in the Chief Executive Officer's review, little of this is capitalised on the balance sheet with only £0.3m (FY18: £0.3m) added in the year to the value of the intangible assets of the Company. Whilst taking a prudent approach to capitalising salary cost reduces reported profit, management believes this approach gives an accurate reflection of the trading performance of the Company.

Finance charges

For the financial year ended 31 March 2019, the net interest charge was £77k (FY18: £118k).

Taxation

For the financial year ended 31 March 2019, there was a tax charge of £209k (FY18[1]: £269k credit). IFRS 15: *Revenue from Contracts and Customers* has not impacted the US tax position, in the UK as part of the implementation of IFRS 15, a deferred tax asset was set up to amortise as the deferred revenue and costs are released through the income statement. Further details are included in note 10.

Earnings per share

Basic earnings per share were 0.37 pence per share (FY18[1]: 0.55 pence per share). Diluted earnings per share were 0.36 pence per share (FY18[1]: 0.52 pence per share).

Deferred liabilities and assets

Deferred liabilities[6] and deferred assets[6] have both increased as new business contracted continues to increase greater than the amounts of revenue and costs being released to the profit and loss account under IFRS 15: *Revenue from Contracts with Customers,* where revenue and costs for our hosted products are deferred until the solution is accepted by the client. Total deferred liabilities were £14.6 million (FY18[1]: £10.1m), included in this balance are £11.7m of deferred liabilities relating to the Secure Payments product or hosted platform product, an increase from £8.0m at the same time in the previous year, a year on year increase of 46%. Deferred assets as at 31 March were £4.2m (FY18[1]: £1.9m)

Cashflow and liquidity

Net Cash at 31 March 2019 was £8.3m, an improvement of £4.7m from Net Cash of £3.6m as at 31 March 2018. In the period the Company has repaid £1.3m of the loans outstanding to Barclays Bank in accordance with the terms of the loan. During the year, there has been a Net Cash inflow for trade debtors and trade creditors of £3.1m (FY18[1]: £2.0m cash inflow). In addition, a dividend payment of £1.4m was made in November 2018.

Dividends

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2019 of 0.61 pence per Ordinary Share be paid to the Shareholders whose names appear on the register at the close of business on 27 September 2019, with payment on 25 October 2019. The ex-dividend date will be 26 September 2019. This recommendation will be put to the Shareholders at the Annual General Meeting. Based on the shares in issue at the year end, this payment would amount to £1.5m.

Chrissie Herbert
CHIEF FINANCIAL OFFICER
12 June 2019

1. Restated as a result of adoption of IFRS 15 – *Revenue from Contracts and Customers*
2. Adjusted operating profit is the profit before adjustments for finance income, finance expense, legal fees and settlement costs, and expenses relating to share option schemes and acquisitions
3. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is the profit before tax adjusted for depreciation, amortisation, finance income, finance expense, legal fees and settlement costs, and expenses relating to share option schemes and acquisitions
4. At constant exchange rates (using last year exchange rates)
5. Adjusted administrative expenses are administrative expenses excluding legal fees and settlement costs and expenses relating to share option schemes and amortisation and depreciation from acquisitions
6. Deferred liabilities and deferred costs are defined in IFRS 15 Revenue from Contracts and Customers as contract liabilities and contract assets

Business Model

2

Digital Transformation

Digital engagement technology is dramatically changing the balance of power between customers and businesses. While customers gain the power of information and choice, digital technology can significantly improve business economics.

This means that the rules of business are being rewritten, virtually every day. Today, Eckoh is applying its extensive experience to continually reinvent and adapt its business to provide the solutions that the market demands. While technology has always been at the core of what we do, the emphasis today is on creating winning and innovative combinations of solutions that truly bring positive impact to our customers' bottom line, customer satisfaction and business performance. We recognise that this is a key factor to thriving in the customer contact sector where it's paramount to be proficient in digital transformation. Our portfolio of solutions plays a critical part in the digital transformation of an organisation's customer engagement and data security, producing tangible results individually or as part of a wider partner-led delivery.

> ***"...the emphasis today is on creating winning and innovative combinations of solutions that truly bring positive impact to our customers..."***

Contact Centre Security

Organisations that take card payments, or e-Wallet Payments, in their contact centres are exposed to sensitive card and personal data. This makes them vulnerable to data theft and fraud, as well as the devastating impact of a data breach. Criminals continue to exploit the weakest areas and Card-Not-Present (CNP) crime via telephone, web or app – where the cardholder is not physically visible to the merchant - is rising and expected to reach £680 million in the UK by 2021[1] and to $7.2 billion in the US by 2020[2].

Existing and new regulations continue to have a significant impact on contact centre security and today the Payment Card Industry Data Security Standard (PCI DSS) and the General Data Protection Regulation (GDPR) form the key to compliance. However, MiFID II, HIPAA, FCA and others present different challenges for contact centres which our Secure Payment solutions help address.

For ultimate security, Eckoh has long advocated the removal of the entire contact centre from the scope of a PCI DSS audit – known as 'de-scoping' – by opting for our CallGuard solution. This ensures that sensitive data does not enter the organisation's environment at all. If there is nothing there, it cannot be stolen.

> ***This ensures that sensitive data does not enter the organisation's environment at all. If there is nothing there, it cannot be stolen.***

Eckoh's portfolio of Secure Payment solutions comprises;

CallGuard – For payments taken by an agent over the phone in a contact centre. CallGuard enables PCI DSS compliance and reduces risk. It is the simplest solution on the market and patented in the UK and US.

ChatGuard – For PCI DSS compliant payments within the actual Web Chat window, whether this is Eckoh's own Web Chat solution or another provider.

EckohPAY – For PCI DSS compliant automated payments enabling customers to make payments via the phone, web, mobile, app or SMS at any time of day, on any device.

e-Wallet Payments – For customers to pay using apps such as Apple Pay, Google Pay, Paypal, or Pay by Bank and extends Eckoh's secure solutions into non-card-based payments.

PCI DSS contact centre – For handling payments on behalf of our customers we've operated our own contact centre for the last 10 years. As a result, we've gained a unique insight into the challenges faced and have taken the opportunity to develop our solutions to solve them. This is how we know that they work.

1. National Audit Office
2. Aite Group

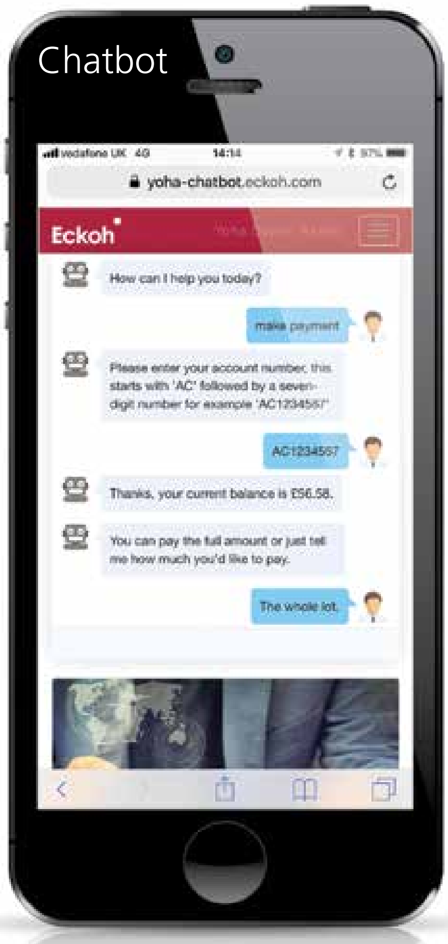
Customer Engagement

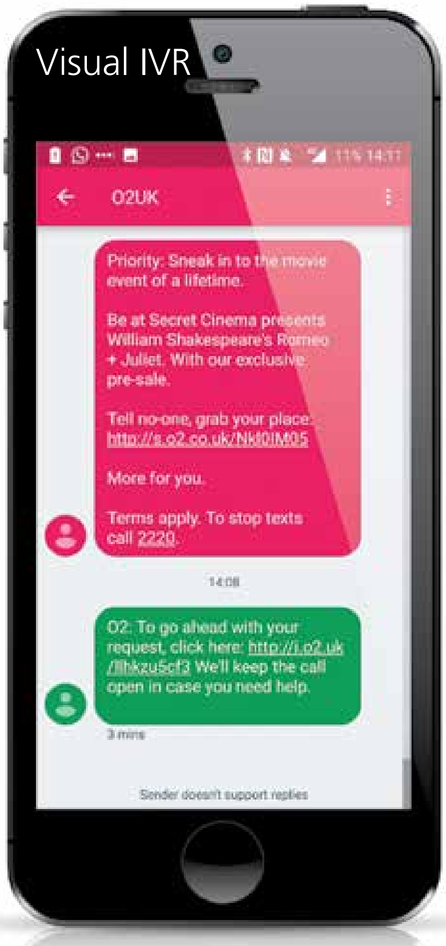
With customer expectations driving engagement, today's customer service must cater for different priorities. It needs to understand people's preferences and concerns, and be available on all channels at all times.

Being able to deliver a world-class customer experience (CX) matters more than ever for successful organisations today. When a contact centre gets it right, customer relationships deepen, brand loyalty rises, and revenue grows.

By embracing a combination of Omnichannel and Self-Service customer engagement solutions organisations can meet all these needs without increasing the pressure on existing contact centre agents. In fact, embracing technology will make life easier for everyone, allowing technology to share the load with agents, freeing them to handle more sensitive or valuable calls. Customers have the choice to self-serve or take agent assistance or a combination of the two.

- **OUR OMNICHANNEL PORTFOLIO CONSISTS OF: Web Chat, Call-Back, Social Agent, Knowledge Base, Email Management, Messaging and Co-Browsing,** all of which bring benefits to the agent and customer.
- **OUR SELF-SERVICE PORTFOLIO CONSISTS OF: IVR, Natural Language, Identification & Verification, Chatbot and Visual IVR** so that customers have the choice to sort things out for themselves, at a time that suits them.





The Eckoh Experience Portal

As leaders in the Secure Payment and Customer Engagement sector, we recognise that customers want to interact with an organisation in their channel of choice, whenever they want, wherever they are and on their preferred device. This can be difficult to achieve if organisations have lots of legacy solutions strung together over the years, and from different suppliers. The Eckoh Experience Portal efficiently and effectively delivers our range of solutions from one platform. Our customers can now take solutions that they need today and add new ones when they need them. It brings choice, flexibility and opportunity as well as an enhanced customer experience.

In the words of Steve Jobs, ***You've got to start with the customer experience and work backwards to the technology.***

Eckoh's success is down to us being able to understand what customers want next. Then, we apply our expertise and technology to deliver that.

Contact Centre Solutions

Eckoh is an expert in transforming contact centre operations, ensuring that technology investment is maximised and productivity solutions reflect the needs of today's operations.

Third Party Support

As a leading provider of contact centre technology, Eckoh has identified a niche in the market for providing contact centre support which enables customers to extend the life of their technology at a lower cost than their original vendor.

Frequently Eckoh encounters organisations who are being pushed into upgrading their infrastructure to a vendor's latest version. When they resist, they find that maintenance and support costs for the existing system rise sharply while the actual support drops off. We believe that organisations should have the choice to remain with their current contact centre infrastructure if it provides them with a stable, reliable service. We also believe that an organisation should make the transition in a timeframe that suits them – rather than the vendor. When they are ready to make a move, we can help them make the transition as well as decommission their existing infrastructure.

"No one, who has ever come to Eckoh for contact centre support, has ever gone back to their previous provider."

Agent Desktop

Unique to Eckoh, this single interface brings disparate agent systems together to make it easier and quicker to find the answers to resolve customer queries successfully, the first time.

A contact centre agent's desktop is the driving force behind an organisation's customer experience, and we recognised that, too often, agents had to log in to and operate multiple systems. This means that it takes longer than it should for agents to get the answers they need to resolve queries or complete sales. Every time agents switch between screens or systems they lose time and focus, which negatively impacts the customer experience.

Coral is a single, unified agent desktop solution that creates a presentation layer so agents log in once and easily navigate between multiple systems. Coral integrates with any or multiple CTI, ACD and CRM products, and as an HTML 5 web application with no software to install at the agent seat, it's scalable, quick to deploy, secure, simple to maintain and easy to change. The features, graphics or layout are configured for each tenant, business group, skill group, or specific user and with open APIs, it can even integrate with legacy and custom-built technologies.

Its stability and rapid deployment make it ideal for any contact centre, but particularly for large enterprises where there are thousands of agents as it can be rolled out in months, rather than years.

"...it's scalable, quick to deploy, secure, simple to maintain and easy to change."

Client references

Vue Entertainment

Vue was founded in the UK following the acquisition of the Warner Village Cinemas in 2003 and is part of the largest cinema group in Europe, Vue International. Today they are a leader in the premium entertainment cinema sector in the UK and one of the world's leading cinema operators.

Eckoh and Vue have enjoyed a good relationship for over 15 years, and Eckoh's most recent innovations address their new visitor demands. Being the existing Vue partner gives us a practical insight into their visitors, teams and operations. It also means that we understand the company ethos – overcoming challenges together and sharing successes along the way. At the same time, harnessing Eckoh's insight into Vue's operation means we will advance Vue's customer engagement for many years to come.

With Vue's visitors wanting quicker responses and expecting more proactive communication, they had two primary goals – to improve efficiency and customer engagement.

The Eckoh Experience Portal is at the heart of delivery for Vue and provides more than just a contact centre – it's a complete Omnichannel customer experience solution that places Vue on the front row of the entertainment industry. The portal also incorporates PCI DSS compliant Secure Payments to protect customer data and ensure Vue's data security obligations are met.

To provide a more human and personal experience, Eckoh provides a dedicated contact centre team in combination with the latest customer service solutions. This empowers the contact centre team by providing a common, consistent set of knowledge content and a unique visitor contact history, enabling each journey to be customised and personalised based on previous interactions.

Solutions delivered currently include Secure Payments including CallGuard, ChatGuard and e-Wallet Payments, Conversational Voice, Natural Language, Visual IVR, Chat, Agent Virtual Assistant, Knowledge Base, Email Management and Call Recording.

1st Central

1st Central emerged in 2008 to exploit the opportunities from the evolving price comparison sites. Following rapid growth, 1st Central became established as a top 10 supplier on UK price comparison websites. Today it continues to strive to make buying car insurance a more convenient and effortless experience.

The contact centre was taking an increasing volume of calls, which tied up agents' time and led to the need to consider increasing the number of agents; and the associated costs. 1st Central recognised that technology could be applied to help ease this situation, improving the experience for agents and customers.

To do this, 1st Central wanted to embrace a full Omnichannel customer communication strategy that would enable customers to choose how they get in touch.

The Eckoh Experience Portal delivers Web Chat, Email Management, Social Agent and Knowledge Base solutions for 1st Central's contact centre. With this portal, 1st Central will be able to offer customers a choice of communication channels that meet their expectations today and easily add new channels as they are needed.

Today, 1st Central can handle more customer enquiries without increasing agent numbers; reduce the agent handling time; provide consistent responses, for customers and agents, across all channels and offer a choice of communication channels.

"As we continued to grow, our contact centre was experiencing increasing pressure to provide our usual high-quality customer service. We looked to technology for the answer and chose Eckoh because of the breadth of its solutions and ease of delivery through the Eckoh Experience Portal."

Lisa Beeching
HEAD OF OPERATIONS
1st Central

Regtransfers

Regtransfers was established in 1982 and has since grown into a dynamic company employing more than 100 people. It was one of the first independent registration specialist companies and is now the largest, in terms of the number of employees and its stock of registration plates. Regtransfers embraced market changes and digital channels to enhance and grow its business. As the company has grown, so has the volume of calls they take from customers wishing to purchase number plates.

These calls often require that card payment industry is taken at the time of purchase and means that the business needs to comply with the Payment Card Industry Data Security Standard (PCI DSS).

Eckoh implemented its patented CallGuard solution which completely removes their contact centre from the scope of PCI DSS audit and so simplifies the whole compliance process and reduces risk.

Today, Regtransfers can take secure payments over the telephone; prevent customer data from entering the company's systems; reassure customers over payment security; extend payment channels further with Apple Pay and ChatGuard and ensure their business is PCI DSS compliant every minute of every day.

"We're not payment security experts, which is why we turned to Eckoh. Regtransfers have used competitor solutions in the past but found that these did not extend to alternative payment methods such as Apple Pay for Cardholder-Not-Present or Secure Payment in Chat. That's why we decided to move to the CallGuard solution, which seems to be the most future proof PCI DSS compliance solution for securing payments. This means we can get on with growing our business, which is what we do best."

Ian Clayton
IT MANAGER
Regtransfers

Corporate Responsibility 3

Eckoh is committed to running the business in an ethical and responsible manner, and we focus our efforts on business ethics, employee engagement, our local community and the environment.

Business ethics

Eckoh has the following policies in place with respect to business ethics:

Whistle-blowing – we are committed to ensuring that practices and procedures in respect of all employees, business partners and clients are of the highest quality. Employees are encouraged to raise any instances of irregular conduct in the workplace.

Health and safety – we take all necessary steps to ensure the health and safety of all employees, contractors and visitors, through the provision and maintenance of a safe working environment.

Dignity at work policy – all employees of Eckoh have an important part to play in the overall success of the business and everyone is respected and valued for their contribution at every level. At Eckoh, we foster and promote a healthy, collaborative and supportive environment. We encourage all our employees to work together in harmonious manner that encourages self-development, team success and knowledge sharing. Eckoh is committed to protecting the dignity and wellbeing of everyone and encourages practices that take into account the rights of all individuals and seeks to eliminate all forms of unacceptable behaviour. It is in our best interests to promote a safe, healthy and fair environment where people are given every opportunity to excel and thrive in their workplace.

Equality and diversity – we are committed to an active equal opportunity policy, from recruitment and selection through to training and development, performance reviews and promotion. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of age, disability, gender, gender reassignment, pregnancy and maternity, sexual orientation, race, ethnic origin, or hours of work.

Anti-bribery – we set out clear standards for ethical relationships and conduct to be maintained by employees and contractors and conduct our business in accordance with the highest ethical standards. We do not offer or accept bribes.

Disciplinary and grievance procedures – we provide a fair and consistent method of dealing with disciplinary problems and treat misconduct with appropriate action. We ensure we treat any grievance an employee may have relating to their employment in a fair and reasonable manner.

Employee engagement

Eckoh believes that its employees are the source of our competitive advantage and a valuable asset to the business. We recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain talented people of the highest calibre.

In the UK offices we've created an award-winning, colourful, dynamic and collaborative working environment where employees find flexibility, an open plan office and the environment to thrive in their roles.

We embrace technology to enable remote working, teleconferencing and effective collaboration across the UK and US divisions.

In the US a large number of employees work remotely so communication is key for them. There is a formal communication structure, from weekly calls involving all employees to monthly presentations updating all US employees on the US performance. Even though the team is remote, effort is placed on recognising significant milestones both in people's working lives and their personal lives and the team ensure they celebrate success. On an annual basis, the whole team is brought together for an annual conference. There is also a bi-annual Sales Team conference, which is led by the US management team and focuses on the new business sales targets for the current financial year and includes product training for the Sales Team. The CEO and CFO also attend the bi-annual Sales Conference and the Annual US Conference.

We actively encourage our employees to share their views and preferences – positive and negative – so that we can address these to deliver the most vibrant, dynamic and enjoyable workplace. In March 2019, we invited all employees in the UK and US divisions to take part in an employee survey, the results of which have been shared with employees and action plans are being formulated to address opportunities for improvement identified.

In the UK there are also more informal communications that take place, such as the CEO and CFO lunch, to which a number of employees are invited every two months. This is an informal environment for employees to share feedback. In addition, our regular social and team building events give us all a chance to relax together.

"At Eckoh, we strive to create a really positive working environment to help our employees enjoy their work, be successful in their role and deliver on business goals."

Employee recognition

Our employees deserve recognition and we do this through our 'RAVE' programme (Reward and Value Everyone), which encourages employees, both in the UK and US, to nominate their peers to receive an award. We also run a twice-yearly Employee Award and have an annual Long Service Award recognising loyalty and commitment to us.

Benefits

We employ around 300 employees in total, with approximately 250 employees in the UK and 50 employees in the US. The benefits package is managed separately in each country to ensure that we attract the talent we need in each of the divisions.

In the US, our employees participate in a Health Benefits Plan that provides a valued level of healthcare.

Employees are also given the option to join pension plans appropriate to the UK and the US. In the UK this involves a Company approved pension plan with minimum employer and employee contributions and in the US a 401(k) plan. Since April 2014 in the UK, all employees, except those that have expressly opted out, are auto-enrolled into a qualifying pension plan.

In September 2016, we introduced the Eckoh plc Share Incentive Plan ("the Plan"). The Scheme provides employees based in the UK with the opportunity to acquire shares in Eckoh plc. Shares are purchased on behalf of the employee from amounts sacrificed from their salary on a monthly basis and matched on a two for one basis by the Company. Any shares acquired will be held in a trust in accordance with the terms of the Plan. In order to maximise the tax benefits available, the employee must remain employed with the Company and hold the shares within the Trust for a minimum of five years. Currently, 60 employees participate in the scheme out of approx. 250 eligible in the UK.

Following feedback from our US employees, we are currently in the process of defining a Sharesave scheme for US employees, a 423 plan. The details of the scheme will be put to the Company's Shareholders for a vote at the Annual General Meeting (AGM) to be held on Wednesday 18 September 2019.

Training & development

Eckoh's strength lies in the expert knowledge of our people. It is vital that our employees understand, and are passionate about, our products and technologies. Every new employee to Eckoh undergoes a detailed and thorough induction plan over a three-month period. The induction not only welcomes them to the business, but it provides them with a comprehensive overview of Eckoh, insight into our market proposition, our range of products, the security requirements of the Payment Card Industry Data Security Standards (PCI DSS), the organisational structure and our commercial model. Every induction plan is tailored to the individual's role, setting them up to be successful in their new role. In the UK, after three months, every new employee will have the opportunity to meet with the CEO and CFO to give feedback on their experiences of Eckoh.

We encourage our people to continue to develop their skills and keep up-to-date with new technology, standards and processes. Training needs are identified through the regular check-in that team members have with their line managers.

One of the Eckoh values is to be always inspiring, to encourage ideas and fresh thinking, continually searching for new innovative and added value solutions. To encourage our Developers and provide a healthy innovative environment, we organise regular 'Thinking and Drinking' sessions, where either team members or external parties will share technology best practice or cover specific technical expertise.

We encourage young school leavers, who may have been working in our UK contact centre, to progress from their roles as agents to junior roles in the organisation. We have a number of success stories, where employees have progressed from these junior roles into more senior positions over a period of time. We have introduced an Apprenticeship programme that has identified and introduced appropriate roles for apprentices across the organisation. We have worked with local training providers to ensure the Apprentices are supported in their roles with good quality training programmes.

> ***"Our investment in our employees helps to retain and motivate our people, as well as enabling high achieving employees to progress and flourish in their role."***

Health, safety, security, wellbeing and accessibility

Our employees' health matters to us and so the Company continues to prioritise the provision of healthy working environments for our employees and the health, safety, security and wellbeing of the people on our premises are our highest priority.

For employees or guests with reduced mobility, our UK and US offices are fully accessible with elevators to each floor and disabled parking spaces.

In the UK, for those who choose to cycle, or run, as part of their daily commute we have provided showers for their use and convenience. We actively encourage a healthy lifestyle providing fresh fruit in the office, reflexology, Pilates, meditation classes, sports massage services as well as discounted gym memberships and cycle to work schemes. Our health assessments for blood pressure and flu jabs, also encourage employees to keep tabs on their health.

Communities

At Eckoh, our employees are encouraged and supported to give something back to our local community. We do this through supporting local and national causes, raising money for charity and offering employees the opportunity to attend a volunteering day where they can really make a difference.

Gadebridge Community Association – Youth Club Centre

Eckoh encourages employees based in their office in Hemel Hempstead to support the local community. In the last year an employee requested that Eckoh support the Gadebridge Community Association, which has been supporting the community for over 50 years. The centre itself has been promoting activities that benefit Gadebridge and the surrounding areas. A group of employees spent the day helping the local Association by painting and revitalising the Youth Club Centre. As well as supporting the local community and making a difference the employees had a fun day supported by Eckoh.

The British Thyroid Foundation

Each Christmas, Eckoh employees raise money through various activities in the office in Hemel Hempstead. Each year a charity is nominated by employees and for the second year running The British Thyroid Foundation was chosen. The charity has directly supported an Eckoh employee and so is close to the hearts of many Eckoh employees. The money was raised by employees and a Company contribution of £1,000 was donated to the 2018 Christmas charity. The British Thyroid Foundation help with all thyroid conditions which currently affect 1 in 20 people. An underactive thyroid can leave you exhausted and unable to lead a normal life. The British Thyroid Foundation provides those with thyroid conditions much needed information on treatments, the thyroid itself and other pieces of advice, they also help with research into treatment options.

Personal charities

The Company actively encourages and supports our employees to raise money for charities. During the year employees collected food and warm clothing for the local DENS charity and a pyjama day raised £150 for Children in Need.

In the environment

Although operationally we do not manufacture products, Eckoh understands the impact our business can have on the environment. From the efficient lighting in our offices to the fair-trade coffee in our kitchen areas, we carefully consider the purchases we make and encourage our suppliers to be equally considerate in the way they conduct their business.

Eckoh has taken the following steps to ensure that we are doing all we can for the environment and to set a good example to those who we come into contact with:

- Converted all our office working area lights to LED, thus reducing the electricity the Company uses on an on-going basis. In the current year we will be converting the lights in the communal office areas to LED.
- Reduced business travel through the use of web and phone-based conferencing systems
- Energy efficient and motion sensor lighting installed in our offices
- Comprehensive recycling programs established in all possible locations
- Photocopiers set to double-sided, black and white printing to reduce paper/ink use
- Encouraged working habits to, where possible move away from paper to digitalisation of documents.
- Provided reusable cups and glasses to reduce waste associated with disposable cups
- Encouraged alternative methods of transport to travel to and from work e.g. cycle to work scheme.

Corporate Governance 4

Board of Directors

Independent Directors

Christopher Humphrey BA MBA FCIMA

Non-Executive Chairman

Appointed to the Board – 21 June 2017

Appointed Chairman – 21 September 2017

Committee Membership:

Nominations (Chair), Audit, Remuneration

Skills & Experience:

Christopher is currently a Non-Executive Director, Senior Independent Director and Audit Chairman of AVEVA Group plc and The Vitec Group plc and a Non-Executive Director of SDL plc. Christopher was formerly Group Chief Executive Officer of Anite plc from 2008 until August 2015, having joined Anite in 2003 as Group Finance Director. He has held senior positions in finance at Conoco, Eurotherm International plc and Critchley Group plc. He was previously a Non-Executive Director at Alterian plc.

Guy Millward

Non-Executive Director

Appointed to the Board – 1 October 2016

Committee Membership:

Audit (Chair), Nominations, Remuneration

Skills & Experience:

Guy is currently Chief Financial Officer at Quixant plc. He has extensive experience as Finance Director of several public and privately held companies in the electronics, software and IT sectors. His previous roles include that of CFO at Imagination Technologies Group plc, Advanced Computer Software Group plc, Metapack Limited and Bighand Limited, Group Finance Director at Alterian plc, Morse plc and Kewill plc. He qualified as a Chartered Accountant at Ernst & Young in 1989.

Guy has an honours degree in Economics from the University of Sheffield and is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW).

David Coghlan

Non-Executive Director

Appointed to the Board – 1 December 2017

Committee Membership:

Remuneration (Chair), Audit, Nominations

Skills & Experience:

David is currently Chairman of Synectics plc, an AIM-quoted provider of high-end electronic security systems, and a Non-Executive Director, and Chairman of the Audit Committee, of SCISYS plc, a software company also quoted on AIM. He is also Chairman of Quadrant Group Limited, a leading independent supplier of aviation simulation and training, with subsidiaries in the UK and US. He has extensive experience with technology companies in the business-to-business field. David was previously a partner at Bain & Company, a leading strategy consulting firm.

Executive Directors

Nik Philpot

Chief Executive Officer

Appointed to the Board – 2 February 1999

Appointed to Chief Executive Officer – September 2006

Skills & Experience:

Nik is a founder of Eckoh with more than 30 years' experience in the voice services industry; he was originally at British Telecom before establishing a number of start-up businesses in the telecoms and technology sectors. As CEO of Eckoh, he has created a leading provider of Secure Payment solutions and Customer Contact services for the contact centre industry.

Chrissie Herbert

Chief Financial Officer

Appointed to the Board – 2 May 2017

Skills & Experience:

Chrissie has held a number of senior finance positions with both publicly listed and privately held businesses. She gained payments experience from PayPoint plc, where she was UK & Ireland Finance Director. In addition, having qualified as a Chartered Accountant at KPMG, Chrissie gained considerable executive experience at a number of high growth, consumer facing businesses including Collect+ and Travelodge Hotels Ltd.

Chrissie has an honours degree in European Finance and Accounting from Leeds Beckett University, a Betriebs-Wirtin from Bremen Hochschule and is a Fellow of the ICAEW.

Chairman's Report

Dear Shareholder,

At Eckoh, the Board embraces the collective responsibility for the long-term success of the Group and is committed to providing entrepreneurial leadership through good governance and accountability for the benefit and protection of our shareholders.

We are confident as a Board that the correct strategy has been adopted and that our culture of good governance and accountability will enable us to work towards delivering the strategic goals while maintaining Eckoh as a sustainable business.

On 30 March 2018 the AIM Rules were amended to require all companies quoted on AIM to implement a recognised corporate governance code and comply with that code from 28 September 2018. As a Board of Directors, we felt the Quoted Companies Alliance Corporate Governance Code (QCA Code) is the most appropriate code for Eckoh plc to apply, given the Group's size, complexity and stage of maturity.

The QCA Code follows 10 basic principles that requires companies to provide an explanation of how they consider they are meeting those principles through a set of disclosures on their website and in their Annual Report.

In this Governance section we outline the Company’s approach to Corporate Governance and how we have complied with the QCA Code. The Board considers that it does not depart from any principles of the QCA code.

Christopher Humphrey
CHAIRMAN
12 June 2019

Quoted Companies Alliance Code Compliance

The following paragraphs set out the 10 QCA Code principles and how Eckoh has complied with those principles.

1 Establish a strategy and business model which promotes long-term value for Shareholders

The strategy and business model which explains the strategic objectives of the Group and how the Company generates and preserves value over the longer term are set out in the Strategic Report on pages 3 to 11 of this Annual Report.

The Board is collectively responsible for the long-term success of the Company and provides effective leadership by setting the strategic aim of the Company and overseeing the efficient implementation of these aims in order to achieve a successful and sustainable business. In practice the Executive Directors prepare and present, at a one-day strategy session, the strategic plan to the Board, which the Board challenges in order to determine the strategic priorities.

The strategic plan was presented to the Board by Senior Management, led by the Chief Executive and represented both the UK and US businesses. On an ongoing basis the Board ensures that the strategic plan is taken into consideration in its decision-making process.

2 Seek to understand and meet Shareholders' needs and expectations

The Directors consider that the Annual Report and Financial Statements play an important role in providing Shareholders with an evaluation of the Company's position and prospects. The Board aims to achieve clear reporting of financial performance to all Shareholders. The Board acknowledges the importance of an open dialogue with its institutional Shareholders and welcomes correspondence from private investors.

The Executive Directors have an ongoing programme of meetings with institutional investors and analysts twice a year for up to two weeks at a time. During the year the meetings took place in June and November and were held in the UK in London, Edinburgh and Paris, in addition to meetings at the Company's premises and investor conferences in London and Boston. Feedback from these meetings is reported to the Board. In addition, the Non-Executive Chairman has held meetings with the top six Shareholders, independently of the Executive Directors.

In addition to the Annual Report and the Company's website, the Annual General Meeting (AGM) is an ideal forum at which to communicate with investors, and the Board encourages Shareholder participation. All Board members are present at the AGM and are available to answer questions from Shareholders.

The articles of association require that at the AGM one third or as near as possible, of the Directors will retire by rotation. Nik Philpot, Chief Executive Officer and Chrissie Herbert, Chief Financial Officer will retire by rotation and put themselves forward for re-election at the AGM.

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

Eckoh's Corporate Responsibility statement, which focuses on our business ethics, employee engagement, our local community and the environment is found on pages 24 to 27.

In addition to the stakeholders covered in the Corporate Responsibility statement, our Customers are also important stakeholders, whose opinions and voice Eckoh values highly. We have various channels for Customers and prospects to communicate with the Group, through regular business reviews, that are conducted by our Client Services Team, to post project reviews and in the UK an annual Customer Satisfaction survey.

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

The Board has overall responsibility for establishing and maintaining sound risk management and internal control systems, and for the monitoring of these systems to ensure that they are effective and fit for purpose. The Audit Committee provides support to the Board in this regard and overseas the monitoring process. Further information on the risk management and internal control system is set out in the Audit Committee report on page 34.

The Directors have carried out a robust assessment of the principal risks facing the Group and how these risks could affect the business, financial condition or operations of the Group. The explanation of these principal risks including how they are being mitigated can be found on pages 12 to 13.

Directors' meeting attendance 2018/19

	Board		Audit		Remuneration		Nomination	
	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice
Executive Directors								
Chrissie Herbert	12	1	4*	2*	4*	1/2*	1*	-
Nik Philpot	12	1	4*	2*	4*	1/2*	1*	-
Non-Executive Directors								
Christopher Humphrey	12	1	4	2	4	2	1	-
David Coghlan	12	1	4	2	4	2	1	-
Guy Millward	12	1	4	2	4	2	1	-

* By invitation. The Executive Directors are not members of any of the Board Committees and they attended only the committee meetings to which they were specifically invited.

5 Maintain the Board as a well-functioning, balanced team led by the Chair

The Board, led by the Chairman, has a collective responsibility and legal obligation to promote the interests of the Group. The Chairman is ultimately responsible for Corporate Governance. However, the Board is responsible for defining the Corporate Governance policies.

The Board is made up of three Non-Executive Directors and two Executive Directors and has delegated certain roles and responsibilities to its Audit, Nomination and Remuneration Committees whilst retaining overall responsibility.

Non-Executive Directors are all independent and are expected to devote sufficient time to the Company to meet their responsibilities.

The Board and its Committees met regularly throughout the year with the meetings scheduled around key dates in the Company's corporate calendar. There were twelve scheduled meetings during the year and one meeting at short notice. The table above shows Directors' attendance at Board and Committee meetings. Where a Director is unable to attend a meeting, he or she receives and reads the papers for consideration at that meeting and will provide input through the Chairman, Chief Executive Officer, Chief Financial Officer or Company Secretary as appropriate.

At Board meetings the Chairman ensures that effective decisions are reached by facilitating debate and consultations with management and external advisors as necessary.
The work undertaken by the Board during the year is set out in the table below:

The agenda for each Board meeting includes the following as standing items:

- Risk analysis, including by risk, the risk factor and the monitoring mechanism
- Management report which is prepared and presented by the Chief Executive Officer
- Finance report, which is prepared and presented by the Chief Financial Officer and includes the management accounts and business performance, including forecast as appropriate.

Other matters which are covered by the Board routinely during the year include:

- Review of annual report and preliminary announcement
- Review of Executive Director's presentation of the full year results to analysts and investors
- One day strategy session at which the Board considers management's presentation of the Strategic plan and gives its approval.
- Review and approval of the interim management statements for release to the market
- Recommendation of the final dividend
- Company secretarial & legal
- Setting of the Board calendar for the year.

Divisions of roles and responsibilities

The Chairman is responsible for the leadership of the Board and ensuring the effectiveness on all aspects of its role. There is a clear division of responsibility between the Chairman and the Chief Executive, which is as follows:

Chairman

Christopher Humphrey is the Non-Executive Chairman and he is responsible for managing the Board and ensuring it works effectively. The below are the roles and responsibilities of the Chairman for the financial year ended 31 March 2019.

- Setting the Board's agenda and ensuring the Board receives accurate, timely and clear information on all matters reserved to its decision and the Group's performance and operations
- Ensuring compliance with the Board's approved procedures
- Chairing the Nomination Committee and facilitating the appointment of effective and suitable members and Chairman of Board Committees
- Ensuring that there is effective communication by the Group with its Shareholders, including by the Chief Executive and Chief Financial Officer ensuring that members of the Board develop an understanding of the views of the major investors in the Group
- Promoting the highest standards of integrity, probity and corporate governance throughout the Group and particularly at Board level.

Chief Executive

Nik Philpot is the Chief Executive and he is responsible for running the Group's business by proposing and developing the Group's strategy and overall commercial objectives, which he does in close consultation with the Chairman and the Board.

- Providing input to the Board's agenda and ensuring that reports provided to the Board are accurate, timely and include accurate information
- Ensuring, in consultation with the Chairman and the Company Secretary as appropriate, comply with the Board's approved procedures
- Ensuring that the Chairman is alerted to forthcoming complex, contentious or sensitive issues affecting the Group of which he might not otherwise be aware
- Providing information and advice on succession planning to the Chairman, the Nomination Committee, and other members of the Board, particularly in respect of Executive Directors
- Leading the communication programme with Shareholders
- Promoting and conducting the affairs of the Group with the highest standards of integrity and corporate governance.

Non-Executive Directors

All the Non-Executive Directors bring considerable knowledge and experience to Board deliberations. Non-Executive Directors do not participate in any of the Company's share schemes or bonus schemes and their service is non-pensionable. The balance and independence of the Board is kept under review by the Nomination Committee.

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

The Board considers its current composition and overall size to be both appropriate and suitable with the adequate skills, experience and capabilities to make informed decisions, evaluate performance and constructively challenge strategy. The biographies of each of the Directors can be found on page 28.

All members of the Board attend seminars and regulatory events to ensure that their knowledge is up to date and relevant. Where the Board considers it does not possess the necessary expertise or experience it will engage the services of professional advisors. The Board considers that the three non-Executive Directors, including the Chairman, are independent.

During the year, the Board commenced a search for an additional Non-Executive Director. The search will continue into the new financial year, to ensure the additional Non-Executive Director has the appropriate industry experience. Whilst the Directors do not see a gap in experience with the current Directors, it is felt as the Group continues to grow and evolve that a Non-Executive Director with industry experience could add value.

The Nomination Committee, through a thorough evaluation of the skills, knowledge and experience of a proposed new Director, makes recommendations to the Board who then make the final decision on the appointment of a new Director.

7 Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

Following the changes of the Board in the financial year ended 31 March 2018 and as explained in the Annual Report 2018, during the financial year ended 31 March 2019, the Chairman led a formal review of the Board, its Committees and each Director. The performance evaluation of the Chairman was undertaken by the Chair of the Remuneration Committee, David Coghlan. The review centred on the following areas

- the Board's role and scope of its authority, how it is led by the Chairman, the frequency and time allotted to the Board meetings and their agendas
- the Committees' terms of reference, leadership, the frequency and time allotted to the Committee meetings and their agendas
- the Directors' feedback was free-ranging and unstructured with guidance on areas to consider.

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

Our Corporate Responsibility section on pages 24 to 27 set out the importance of business ethics to Eckoh and the way we do business. The employee engagement section on pages 25 to 26 demonstrates the value we place on our employees and the culture we drive in the UK and US business.

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

The Board provides the strategic leadership for the Company and ensures that the business operates within the Corporate Governance framework that has been adopted. Its prime purpose is to ensure the delivery of Shareholder value in the long term by setting the business model and defining the strategic goals to achieve this.

The Board is supported by a Remuneration Committee, Audit Committee and Nomination Committee. Each Committee has formally delegated duties and responsibilities and the terms of reference for the Committees are reviewed annually. The Committee Chair is responsible for reporting, throughout the year, to the Board any recommendations or issues which require further consideration by the Board. The Board reviews annually the list of matters that are reserved for the Board.

The report on the Nomination Committee is set out below and the reports of the Audit Committee and the Remuneration Committee are set out on page 34 and page 37 respectively.

The role and responsibilities of the Chairman, Chief Executive and other Directors have been set out under principle 5 on pages 30 to 32 of the Annual Report.

10 Communicate how the Group is governed and is performing by maintaining a dialogue with Shareholders and other relevant stakeholders.

The Company is committed to open communication with all its Shareholders. Communication with Shareholders is predominantly through the Annual Report and AGM. The last AGM results can be found on the Group's website. Other communications are in the form of full-year and half-year announcements, periodic market announcements (as appropriate) one-to-one meetings and investor roadshows. The Remuneration Committee report is included on pages 37 to 42.

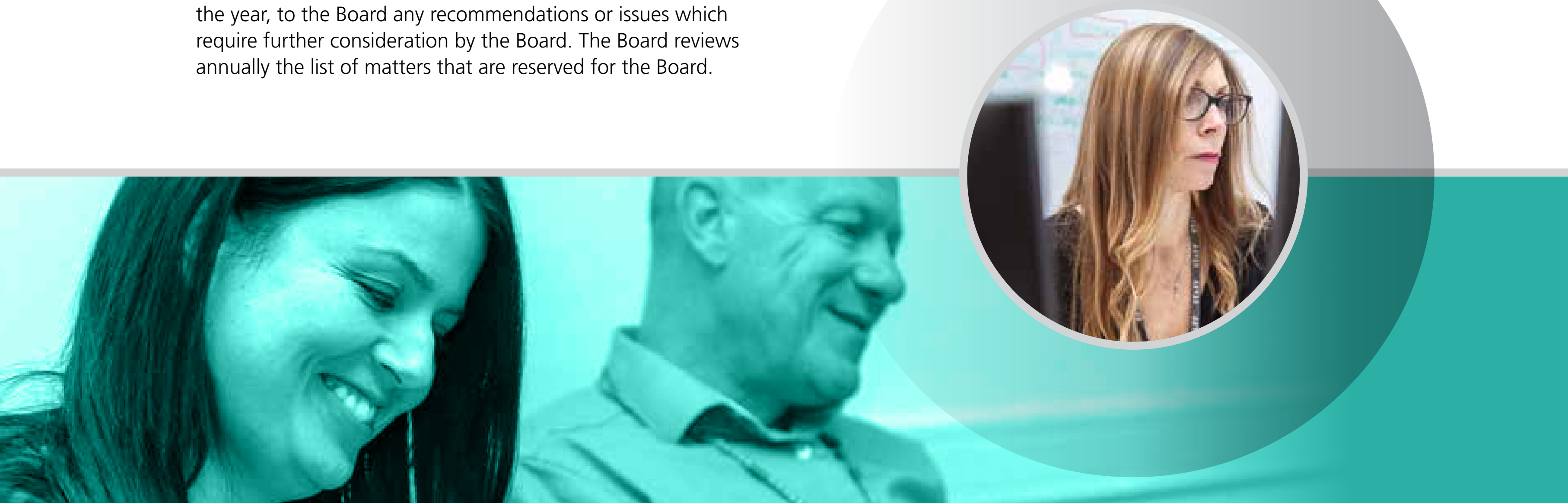
The Group's website www.eckoh.com is regularly updated. Annual Reports and Notices of Meetings can be found on the Group website.

Committees of the Board

Nomination Committee

The Nomination Committee currently comprises David Coghlan, Guy Millward and Christopher Humphrey, who is the Committee Chairman. It met once during the period and the details of meeting attendance are set out on page 31.

The Committee is responsible for considering and making recommendations on the appointment of additional Directors, the retirement of existing Directors and for reviewing the size, structure and composition of the Board and membership of Board Committees, which are considered against objective criteria.



Audit Committee Report

Dear Shareholder,

On behalf of the Audit Committee, I am pleased to present our report for the year ended 31 March 2019. In the year under review, the Audit Committee recommended to the Board that the Company undertook a review of the auditors. An audit tender process was completed and PricewaterhouseCoopers LLP were appointed as auditors on 19 November 2019 in place of KPMG LLP. The Committee has considered the integrity of the Group's financial reporting and provided advice to the Board that the 2019 Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, providing Shareholders with the necessary information to assess the Company's position, performance, business model and strategy. The activities of the Committee are kept under review in line with regulatory and market developments.

The Audit Committee currently comprises myself, David Coghlan and Christopher Humphrey. The Board considers that I have recent and relevant financial experience in accordance with the Code. Full biographical details of each of the current committee members, including relevant financial experience are set out on page 28.

The key responsibilities of the Audit Committee are as follows:

- monitoring the financial reporting process, including the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance including reviewing significant financial reporting judgements contained therein;
- reporting to the Board on the appropriateness of the significant accounting policies and practices of the Group;
- risk management and the effectiveness of the Group's system of internal financial control;
- overseeing the external auditor including its scope and cost effectiveness and monitoring and reviewing the independence of our external auditors and the provision of non-audit services to the Group; and
- overseeing the quality of the external audit process.

The Committee continues to keep its activities under review in light of regulatory and market developments and met four times during the year. The details of meeting attendance are set out on page 31.

By invitation, during the year, meetings were also attended by the Chief Executive Officer, the Chief Financial Officer and our external auditor, as appropriate.

In order to maximise its effectiveness and as part of the process of working with the Board, the Committee meetings take place on the same day as, but prior to, the Company Board meetings. The Chairman of the Committee reports to the Board on the activity of the Committee.

Guy Millward
CHAIRMAN AUDIT COMMITTEE
12 June 2019

In the year under review the Audit Committee's activities were as follows:

Topic:	Actions:
Financial reporting	Review of the preliminary and interim results announcement and the annual report Review of significant accounting issues (as reported below) On-going review and monitoring of the impact of IFRS 15: *Revenue from Contracts with Customers* Review of the impact of the implementation of IFRS 16: *Leases* Consideration of the going concern basis for preparation of the financial statements Advising the Board on whether the annual report and accounts taken as a whole, is fair balanced and understandable Recommendation of the going concern statement to the Board Review of the external auditor reports and the outcomes of the audit process.
Audit plans	Consideration and approval of the internal and external audit plans.
Risk management and internal controls	Review of the principal risks and the mitigation of these risks as set out on pages 12 to 13. Review the effectiveness of the Company's internal financial controls by reference to reports from the external auditors.
Committee governance	Review and update of the Audit Committee terms of reference.

The significant issues considered by the Committee in relation to the 2019 Financial Statements, and how these were addressed, were:

Contract revenue & IFRS 15 transition

- The business has transitioned to IFRS 15: *Revenue from Contracts with Customers* with effect from 1 April 2018 and controls are in place to ensure revenue is only recognised for product solutions such as the hosted Customer Contact solutions and Secure Payment solutions, which are in effect a hosted solution, when the client accepts the service. The provision of the solution is deemed to be one single performance obligation, which includes the hardware revenue, the implementation fees and ongoing support and maintenance revenue which are spread evenly over the term of the contract once the solution has been delivered to the client. The costs directly attributable to the delivery of the hardware and the implementation fees will be capitalised as 'costs to fulfil a contract' and released over the contract term, thereby also deferring costs to later periods.

Goodwill and intangible assets impairment

- The Group has goodwill and intangible assets as a result of the acquisitions for the Veritape, PSS and Klick2Contact (K2C) businesses over the last few years. Since the K2C Management earn-out period finished in July 2018 Management have been integrating K2C into the Eckoh UK business. On an annual basis the Group undertakes an impairment review of goodwill and intangible assets for each cash generating unit (CGU) using cashflow projections. Following the integration of K2C into Eckoh UK, the CGUs are Eckoh UK and Eckoh US.

Management override of controls

- We are satisfied adequate controls are in place and use the results of the external audit and the internal reporting mechanism to assess this on an on-going basis.

Impact of IFRS 16: *Leases*

The Group will apply IFRS 16: *Leases* from its mandatory adoption date of 1 April 2019. Right of use assets will be measured on transition as if the new rules had always applied. The Group has taken advantage of the practical expedients available for transition under the standard.

External audit

An annual review of the effectiveness of the external audit is undertaken by the Committee. KPMG LLP had been external auditors for the Group since year ended 31 March 2012, as a result of the review of the effectiveness of auditors in 2018, the Audit Committee recommended to the Board that an audit tender process was undertaken in the financial year ended 31 March 2019.

The effectiveness of the audit process is underpinned by the appropriate audit planning and risk identification at the outset of the audit cycle. The auditor provides a detailed audit plan identifying its assessment of the risks and other key matters for review. For the year ended 31 March 2019, the primary risks identified were: fraud in revenue recognition, management override of controls, contract revenue and IFRS 15 transition and goodwill & intangible assets and investments (company only) impairment. The Committee reviews and challenges the work undertaken by the auditor to test management's assumptions on these matters. An assessment of the effectiveness of the audit process in addressing these items is performed through the reporting received from the auditors at the half-year and year end. The Committee seeks feedback from management on the effectiveness of the audit process. No significant issues were raised with respect to the audit process for the financial year ended 31 March 2019 and the quality of the audit process was assessed to be good.

The Audit Committee meets the external auditor without the Executive Directors being present and procedures are in place which allow access at any time of external auditors to the Audit Committee. The Chairman of the Committee reports the outcome of each meeting to the Board.

Based on the Committee's assessment, the Committee has provided the Board with its recommendation to the Shareholders on the re-appointment of PricewaterhouseCoopers LLP as external auditors for the year ending 31 March 2020. There are no contractual obligations restricting the Committee's choice of auditors. A resolution for appointment of the auditors will be proposed at the forthcoming Annual General Meeting and is included in the Notice of Meeting which accompanies this report.

Non-audit services

The Committee reviews the level of non-audit fees for services provided by the auditors in order to satisfy itself that auditors' independence is safeguarded. There were no non-audit fees paid to PricewaterhouseCoopers LLP in the year ended 31 March 2019.

In determining the most appropriate provider of non-audit services, the committee will consider the knowledge and expertise of the potential providers and the proposed costs. Non-audit services will only be undertaken by the auditor where it is deemed to be the preferred provider and the provision of services poses no threat to its independence.

Details of the remuneration paid to the auditors for the statutory audit are set out in note 7.

Risk management and internal control

The Board is responsible for establishing and maintaining the Group's system of internal control, and for regularly reviewing its effectiveness. The Board has carried out a robust assessment of the principal risks facing the group, including those that would threaten its business model, future performance, solvency or liquidity. These risks are disclosed on pages 12 to 13 together with how they are being managed or mitigated. Procedures have been designed to meet the particular needs of the Group and its risks, safeguarding Shareholders' investments and the Company's assets. Such a system is designed to manage, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss.

The key features of the Group's internal control systems that ensure the accuracy and reliability of financial reporting include clearly defined lines of accountability and delegation of authority, policies and procedures that cover financial planning and reporting, preparation of monthly management accounts, project governance and information security.

There are ongoing processes for identifying, evaluating and managing the Company's significant risks and related internal controls that are integrated into the Company's operations. Such processes are reported to and reviewed by, the Board at each meeting. These processes have identified the risks most important to the Company (business, operational, financial, security and compliance), determined the financial implications, and assessed the adequacy and effectiveness of their control. The reporting and review process provide routine assurance to the Board as to the adequacy and effectiveness of the internal controls.

Internal Audit

The Audit Committee annually reviews the requirement for an internal audit function. The Committee has decided that none is necessary at present. Instead, other monitoring processes have been applied to provide assurance to the Board that the system of internal control is functioning satisfactorily.

Guy Millward
CHAIRMAN AUDIT COMMITTEE
12 June 2019

Remuneration Committee Report

Dear Shareholder,

On behalf of the Remuneration Committee I am pleased to present our Remuneration Report for the financial year ended 31 March 2019, which has been approved by the Board.

This report is divided into two sections:

- Firstly, the annual statement setting out the work of the Remuneration Committee in 2019;
- The Remuneration Report, which sets out the Company's Remuneration Policy for Executive Directors and the Annual Remuneration Report detailing remuneration paid to Directors in the year ended 31 March 2019.

The membership and responsibilities of the Remuneration Committee are set out on page 38 of this report. Amongst its objectives, the Committee strives to ensure the Executive Directors' remuneration is aligned with the interests of Shareholders. The Remuneration Committee believes that Shareholders' interests are best served by linking a significant proportion of total potential remuneration to long-term performance.

Short and long-term incentives are structured to reward Executives for enhancing Shareholder value. The value received by Executive Directors under the current long-term share incentive arrangements depends on the degree to which the associated performance conditions are satisfied at the end of the five-year performance period. This ensures that substantial rewards will be received only if substantial value has been created for Shareholders.

In respect of the year under review the Remuneration Committee's activities were as follows:

- The Committee made PSP awards, in line with the approved PSP rules, to 30 Senior Management based in the UK and US on 23 July 2018 and 26 September 2018, as set out in the formal report below.
- The Committee approved an increase in the Chief Executive Officer's and Chief Financial Officer's salaries with effect from 1 April 2019 of 2% and 3% respectively, reflecting pay increases within the Group's workforce and current market conditions.
- The Base fee of the Chairman and Non-Executive Directors have also been increased by 2% from 1 June 2019. In addition, the Committee Chair fee, which was introduced last year has been increased by 2%, with effect from 1 June 2019.
- Bonus payments were made for the Executive Directors and Senior Management for the financial year ended 31 March 2019 and for the Executive Directors are set out on page 39. Last year no bonus was paid to Senior Management or Executive Directors. Bonus payments for staff members were accrued at an average of 5% (FY18: 3%) of salary.
- The Committee approved the structure of the 2020 Annual Bonus Plan to reward Executive Directors for delivering against challenging targets for the year ending 31 March 2020. The structure is consistent with the Annual Bonus Plan for the financial year ended 31 March 2019.
- During the financial year ended 31 March 2019, the Committee has reviewed the succession plans for Senior Management. There will be further focus on this area in the financial year ending 31 March 2020.

The Remuneration Report in respect of last year, which includes the Remuneration Policy, as set out below, will be put to the Company's Shareholders for an advisory vote at the AGM to be held on Wednesday 18 September 2019. I encourage all Shareholders to vote in favour of this resolution and I look forward to the opportunity to meet with Shareholders at the 2019 AGM.

David Coghlan
CHAIRMAN REMUNERATION COMMITTEE
12 June 2019

Annual Report on Remuneration

Remuneration Policy Report

The following is a summary of the Policy that covers remuneration for Executive Directors of the Company.

	Purpose and link to strategy	Operation	Performance measures
Base salary	Base salary is set at a level to secure the service of talented Executive Directors with the ability to develop and deliver a growth strategy	Fixed contractual cash amount usually paid monthly in arrears. Reviewed annually, with any increases taking effect from 1 April each year. This review is dependent on continued satisfactory performance in the role of an Executive Director. It also includes a number of other factors, including experience, development and delivery of Group strategy and Group profitability, as well as external market conditions and pay awards across the Company.	Not applicable
Benefits	To provide Executive Directors with ancillary benefits to assist them in carrying out their duties effectively.	Executive Directors are entitled to a range of benefits including car allowance, private health insurance and life assurance. Executive Directors are entitled to participate on the same terms as all UK employees in the UK Share Incentive Plan, the maximum contribution being £1,800 pa.	Not applicable
Annual Bonus	To provide a material incentive to drive Executive Directors to deliver stretching strategic and financial performance and to grow long-term sustainable Shareholder value.	Paid annually and based on performance in the relevant financial year. Award levels for Executive Directors are up to 50% of the Executive's Base salary. The performance measures are reviewed annually and the Committee ensures that performance measures remain aligned to the Company's business objectives and strategic priorities for the year.	Measures and targets for the annual bonus are set annually by the Committee. Currently, up to 50% of the annual bonus is based on the achievement of annual targets set against the Group's adjusted earnings before Interest, tax, depreciation and amortisation. The remainder are based on the new business target in the year and the achievement of annual personal objectives. The Committee reserves the right to vary these properties and also the measures annually to ensure the annual bonus remains appropriate and challenging. Targets are measured over a one-year period. Payments range between 0% and 50% of base salary for threshold and maximum performance.
Performance Share Plan ("PSP")	To provide a long-term performance and retention incentive for the Executive Directors involving the Company's shares. To link long-term rewards to the creation of long-term sustainable Shareholder value by way of delivering on the Group's agreed strategic objectives.	Under the PSP, awards are made over a fixed number of shares, which will vest based on the achievement of performance conditions over a performance period of approx. 5 years from the 2017 AGM and will end 30 days after the announcement of the 2022 Full Year Financial Results.	• 25% vesting for compound growth in TSR of 10% • 100% vesting for compound growth in TSR of 25% pa • Straight line vesting for intermediate performance between threshold and maximum performance. • Below threshold none of the award will vest.
Pension contribution	To provide a benefit comparable with market rates, helping with the recruitment and retention of talented Executive Directors able to deliver a long-term growth strategy.	Usually paid monthly in arrears. Executive Directors may receive a contribution of 10% of base salary into the Company's Defined Contribution Plan, a personal pension arrangement and/or a payment as a cash allowance.	Not applicable

Annual Report on Remuneration

The following section provides details of how Eckoh's Remuneration Policy was implemented during the financial year ended 31 March 2019. The following pages contain information that is required to be audited in compliance with the Directors' Remuneration requirements of the Companies Act 2006. All narrative and quantitative tables are unaudited unless otherwise stated.

Remuneration Committee membership in 2019/20

The Remuneration Committee currently comprises myself, Christopher Humphrey and Guy Millward. The committee members are all independent Directors and are responsible for developing policy on remuneration for the Executive Directors.

The Remuneration Committee is formally constituted with written terms of reference which set out the full remit of the Committee. The Remuneration Committee met four times during the year. The details of meeting attendance are set out on page 31.

During the year, the Committee sought internal support from the Chief Executive Officer and Chief Financial Officer, who attended Committee meetings by invitation from the Chairman, to advise on specific questions raised by the Committee. The Chief Executive Officer and the Chief Financial Officer were not present for any discussions that related directly to their own remuneration.

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. To this end, for the year under review the Committee has received advice from FIT Remuneration Consultants LLP.

Summary of shareholder voting at the 2018 AGM

The following table shows the results of the Shareholder advisory vote on Annual Remuneration Report:

	Total number of votes	% of votes cast
For (including discretionary)	113,675,727	99.88%
Against	140,093	0.12%
Total votes cast (excluding withheld votes)	113,815,820	
Total votes withheld	54,586	
Total votes cast (including withheld votes)	113,870,406	

Directors' single figure of total remuneration (audited)

The following table sets out the single figure of total remuneration for Directors for the financial year ended 31 March 2019 and 2018:

	Base salary/fees		Benefits[1]		Pension		Annual bonus[2]		Total	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors										
Chrissie Herbert	180	160	12	11	18	16	78	-	288	187
Adam Moloney	-	33	-	2	-	3	-	-	-	38
Nik Philpot	289	283	16	15	29	15	125	-	459	313
Non-Executive Directors										
Chris Batterham	-	24	-	-	-	-	-	-	-	24
David Coghlan	35	10	-	-	-	-	-	-	35	10
Christopher Humphrey	61	47	-	-	-	-	-	-	61	47
Guy Millward	35	30	-	-	-	-	-	-	35	30
Peter Simmonds	-	21	-	-	-	-	-	-	-	21
Total	600	608	28	28	47	34	203	-	878	670

1. Benefits includes car allowance, healthcare cover & death in service
2. The Executive Directors did not receive any bonus payment in respect of the financial year ended 31 March 2018

Incentive outcomes for the year ended 31 March 2019

Annual bonus in respect of 2018/19 performance

The annual bonus for the Executive Directors and Senior Management for the year ended 31 March 2019 was based on the achievement of Adjusted Earnings before interest, tax, depreciation and amortisation, new business targets and personal objectives. Bonus payments were accrued for the Executive Directors at 45% of their base salary (FY18: nil). Bonus payments for staff members were accrued at an average of 5% (FY18: 3%) of salary.

Scheme interests awarded in the year ended 31 March 2019

Performance Share Plan ("PSP") (audited)

In line with the PSP rules, no further awards were made to any recipients of the Initial Awards. The table below provides details of the Initial Awards made under the PSP on 23 November 2017 to Nik Philpot and Chrissie Herbert in the financial year ended 31 March 2018. Performance for these awards is measured over approximately five years from the 2017 AGM and will end 30 days after the announcement of the 2022 Full Year Financial Results.

Executive Director	Face value (% of salary)	Number of shares awarded	Face value[1] £	Potential award for minimum performance	Performance measures
Nik Philpot	140%	3,750,000	1,921,875	25% of face value	• 25% vesting for compound growth in TSR of 10% pa • 100% vesting for compound growth in TSR of 25% pa • Straight line vesting for intermediate performance between threshold and maximum performance
Chrissie Herbert	112%	2,250,000	1,153,125		

1. Face value has been calculated using the Company's share price at the end of the date of the award of £0.5125.

No further awards will be made to any recipients of the Initial Awards until 2022 (when the Initial Awards are expected to vest).

In the ten-year period from the 2017 AGM, the Company may not issue, under the PSP and any other employees' Share plan adopted by the Company, interests in shares comprising in aggregate more than 10% of the issued Ordinary Share Capital of the Company.

Except for the Initial Awards, awards will normally vest on the later of the expiry of the third anniversary of the date of grant of the award and the date that the Committee determines the extent to which the applicable performance criteria have been satisfied, and provided in normal circumstances that the participant is still a Director or employee of the Company's Group.

During the financial year ended 31 March 2019, awards were made to 30 Senior Management in the UK and US. Details of these awards can be found in note 22.

Payments to past Directors (audited)

In the financial year ended 31 March 2019, there were no payments made to past Directors.

In the financial year ended 31 March 2018, payments made to Adam Moloney, up to the date he ceased to be a Director are set out below:

- Salary totalling £32,000 for the period to his departure.
- Pension contribution totalling £3,076 for the period to his departure date.
- Benefits (including car allowance, healthcare and income protection) totalling £1,925 for the period to his departure.

Chairman and Non-Executive Director fees

The Chairman and Non-Executive Directors were paid the following fees in the financial year ending 31 March 2019:

Role	2019 Annual fee
Chairman	£61k
Non-Executive Director	£31k
Chairman of a Committee	£4k

Fees for the Chairman, Non-Executive Directors and Committee Chairmen are reviewed annually. As a result of the review the fees for the Chairman and Non-Executive Directors' base salaries will increase by 2% from 1 June 2019. In addition, a Committee Chairman fee for the Audit Committee and Remuneration Committee of £5,000 per annum was introduced with effect from 1 June 2018, this will increase by 2% from 1 June 2019.

Directors' shareholdings

The shareholdings of the Directors and their connected persons in the Ordinary Shares of the Company against their respective shareholding requirement as at 31 March 2019:

	31 March 2019 Ordinary Shares of 0.25 pence each	1 April 2018 Ordinary Shares of 0.25 pence each
Nik Philpot[1]	6,976,285	6,926,285
Chrissie Herbert	20,000	20,000
Christopher Humphrey	400,000	400,000

1. Nik Philpot's spouse is the beneficial owner of 80,000 shares that are included above.

Directors' interests in shares in Eckoh's long-term incentive plans and all-employee plans
Directors' share options (audited)

The Directors' interests in share options are shown in the following table:

	Note	At 1 April 2018 (number)	Granted in year (number)	Forfeited in year (number)	Exercised in year (number)	At 31 March 2019 (number)	Exercise price (pence)	Earliest date for exercise	Latest date for exercise
Nik Philpot	1	3,750,000	-	-	-	3,750,000	0.00	15.07.22	22.11.27
Chrissie Herbert	2	500,000	-	-	-	500,000	47.50	21.06.20	21.06.27
	1	2,250,000	-	-	-	2,250,000	0.00	15.07.22	22.11.27

1. Granted under the 2017 Eckoh plc Performance Share Plan ("PSP"), as approved at the 2017 AGM.
2. Granted under the 2016 LTIP (see below).

Long-Term Incentive arrangements for Directors

In addition to the PSP described above, the Company operates an additional long-term share incentive scheme for Directors and Senior Managers ("the 2016 LTIP"). The 2016 LTIP was implemented following prior discussions with major Shareholders of the Company. Under this scheme, the Company may issue a maximum of 2% of the share capital each year for the 3 years ending 31 March 2019 to the Senior Managers of the business. All options granted under this scheme carry an exercise price equal to the market price at the date of grant and are subject to vesting based on achievement of performance criteria. Grants of options under this arrangement were made in March 2016 and March 2017 to a total of 34 Senior Management employees. The Chief Executive Officer was not awarded any share options in the years ended 31 March 2016 and 31 March 2017.

Share options of 500,000 were awarded under the 2016 LTIP to Chrissie Herbert, Chief Financial Officer following her appointment on 2 May 2017. These are disclosed in the above and below tables. Total grants under the 2016 LTIP have been as follows:

Date of issue	Number of senior management	Granted in year (number)	Exercise price (pence)	Earliest date for exercise	Latest date for exercise
23 March 2016	28	4,100,000	43.5	23.03.19	23.03.26
2 May 2016	1	500,000	43.5	02.05.19	02.05.26
13 October 2016	2	500,000	38.875	13.10.19	13.10.26
31 March 2017	21	4,000,000	39.5	31.03.20	31.03.27
21 June 2017	1	500,000	47.5	21.06.20	21.06.27

The Company does not intend to grant any further awards under the 2016 LTIP.

Share Incentive Plan (audited)

The Group operates a Share Incentive Plan (SIP) in the UK. The scheme and plan are open to all UK employees, including the Executive Directors. As at 31 March 2018 and 2019, Chrissie Herbert participates in the UK scheme and the details are shown below:

	Number of Partnership Shares purchased at 31 March 2018	Number of Matching Shares purchased at 31 March 2018	Dividend Shares[1] acquired at 31 March 2018	Total Shares at 31 March 2018	Number of Partnership Shares[2] purchased during the year	Matching Shares[3] awarded during the year	Dividend Shares acquired during the year	Dates of release of Matching Shares[4]	**Total Shares at 31 March 2019**
Chrissie Herbert	1,930	3,860	-	5,790	6,714	13,428	189	Nov 20	20,331

1. Dividend Shares are Ordinary Shares of the Company purchased with the value of dividends paid in respect of all other Shares held in the plan.
2. Partnership Shares are Ordinary Shares of the Company purchased, every six months by the Company with the monthly contributions made by the employee, during the period (at prices from £0.3725 to £0.3800).
3. Matching Shares are Ordinary Shares of the Company awarded conditionally in line with the purchase of the Matching Shares every six months, during the period.
4. The dates used are based on the earliest allocation of the Matching Shares. Matching Shares will be released as each six-month Partnership Agreement matures, 3.5 years after commencing.

Executive Directors' service contracts

Nik Philpot has a service contract that is terminable on twelve months' notice by either party while Chrissie Herbert has a service contract that is terminable on nine months' notice by either party.

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors do not have service contracts but serve under letters of appointment terminable by six months' notice on either side.

External advisors

The Committee received independent advice from FIT Remuneration Consultants LLP as the Committee's appointed remuneration advisor during the financial year ended 31 March 2019. During the year the level of fees paid to remuneration advisors totalled £6k. (2018: £32k) and this fee covered advice on the long-term Performance Share Plan proposed at the 2017 AGM and the granting of the Awards to Senior Management. The Committee is satisfied that the advice it received from FIT during the year was objective and independent.

David Coghlan
CHAIRMAN REMUNERATION COMMITTEE
12 June 2019

Directors' Report

The Directors present the Directors' Report, together with the audited Financial Statements for the year ended 31 March 2019.

Strategic Report

The statements and reviews on pages 3 to 15 comprises the Strategic Report which contains certain information, outlined below, that is incorporated into the Directors' Report by reference:

- An indication of the Group's likely future business developments;
- An indication of the Group's research and development activities; and
- Information on the Group's policies for the employment of disabled persons and employee involvement; and
- The Corporate Responsibility statement on pages 24 to 27.

Corporate Governance

The Group's report on Corporate Governance is on pages 28 to 45 and forms part of this Directors' Report.

Results for the period

The consolidated income statement, statement of financial position and cash flow statement for the year ended 31 March 2019 are set out on pages 51 to 54. An analysis of risk is set out on pages 12 & 13 and of risk management on page 61. The statement of financial position and cash flow statement of the holding Company for the year ended 31 March 2019 are set out on page 80. Since 1 April 2019, there have been no material events likely to impact the future development of the Company.

Directors

The Directors who held office at 31 March 2019 and up to the date of this report are set out on pages 28 along with their biographies and photographs.

During the year and up to the date of this report there were no changes to the Directors who held office.

Details of the Directors, who will be standing for reappointment at the forthcoming AGM to be held on 18 September 2019 are detailed on page 30. The remuneration of the Directors including their respective shareholdings in the Company is set out in the Remuneration Report on pages 37 to 42.

Directors' and Officers' liability insurance and indemnification of Directors

The Company maintains Directors' and Officers' liability insurance which gives appropriate cover for any legal action brought against its Directors.

Share capital

The Company has only Ordinary Shares of 0.25 pence nominal value in issue along with 1,290,037 of shares held in treasury. Note 19 to the consolidated financial statements summarises the rights of the Ordinary Shares as well as the number issued during the year ended 31 March 2019.

The subsidiary undertakings are listed in note 14.

Substantial shareholdings

As at 31 March 2019, the Company had been advised under the Disclosure Guidance and Transparency Rules, or had ascertained from its own analysis, that the following held more than 3% of the issued capital:

Name of holder	No.of ordinary shares/voting rights	% of issued capital/voting rights
Hargreave Hale	42,118,141	16.60
Kestral Partners	37,397,644	14.74
Herald Investment Management	17,314,890	6.82
Cavendish Asset Management	11,239,061	4.43
Chelverton Asset Management	10,500,000	4.14
Blackrock Investment Management	10,336,068	4.07
Close Brothers	10,184,234	4.01
AXA Investment Mangers UK	8,025,613	3.16
Hargreaves Lansdown Asset Management	7,906,986	3.12
River & Mercantile Asset Management	7,678,284	3.03

The Company's issued share capital as at 31 March 2019 is set out in note 19.

Committees of the Board

The Board has established Audit, Nomination and Remuneration Committees. Details of these Committees, including membership and their activities during the year, are contained in the Corporate Governance section of the Annual Report and in the Remuneration Report.

Companies Act 2006 disclosures

In accordance with Section 992 of the Companies Act 2006 the Directors disclose the following information:

- The Company's capital structure and voting rights are summarised in note 19 and there are no restrictions on voting rights nor any agreement between holders of securities that result in restrictions on the transfer of securities or on voting rights;
- The Company holds 1,290,037 Ordinary Shares in treasury;
- There exist no securities carrying special rights with regard to the control of the Company;
- Details of the substantial Shareholders and their shareholdings in the Company are listed on page 41;
- The rules concerning the appointment and replacement of Directors, amendment to the Articles of Association and powers to issue or buy back the Company's shares are contained in the Articles of Association of the Company and the Companies Act 2006.

Articles of Association

The Company's Articles of Association set out the rights of Shareholders including voting rights, distribution rights, attendance at general meetings, powers of Directors, proceedings of Directors as well as borrowing limits and other governance controls. Unless expressly specified to the contrary in the articles of association of the Company, the Company's articles of association may be amended by a special resolution of the Company's Shareholders. A copy of the Articles of Association can be requested from the Company Secretary.

Conflicts of interest

During the year no Director held any beneficial interest in any contract significant to the Company's business, other than a contract of employment. The Company has procedures set out in the Articles of Association for managing conflicts of interest. Should a Director become aware that they or their connected parties, have an interest in an existing or proposed transaction with the Group, they are required to notify the Board as soon as reasonably practicable. Related party transactions that took place during the year can be found in note 24.

Political donations

The Group made no political donations during the year (2018: £nil).

Financial instruments

The financial risk management objectives and policies of the Group and the exposure of the Group to foreign currency risk, interest rate risk, and liquidity risk are outlined in note 3 to the consolidated financial statements.

Going concern

The Directors have made appropriate enquiries and consider that the Group has adequate resources to continue in operational existence for the foreseeable future, which comprises the period of at least 12 months form the date of approval of the financial statements. There are no material uncertainties that would prevent the Directors from being unable to make this statement. Accordingly, the Directors continue to adopt the going concern basis in preparing the financial statements.

Disclosure of information to the auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information (as defined in Section 418(2) of the Companies Act 2006) 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 to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Annual General Meeting (AGM)

The 2019 AGM will be held at 11:00 on 18 September 2019.

The notice of the AGM and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting accompanying this Annual Report. The Board fully supports all the resolutions and encourages Shareholders to vote in favour of each of them as they intend to in respect of their own shareholdings.

Dividends

The Directors recommend the payment of a final dividend of 0.61p (2018: 0.55p) per ordinary share amounting to £1.5m (2018: £1.4 million) to be paid on 25 October 2019. This recommendation will be put to the Shareholders at the Annual General Meeting.

Independent Auditors

PricewaterhouseCoopers LLP have expressed their willingness to continue as the Company's auditors. As outlined in the Audit Committee report on page 34, resolutions proposing their appointment and to authorise their remuneration will be proposed at the 2019 AGM.

Statement of Directors' responsibilities in respect of the Financial Statements.

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 prepared the Group Financial Statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). 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 Group and Company and of the profit or loss of the Group and Company for that period. In preparing the Financial Statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the Financial Statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' confirmations

The Directors consider that the Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable and provides the information necessary for shareholders to assess the Group and Company's position and performance, business model and strategy.

By order of the Board

Chrissie Herbert
COMPANY SECRETARY
12 June 2019

Independent auditors' report to the members of Eckoh plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Eckoh plc's Group financial statements and Company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2019 and of the Group's profit and cash flows for the year then ended;
- the Group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and Company statements of financial position, the consolidated statement of total comprehensive income, the consolidated and Company statements of changes in equity, the consolidated statement of cash flows; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' 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 remained independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall Group materiality: £214,700 (2018: £115,000), based on 0.75% of total revenue.
- Overall Company materiality: £150,000 (2018: £100,000), based on 1% of total assets.

- We conducted full scope audit work over the operations of Eckoh UK and Eckoh US due to their financial significance to the group.
- In addition, we performed full scope audits of Eckoh plc ("the Company").
- The reporting entities subject to audit procedures accounted for 100% of both the Group's revenue and profit for 2019 and 71% of net assets at 31 March 2019.

- Contract revenue and IFRS 15 transition.
- Impairment of goodwill and intangible assets.

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the 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) identified by the auditors, 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, and any comments we make on the results of our procedures thereon, 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. This is not a complete list of all risks identified by our audit.

Key audit matter	*How our audit addressed the key audit matter*
Contract revenue and IFRS 15 transition The Group transitioned to IFRS 15 : revenue from contracts with customers, in the financial year ended 31 March 2019. The approach to revenue recognition as set out under IFRS 15 is complex and can be judgemental especially where contracts with customers have variable consideration. Due to its expected impact on the Group, we deem the adoption of IFRS 15 as a key audit matter.	Our procedures included the following: • Understanding how management performed their impact assessment over the transition to IFRS 15, and the key judgments involved. • For a sample of customer contracts, determined whether the correct judgement was exercised in recognising revenue according to the five-step revenue recognition approach set out by IFRS 15. • Recalculating revenue recognition schedules to confirm the accuracy of these schedules. • For a sample of customer contracts with deferred revenue and costs at the year-end, we assessed management's judgements used in estimating the amounts deferred. Based on procedures performed, we noted no material uncorrected issues.
Impairment of goodwill and intangible assets The Group has goodwill and intangible assets of £7.5m which is significant in the context of the overall balance sheet of the Group. We focussed on this area because estimates underlying the recoverability of goodwill and intangible assets are subject to high estimation uncertainty. In particular, we focussed our audit effort on the "value-in-use" calculations supporting the valuation of goodwill and intangible assets. The directors' assessment of the "value-in-use" of the Group's cash generating units (CGU's) involves judgements about the future results of the business, particularly the assumptions around growth rates and the discount rates applied to future cash flow forecasts, where there is a higher degree of sensitivity.	Our procedures included the following: • Understanding the business processes and controls related to the impairment of goodwill and intangible assets. • Assessing the reasonableness of the impairment model and understanding management's process and judgements utilised for developing estimates and assumptions. This included testing of the underlying "value-in-use" calculation. • Considering any contrary evidence to the assumptions used. • Performing a sensitivity analysis based on reasonably possible outcomes. • Checking the mathematical accuracy of the calculation. Based on procedures performed, we noted no material issues.

We determined that there were no key audit matters applicable to the Company to communicate in our report.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the Group and the Company, the accounting processes and controls, and the industry in which they operate.

Eckoh plc has both its corporate and operating headquarters in London, United Kingdom. The audit engagement team is aligned to Eckoh plc's geographical organization and largely reflects the management structure. As the Eckoh plc corporate headquarters are based in London, the Group audit engagement team is also based in London with no support required from any auditors from other territories.

The largest trading entity is Eckoh UK. This entity, along with Eckoh US and the Company were the only components requiring an audit of its complete financial information for the purposes of the consolidated Group audit.

In total the audit work performed accounted for 100% of both consolidated Group revenue and profit and 71% of consolidated net assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

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

	Group financial statements	***Company financial statements***
Overall materiality	£214,700 (2018: £115,000).	£150,000 (2018: £100,000).
How we determined it	0.75% of total revenue.	1% of total assets.
Rationale for benchmark applied	We have applied this benchmark as a generally accepted auditing practice for Group's at the growth stage and based on what management deems to be a key performance indicator.	We have applied this benchmark as a generally accepted auditing practice for non-profit oriented holding entities. We believe that total assets provides us with a consistent year on year basis for determining materiality.

For each component in the scope of our Group audit, we allocated a materiality that is less than our overall Group materiality. The range of materiality allocated across components was between "£130,000 and "£150,000".

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £10,700 (Group audit) (2018: £5,750) and £7,500 (Company audit) (2018: £5,750) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

ISAs (UK) require us to report to you when:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's and Company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's and Company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the Group's trade, customers, suppliers and the wider economy.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, 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 audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2019 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the Group and Company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities in respect of the financial statements set out on page 45, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 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 Company or to cease operations, or have no realistic alternative but to do so.

Auditors' 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 auditors' 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.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the Company financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.

Other voluntary reporting

Directors' remuneration

The Company voluntarily prepares a Directors' Remuneration Report in accordance with the provisions of the Companies Act 2006. The directors requested that we audit the part of the Directors' Remuneration Report specified by the Companies Act 2006 to be audited as if the Company were a quoted Company.

In our opinion, the part of the Directors' Remuneration Report to be audited has been properly prepared in accordance with the Companies Act 2006.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
12 June 2019

Financial Statements

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Consolidated statement of total comprehensive income

for the year ended 31 March 2019

	Notes	2019 £'000	2018 Restated £'000
Continuing operations			
Revenue	4	**28,719**	27,237
Cost of sales		**(4,614)**	(3,747)
Gross profit	4	**24,105**	23,490
Administrative expenses		**(22,911)**	(23,297)
Profit from operating activities		**1,194**	193
Adjusted operating profit		**3,086**	3,910
Amortisation of acquired intangible assets	12	**(1,325)**	(2,329)
Legal fees and settlement costs	8	**-**	(595)
Expenses relating to share option schemes	22	**(567)**	(793)
Profit from operating activities	5	**1,194**	193
Finance charges	9	**(77)**	(118)
Change in contingent consideration	29	**-**	975
Finance income	9	**37**	34
Profit before taxation		**1,154**	1,084
Taxation	10	**(209)**	269
Profit for the financial year		**945**	1,353
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		**580**	(157)
Other comprehensive income for the year, net of income tax		**580**	(157)
Total comprehensive income for the year attributable to the equity holders of the parent company		**1,525**	1,196

	2019	2018 Restated
Profit per share	**pence**	pence
Basic earnings per 0.25p share	**0.37**	0.55
Diluted earnings per 0.25p share	**0.36**	0.52

Consolidated statement of financial position

as at 31 March 2019

	Notes	2019 £'000	2018 Restated £'000	1 Apr 2017 Restated £'000
Assets				
Non-current assets				
Intangible assets	12	7,464	7,959	10,150
Tangible assets	13	4,118	4,703	5,023
Deferred tax assets	10	4,081	4,280	4,369
		15,663	16,942	19,542
Current assets				
Inventories	15	458	724	713
Trade and other receivables	16	13,209	11,943	12,279
Cash and cash equivalents	17	11,582	8,164	6,083
		25,249	20,831	19,075
Total assets		40,912	37,773	38,617
Liabilities				
Current liabilities				
Trade and other payables	18	(19,983)	(15,891)	(14,512)
Other interest-bearing loans and borrowings	3	(1,300)	(1,300)	(1,300)
		(21,283)	(17,191)	(15,812)
Non-current liabilities				
Other interest-bearing loans and borrowings	3	(1,950)	(3,250)	(4,550)
Contingent consideration	29	-	-	(975)
Deferred tax liabilities	10	(495)	(674)	(1,383)
		(2,445)	(3,924)	(6,908)
Net assets		17,184	16,658	15,897
Shareholders' equity				
Called up share capital	19	635	631	611
Share premium		2,659	2,640	2,660
ESOP Reserve	20	(393)	(238)	(83)
Capital redemption reserve		198	198	198
Merger reserve		2,697	2,697	2,697
Currency reserve		896	316	473
Retained earnings		10,492	10,414	9,341
Total Shareholders' equity		17,184	16,658	15,897

The financial statements were approved by the Board of Directors on 12 June 2019 and signed on its behalf by:

Chrissie Herbert

CHIEF FINANCIAL OFFICER

Company Registration Number 3435822

Consolidated statement of changes in equity

for the year ended 31 March 2019

	Called up share capital £'000	Share premium £'000	ESOP reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 April 2018	631	2,640	(238)	198	2,697	316	10,414	16,658
Total comprehensive income								
Profit for the financial year	-	-	-	-	-	-	945	945
Foreign currency translation difference	-	-	-	-	-	580	-	580
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**580**	**945**	**1,525**
Dividends paid in the year	-	-	-	-	-	-	(1,392)	(1,392)
Shares transacted through Employee Benefit Trust	-	-	-	-	-	-	(3)	(3)
Purchase of own shares	-	-	(155)	-	-	-	-	(155)
Shares issued under the share option schemes	4	19	-	-	-	-	-	23
Share based payment charge	-	-	-	-	-	-	567	567
Deferred tax on share options	-	-	-	-	-	-	(39)	(39)
Total contributions and distributions	**4**	**19**	**(155)**	**-**	**-**	**-**	**(867)**	**(999)**
Total transactions with owners of the Company	**4**	**19**	**(155)**	**-**	**-**	**-**	**(867)**	**(999)**
Balance at 31 March 2019	**635**	**2,659**	**(393)**	**198**	**2,697**	**896**	**10,492**	**17,184**

for the year ended 31 March 2018

	Called up share capital £'000	Share premium £'000	ESOP reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 April 2017 (as previously reported)	611	2,660	(83)	198	2,697	473	13,172	19,728
Restatement (note 1)	-	-	-	-	-	-	(3,831)	(3,831)
Balance at 1 April 2017 (restated)[1]	**611**	**2,660**	**(83)**	**198**	**2,697**	**473**	**9,341**	**15,897**
Total comprehensive income								
Profit for the financial year	-	-	-	-	-		1,353	1,353
Foreign currency translation difference	-	-	-	-	-	(157)	-	(157)
Total comprehensive income (restated)	**-**	**-**	**-**	**-**	**-**	**(157)**	**1,353**	**1,196**
Transactions with owners of the Company								
Contributions and distributions								
Dividends paid in the year	-	-	-	-	-	-	(1,209)	(1,209)
Shares transacted through Employee Benefit Trust	-	-	1	-	-	-	(49)	(48)
Purchase of own shares	-	-	(156)	-	-	-	-	(156)
Shares issued under the share option schemes	20	(20)	-	-	-	-	-	-
Share based payment charge	-	-	-	-	-	-	554	554
Deferred tax on share options	-	-	-	-	-	-	424	424
Total contributions and distributions	20	**(20)**	(155)	**-**	**-**	**-**	**(280)**	**(435)**
Total transactions with owners of the Company	20	**(20)**	(155)	**-**	**-**	**-**	**(280)**	**(435)**
Balance at 31 March 2018 (restated)	**631**	**2,640**	**(238)**	**198**	**2,697**	**316**	**10,414**	**16,658**

1. Restated due to the implementation of IFRS 15

Consolidated statement of cash flows

for the year ended 31 March 2019

	Notes	2019 £'000	2018 Restated £'000
Cash flows from operating activities			
Cash generated in operations	26	7,488	5,829
Taxation		(227)	12
Net cash generated in operating activities		7,261	5,841
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(541)	(646)
Purchase of intangible assets	12	(435)	(323)
Proceeds from sale of intangible assets	12	-	6
Interest paid	9	(77)	(118)
Interest received	9	37	34
Net cash utilised in investing activities		(1,016)	(1,047)
Cash flows from financing activities			
Dividends paid		(1,392)	(1,209)
Repayment of borrowings		(1,300)	(1,300)
Purchase of own shares		(155)	(156)
Issue of shares		23	-
Shares acquired/sold by Employee Benefit Trust		(3)	(48)
Net cash generated in financing activities		(2,827)	(2,713)
Increase in cash and cash equivalents		3,418	2,081
Cash and cash equivalents at the start of the period	17	8,164	6,083
Cash and cash equivalents at the end of the period	17	11,582	8,164

The notes on pages 50 to 86 form an integral part of these financial statements.

Notes to the Financial Statements
for the year ended 31 March 2019

GENERAL INFORMATION

Eckoh plc is a public limited Company and is incorporated and domiciled in England and Wales under the Companies Act 2006. The address of the Company's registered office is Telford House, Corner Hall, Hemel Hempstead, HP3 9HN.

Eckoh plc is a global provider of Secure Payment products and Customer Contact solutions.

1. Basis of Preparation

The Consolidated Financial Statements of Eckoh plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU ("endorsed IFRS"). These Financial Statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at 31 March 2019 as endorsed by the EU.

The following adopted IFRSs have been issued but have not been applied by the Group in these Financial Statements. Their adoption is not expected to have a material effect on the Financial Statements unless otherwise indicated:

Effective for the year ending 31 March 2020

- IFRS 16 Leases, the impact is material and is set out below
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9 Financial instruments
- Amendments to IAS 28 Investments in Associates and Joint Ventures

Effective for the year ending 31 March 2022

- IFRS 17 Insurance contracts

The Directors review newly issued standards and interpretations in order to assess the impact (if any) on the Financial Statements of the Group in future periods.

IFRS 16 Leases -
effective for the year ending 31 March 2020

IFRS 16 "Leases" (IFRS 16) was issued in January 2016. It requires lessees to recognise most leases on the balance sheet, as the distinction between operating and finance leases is removed. Currently, under IAS 17, leases categorised as operating leases are not recognised on the balance sheet. Under the new standard, a right-of-use asset and a lease liability are recognised. The only exceptions are for short-term leases and leases of low-value assets.

As at the reporting date, the Group has non-cancellable operating lease commitments of £0.6 million (note 25 Operating lease commitments). Of these commitments, an immaterial amount relates to short-term leases and leases of low-value assets which will continue to be expensed in the Income Statement. For the remaining lease commitments, the Group expects to recognise right-of-use assets of approximately £0.8 million and lease liabilities of £0.8 million on 1 April 2019. The expected impact to operating profit is an increase of approximately £0.4 million but no overall effect on the profit before tax.

The Group will apply the standard from its mandatory adoption date of 1 April 2019. Right of use assets will be measured on transition as if the new rules had always applied. The Group has taken advantage of the practical expedients available for transition under the standard.

Other amended standards and interpretations are not expected to have a significant impact on the Group's consolidated financial statements.

These Financial Statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union ("EU") and effective at 1 April 2018.

These Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit and loss.

Going Concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are a going concern. As part of its normal business practice the Group prepares annual and longer-term plans and, in reviewing this information, the Company's Directors are satisfied that the Group and the Company have reasonable resources to enable them to continue in business for the foreseeable future. For this reason the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

The Consolidated Financial Statements are presented in Pounds Sterling, which is the Company's functional currency. All financial information presented has been rounded to the nearest one thousand, except where stated.

The principal accounting policies, which have been consistently applied, are described below.

Changes in accounting policy

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. *IFRS 9 Financial Instruments* was implemented without restating comparative information, on the grounds of materiality. *IFRS 15 Revenue from Contracts with Customers* was adopted and the prior year financial statements have been restated. Note 28 sets out the adjustments recognised for each individual line item for the year ended 31 March 2018.

2. Summary of Principal Accounting Policies

Critical accounting policies, estimates and judgements

The preparation of Financial Statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and reasonable expectations of future events. Actual results may differ from those estimates.

The accounting policies cover areas that are considered by the Directors to require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The policies, and the related notes to the financial statements, are found below:

Contract revenue & IFRS 15 transition

The business has transitioned to *IFRS 15: Revenue from Contracts with Customers* with effect from 1 April 2018. Revenue is recognised for product solutions such as the hosted Customer Contact solutions and Secure Payment solutions, which are in effect a hosted solution, when the client goes live with the service. The provision of the solution is deemed to be one single performance obligation and the hardware revenue, the implementation fees and ongoing support and maintenance revenue are spread evenly over the term of the contract once the solution has been delivered to the client. The costs directly attributable to the delivery of the hardware and the implementation fees will be capitalised as 'costs to fulfil a contract' and released over the contract term, thereby also deferring costs to later periods.

Goodwill and Intangible assets impairment

The Group has goodwill and intangible assets as a result of the acquisitions for the Veritape, PSS and Klick2Contact (K2C) businesses over the last few years. Since the K2C Management earn-out period finished in July 2018 Management have been integrating K2C into the Eckoh UK business. On an annual basis the Group undertakes an impairment review of goodwill and intangible assets for each cash generating unit (CGU) using cashflow projections. Following the integration of K2C into Eckoh UK, the CGU's are Eckoh UK and Eckoh US.

Share based payments

The fair value of share-based payments is estimated using the methods detailed in note 22 and using certain assumptions. The Monte Carlo valuation model has been used in determining the fair value of share-based payments. The key assumptions around volatility, expected life and risk free rate of return are based, respectively, on historic volatility over a similar previous period, management's estimate of the average expected period to exercise, and the yield on zero-coupon UK government bonds of a term consistent with assumed option life. Were volatility to be reduced by 10%, the approximate impact on the share-based payment charge in the year is a reduction of £143k. An increase in risk free rate of 1% would result in an increase in the charge of £6k.

Deferred taxation

Deferred tax liabilities are recognised for all taxable temporary differences but, where there exist deductible temporary differences, judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. At 31 March 2019, the Group recognised deferred tax assets of £4.1 million, including £2.4 million in respect of tax losses and tax credits. Deferred tax assets amounting to £5.9 million were not recognised in respect of trading losses and £0.6 million in respect of capital losses of £5.3 million which are restricted. It is possible that the deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from estimates.

BASIS OF CONSOLIDATION

(a) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date - i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The Financial Statements of subsidiaries are included in the Consolidated Financial Statements from the date that control commences until the date that control ceases.

(c) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the Consolidated Financial Statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

INTANGIBLE ASSETS

(a) Goodwill

Goodwill represents the excess of the fair value of the consideration paid over the fair value attributable to the net assets acquired and is capitalised on the Group balance sheet.

Goodwill is not amortised and is reviewed for impairment at least annually. Any impairment is recognised in the period in which it is identified.

(b) Acquired intangible assets

Intangible assets acquired by the Group are capitalised at the fair value of the consideration paid and amortised over their expected useful economic lives. The expected useful economic life of intangible assets is assessed for each acquisition as it arises. The acquired intangibles currently held are amortised over the following period:

Customer relationships – 5 years

Intellectual property – 5 years

Trade name – 3 years

(c) Research and development

Research costs are charged to the income statement in the year in which they are incurred. Development expenses include expenses incurred by the Group to set up or enhance services to clients. Development costs that mainly relate to staff salaries are capitalised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Development costs that do not meet those criteria are expensed as incurred. Capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset, which is generally assumed to be three years.

Amortisation is charged to administrative expenses in the income statement.

The carrying value of intangible assets is assessed at the end of each financial year for impairment. See the policy entitled impairment of non-financial assets below.

Impairment of non-financial assets

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and the value-in-use based on an internal discounted cash flow evaluation. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

TANGIBLE ASSETS

(a) Land and buildings

Land and buildings are stated at cost or fair value at acquisition, net of depreciation and any provisions for impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

(b) Property, plant and equipment

Property, plant and equipment is stated at cost or fair value at acquisition, net of depreciation and any provisions for impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The gain or loss arising on the disposal of an asset is determined by comparing the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. Depreciation is calculated using the straight-line method to allocate the cost of each asset to its estimated residual value over its expected useful life, as follows:

Land – is not depreciated
Buildings – 25 years
Fixtures and equipment – between 3 and 6 years
Leasehold improvements – over the term of the lease

Material residual values and useful lives are reviewed, and adjusted if appropriate, at least annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

FINANCIAL ASSETS

Financial assets include investments in companies other than Group companies, trade and other receivables (see separate policy) financial receivables held for investment purposes, treasury shares and other securities. A permanent impairment is provided as a direct reduction of the securities account.

The Group classifies its financial assets in the following categories: available for sale investments and loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification is determined by management at initial recognition.

(a) available-for-sale investments:

are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included within non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date and they are carried at fair value.

(b) loans and receivables:

are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. Trade and other receivables which principally represent amounts due from customers and other third parties, are carried at original invoice value less an estimate made for bad and doubtful debts. They are included within current assets, with the exception of those with maturities greater than one year, which are included within non-current assets. Loans and receivables are included within trade and other receivables in the balance sheet.

Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

An assessment for impairment is undertaken annually. Management consider the financial information in respect of entities from which receivables are due.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

INVENTORIES

Inventories are valued at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises design costs, direct labour and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are recognised initially at fair value, and subsequently at amortised cost using the effective interest rate method, less provision for impairment. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for an extended period.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term investments, with maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

SHORT-TERM INVESTMENTS

Short-term investments comprise funds which have been invested in short-term deposit accounts with maturities of less than twelve months and amounts held in escrow. Credit and liquidity risk management is described in note 3.

EQUITY

Equity comprises the following:

Share capital represents the nominal value of Ordinary Shares.

ESOP reserve represents the amount paid for Ordinary Shares held by the Employee Share Ownership Plan.

Capital redemption reserve represents the maintenance of capital following the share buy back and tender offer.

Share premium reserve represents consideration for Ordinary Shares in excess of the nominal value.

Merger reserve represents consideration in excess of the nominal value of shares issued on certain acquisitions.

Currency reserve represents exchange differences arising on consolidation of Group companies with a functional currency different to the presentation currency.

Retained earnings represent retained profits less losses and distributions.

DIVIDENDS

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Shareholders. Interim dividends are recognised when paid.

FOREIGN CURRENCY TRANSACTIONS

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The Group does not enter into forward contracts to hedge forecast transactions.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve or non-controlling interest, as the case may be. When a foreign operation is disposed of, such that control, joint control or significant influence (as the case may be) is lost, the entire accumulated amount in the FCTR, net of amounts previously attributed to non-controlling interests, is recycled to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while still retaining control, the relevant proportion of the accumulated amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while still retaining significant influence or joint control, the relevant proportion of the cumulative amount is recycled to profit or loss.

LEASES

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

PROVISIONS

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability.

EMPLOYEE BENEFITS

(a) Pensions

The Group operates a group personal pension scheme. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions payable are charged in the income statement in the year in which they are incurred.

(b) Bonus schemes

The Group recognises a liability and an expense for bonuses payable to: i) employees based on a formula derived from management assessment of individual performance; and ii) senior management and executive directors based on achievement of a series of financial and non-financial targets. A provision is recognised where there is a past practice that has created a constructive obligation.

(c) Share-based payments

From time to time on a discretionary basis, the Board of Directors award high-performing employees bonuses in the form of share options. The options are subject to a three year vesting period and their fair value is recognised as an employee benefits expense with a corresponding increase in equity over the vesting period. The fair value of share options granted is recognised within staff costs with a corresponding increase in equity. The proceeds received are credited to share capital and share premium when the options are exercised.

The fair value of share options was measured using the Monte Carlo valuation model, taking into account the terms and conditions upon which the grants were made. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold of vesting.

IFRS 2 has been applied to all options granted after 7 November 2002 that have not vested on or before 1 April 2006. A deferred tax adjustment is also made relating to the intrinsic value of the share options at the balance sheet date (see separate policy).

As a result of the grant of share options since 6 April 1999 the Company will be obliged to pay employer's National Insurance contributions on the difference between the market value of the underlying shares and their exercise price when the options are exercised. A provision is made for this liability using the value of the Company's shares at the balance sheet date and is spread over the vesting period of the share options.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase to equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

(d) Employee Share Ownership Plan

The Group's Employee Share Ownership Plan ('ESOP') is a separately administered trust. The assets of the ESOP comprise shares in the Company and cash. The assets, liabilities, income and costs of the ESOP have been included in the financial statements in accordance with SIC 12, 'Consolidation - Special purpose entities' and IAS 32, 'Financial Instruments: Disclosure and Presentation'. The shares in the Company are included at cost to the ESOP and deducted from Shareholders' funds. When calculating earnings per share these shares are treated as if they were cancelled.

REVENUE RECOGNITION

The Group recognises revenue in accordance with *IFRS 15: Revenue from Contracts with Customers.* IFRS 15 provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. Revenue represents the fair value of the sale of goods and services and after eliminating sales within the Group and excluding value added tax or overseas sales taxes.
The following summarises the method of recognising revenue for the solutions and products delivered by the Group.

(i) Secure Payment solutions and hosted services

Due to the unique nature of the Secure Payments solution, the delivery and on-going support and maintenance of the Secure Payments solution under IFRS 15 is one single performance obligation, therefore revenue for implementation fees for our hosted Secure Payments solution and our hosted Customer Contact services; and revenue for hardware and implementation fees for our hosted or on-site Secure Payments solution will be recognised evenly over the period of the contract from the point of delivery of the solution to the client. Costs directly attributable to the delivery of the hardware, the implementation fees and the sales commission costs will be capitalised as 'costs to fulfil a contract' and released over the contract term from the point of delivery of the solution to the client.

In addition to the initial set-up costs, there are on-going support and maintenance and running costs of the service. In the UK the revenue is typically recognised on a transaction basis, where the business has determined that users have accessed its services via a telephone carrier network and/or the Group's telecommunications call processing equipment connected to that network. In the US business where the Secure Payments business is contracted on an opex style basis the monthly license fee charged to the client is recognised in the month it relates to.

(ii) Third party support services

Revenue is earnt from providing expert Third Party Support for contact centre infrastructure and is recognised on a pro-rated basis over the period of the contract.

(iii) Coral product

Revenue arises from the sale of licences, implementation fees and on-going support and maintenance. Under IFRS 15, each component is defined as a performance obligation. Revenue is recognised for sales of licences when they are delivered to the client; revenue from implementation fees is recognised by estimating a percentage of completion based on the direct labour costs incurred to date as a proportion of the total estimated costs required to complete the implementation; and revenue for on-going support and maintenance is recognised each month.

ALTERNATIVE PERFORMANCE MEASURES (APMS)

This report provides APMs which are not defined or specified under the requirements of International Financial Reporting Standards (IFRS). We believe these APMs provide readers with additional information on our business to understand trading performance and facilitate the reader to compare performance against prior years more easily. In particular, the Group presents on the face of the income statement those material items of expenditure which, because of their nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholders to understand the elements of financial performance in the period. The measures used are adjusted operating profit, adjusted earnings before interest, tax, depreciation and expenses and adjusted administrative expenses.

FINANCE FEES

Finance fees are credited or charged to the income statement and reflects movements in contingent consideration in the year.

TAXATION

Current tax is the tax currently payable based on taxable profit for the year.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the Consolidated Financial Statements. Deferred tax is not provided if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

FINANCIAL LIABILITIES

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are stated at amortised cost.

A financial liability is derecognised only when the obligation is discharged, is cancelled or it expires.

3. Financial risk management

The operations of the Group expose it to a variety of financial risks: liquidity risk, interest rate risk and foreign currency risk. Policies for managing these risks are set by the Board following recommendations from the Chief Financial Officer. All financial risks are managed centrally. The policy for each of the above risks is described in more detail below.

The Group's financial instruments comprise cash, short-term deposits, finance leases and various items, such as receivables and payables that arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. Similarly the Group did not undertake any financial hedging arrangements during the year under review. The year-end position reflects these policies and there have been no changes in policies or risks since the year-end.

LIQUIDITY RISK

Through detailed cash flow forecasting and capital expenditure planning, the Group monitors working capital and capital expenditure requirements and through the use of rolling short-term investments ensures that cash is available to meet obligations as they fall due. Cash at bank is pooled and invested in overnight money market accounts and deposits.

The contractual maturities of financial liabilities are set out in note 21.

INTEREST RATE RISK

The Group principally finances its operations through Shareholders' equity and working capital. The Group took borrowings during the year applying variable interest rates, and now has exposure to interest rate fluctuations on the loan, its cash and short-term deposits.

The Group has adopted a sensitivity analysis that measures changes in the fair value of financial instruments and interest-bearing loans and any resultant impact on the income statement of an increase or decrease of 2% in market interest rates.

	2% decrease in interest rates £'000	**2% increase in interest rates £'000**
Impact on financial interest in the income statement: (loss)/gain	27	(27)

FOREIGN CURRENCY RISK

The Group's principal exposure to exchange rate fluctuations arises on the translation of overseas net assets, profits and losses into the presentation currency. This risk is managed by taking differences that arise on the retranslation of the net overseas investments to the currency reserve. Foreign currency risk on cash balances is monitored through cash flow forecasting and currency is held in foreign currency bank accounts only to the extent that it is required for working capital purposes.
No sensitivity analysis is provided in respect of foreign currency risk as due to the Group's working capital management practices, the risk is considered to be moderate. The risk is further explained in the principal risks and uncertainties on pages 12 & 13.

CAPITAL MANAGEMENT

The Board's policy is to maintain a strong capital base with the joint objectives to maintain investor, creditor and market confidence and to sustain future development of the business. Capital comprises all components of equity (i.e. share capital, capital redemption reserve, share premium and retained earnings). The Board manages the capital structure and makes adjustments as required in the light of changes in economic conditions. The Board may return capital to Shareholders, issue new shares or sell assets in order to maintain capital.

Credit risk management is described in note 16.

FINANCIAL ASSETS

Current financial assets	2019 £'000	2018 £'000
Trade receivables (note 16)	4,340	5,149
Other receivables (note 16)	525	86
Cash and cash equivalents (note 17)	11,582	8,164
Total financial assets	**16,447**	13,399

FINANCIAL LIABILITIES

All financial liabilities held by the Group, except for contingent consideration, are measured at amortised cost and comprise trade payables of £1,404,000 (2018: £2,958,000) and other payables of £108,000 (2018: £72,000). See note 18 for further details.

OTHER INTEREST-BEARING LOANS AND BORROWINGS

Information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost are disclosed below. For more information about the Group's exposure to interest rate and foreign currency risk, see above.

Non-current financial liabilities	2019 £'000	2018 £'000
Secured bank loans	1,950	3,250
Current financial liabilities		
Current portion of secured bank loans	1,300	1,300

Terms and debt repayment schedule

	Currency	Nominal interest rate	Maturity date	Carrying amount 2019 £'000
Bank Loan	**Sterling**	**1.25% plus LIBOR.**	**See note 21**	**3,250**

The collateral to these loans is the land and buildings carrying value of £3m.

4. Segment analysis

The segmentation is based on analysing Eckoh UK including PSS UK and K2C, and Eckoh US which includes PSS Inc.

Information regarding the results of each operating segment is included below. Performance is measured based on segment profit or loss before taxation as included in the internal management reports provided to the Chief Executive Officer.

Current period segment analysis	Eckoh UK £'000	Eckoh US £'000	Total 2019 £'000	Total 2018 Restated £'000
Segment Revenue	**19,399**	**9,320**	**28,719**	**27,237**
Gross profit	16,527	7,578	**24,105**	23,490
Administrative expenses	(14,140)	(8,771)	**(22,911)**	(23,297)
Profit from operating activities	**2,387**	**(1,193)**	**1,194**	**193**
Adjusted operating profit	**3,621**	**(535)**	**3,086**	**3,910**
Other expenses[1]	(1,234)	(658)	**(1,892)**	(3,717)
Operating profit	**2,387**	**(1,193)**	**1,194**	193
Interest received	37	-	**37**	1,009
Finance charges	(77)	-	**(77)**	(118)
Profit before taxation	**2,347**	**(1,193)**	**1,154**	**1,084**
Taxation (charge) / credit	(65)	(144)	**(209)**	269
Profit after taxation	2,282	(1,337)	**945**	1,353
Segment assets				
Trade receivables	2,477	1,863	**4,340**	5,149
Deferred tax asset	3,522	559	**4,081**	3,790
Segment liabilities				
Trade and other payables	1,811	1,426	**3,237**	3,030
Capital expenditure				
Purchase of tangible assets	443	98	**541**	646
Purchase of intangible assets	435	-	**435**	323
Depreciation and amortisation				
Depreciation	751	209	**960**	914
Amortisation	942	658	**1,600**	2,654

1. Other expenses include expenses relating to share option schemes, acquisition costs, legal fees and settlement costs and, amortisation of acquired intangible assets.

In 2018/19 and 2017/18 there was no one customer that individually accounted for more than 10% of the total revenue of the continuing operations of the company.

The key segments reviewed at Board level are the UK, including K2C (renamed as Eckoh Omni) and US operations.

Revenue by geography	Eckoh UK £'000	Eckoh US £'000	2019 £'000	2018 Restated £'000
UK	19,132	-	**19,132**	18,152
United States of America	-	8,997	**8,997**	8,675
Rest of the World	267	323	**590**	410
Total Revenue	19,399	9,320	**28,719**	27,237

Timing of revenue recognition	Eckoh UK £'000	Eckoh US £'000	Total 2019 £'000
Services transferred at a point in time	17,467	8,121	**25,588**
Services transferred over time	1,932	1,199	**3,131**
	19,399	9,320	**28,719**

The following table provides information about receivables, contract assets and contract liabilities from contracts with customers.

	2019 £'000	2018 Restated £'000
Receivables, which are included in, 'Trade and other receivables'	**464**	263
Contract assets which are included in 'Trade and other receivables'	**4,221**	1,943
Contract liabilities which are included in 'Trade liabilities'	**(11,666)**	(8,006)
Total Revenue	**(6,981)**	(5,800)

Payment terms and conditions in client contracts may vary. In some cases, clients pay in advance of the delivery of solutions or services; in other cases, payment is due as services are performed or in arrears following the delivery of the solutions or services. Differences in timing between revenue recognition and invoicing result in trade receivables, contract assets, or contract liabilities in the statement of financial position.

Contract assets result when amounts allocated to distinct performance obligations are recognised when or as control of a good or service is transferred to the client but invoicing or revenue recognition is contingent on performance of other performance obligations such as delivery of the solution to the client.

Contract liabilities result from client payments in advance of the satisfaction of the associated performance obligations and relates primarily to revenue for hardware and implementation fees. Deferred revenue is released as revenue is recognised. Contract assets and deferred revenues are reported on a contract by contract basis at the end of each reporting period.

Significant changes in the contract assets and contract liabilities balances during the period are as follows:

	Contract assets £'000	31 Mar 2019 Contract liabilities £'000
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	**3,131**
Cost of sales recognised that was included in the contract assets balance at the beginning of the period	656	-

Contract costs	31 Mar 2019 £'000
Deferred implementation fees	**2,121**
Deferred hardware costs	**2,100**
	4,221

Contract costs are capitalised as 'costs to fulfil a contract' and are amortised when the related revenues are recognised, which are spread evenly over the length of the contract, typically 3 years.

Transaction price allocated to the remaining performance obligations

The total amount of revenue held in contract liabilities and allocated to unsatisfied performance obligations is £11.7m. We expect to recognise approximately £4.8m in the next 12 months, £6.8m in 1-3 years and the remainder in 3 years or more in time.

The amount represents our best estimate of contractually committed revenues that are due to be recognised as we satisfy the contractual performance obligations in these contracts. A large proportion of the Group's revenue is transactional in nature or is invoiced monthly for support and maintenance and these are not included in the contract liabilities.

Prior period segment analysis	Eckoh UK £'000	Eckoh US £'000	Total 2019 £'000	Total 2018 Restated £'000
Segment revenue	17,601	8,803	833	27,237
Gross profit	15,113	7,683	694	23,490
Administrative expenses	(13,533)	(9,159)	(605)	(23,297)
Operating profit	**1,580**	**(1,476)**	**89**	**193**
Adjusted operating profit	**4,701**	**(880)**	**89**	**3,910**
Other expenses[1]	(3,121)	(596)	-	(3,717)
Operating profit / (loss)	**1,580**	**(1,476)**	**89**	**193**
Interest received	1,008	-	1	1,009
Finance charges	(94)	**(24)**	-	(118)
Profit / (loss) before taxation	**2,494**	**(1,500)**	**90**	**1,084**
Taxation credit / (charge)	64	218	(13)	269
Profit / (loss) after taxation	2,558	(1,282)	77	1,353
Segment assets				
Trade receivables	2,801	2,175	173	5,149
Deferred tax asset	4,035	454	47	4,537
Segment liabilities				
Trade and other payables	1,349	1,608	73	3,030
Capital expenditure				
Purchase of tangible assets	590	56	-	646
Purchase of intangible assets	318	5	-	323
Depreciation and amortisation				
Depreciation	741	162	9	912
Amortisation	2,633	21	-	2,654

1. Other expenses include expenses relating to share option schemes, acquisition costs, legal fees and settlement costs and, amortisation of acquired intangible assets.

Revenue by geography	Eckoh UK £'000	Eckoh US £'000	K2C £'000	2018 £'000
UK	17,354	-	798	18,152
United States of America	137	8,535	3	8,675
Rest of the World	110	268	32	410
Total Revenue	17,601	8,803	833	27,237

5. Profit from operating activities

	2019 £'000	2018 £'000
The Group's profit from operating activities is arrived at after charging:		
Employee benefits expense (note 6)	12,267	11,324
Depreciation (note 13)	960	914
Amortisation (note 12)	1,600	2,654
Operating lease payments – property	450	467

6. Employee benefits expense

	2019 £'000	2018 £'000
Wages and salaries	10,578	10,301
Less: Internal development costs capitalised in the year	(271)	(254)
Amortisation of internal development costs	255	239
Social security costs	987	381
Pension costs	151	103
Share based payments	567	554
	12,267	11,324

The Directors' report on pages 43 to 45 provides further details on the Directors' emoluments. The average number of people (including Executive Directors) employed by the Group during the year was:

	2019 Number	2018 Number
Technical support	110	106
Customer services	29	28
Administration and management	91	80
	230	214

Excluded from the table above are 33 (2018: 38) full time equivalent casual call centre employees who cost £424,912 (2018: £354,832) in the year.

7. Auditor remuneration

During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

	2019 £'000	2018 £'000
Fees payable for the audit of the parent company and consolidated accounts	39	16
Fees payable for other services:		
The audit of subsidiary undertakings comprising continuing operations	85	74
Total fees payable to the Group's auditor	124	90

8. Legal fees and settlement costs

	2019 £'000	2018 £'000
Legal fees and settlement costs	-	595
	-	595

As disclosed in the 2017 Annual Report and the Interim Statement in November 2017, in the financial year 2016/17, the Group received a legal claim from a client that had discontinued a project related to the closed professional services divisions in the acquired PSS Inc business.

The Group has vigorously defended the claim, however, in the year ended March 2018 we chose to settle the claim with the client to bring this matter to a close. The Group is not aware of any other contractual commitments from the closed professional services division.

9. Finance income and finance charges

	2019 £'000	2018 £'000
Interest receivable		
Bank interest receivable	37	34
	37	34

	2019 £'000	2019 £'000
Finance charges		
Bank interest payable	(77)	(118)
	(77)	(118)

10. Taxation

	2019 £'000	2018 Restated £'000
Tax recognised in profit and loss		
Current tax expense		
Current year	229	1
Adjustments in respect of prior periods	-	1
	229	2
Deferred tax credit		
Origination and reversal of temporary differences	(10)	126
Adjustments in respect of prior periods	7	(54)
Foreign exchange translation	(8)	7
Effect of tax rate change	(9)	(350)
	(20)	(271)
Total tax charge / (credit)	**209**	(269)

A charge of £39,000 (2018: credit of £424,000) for deferred taxation in relation to share options was recognised directly in equity.

The tax charge for the year is different (2018: different) to the standard rate of corporation tax in the UK of 19% (2018: 19%). The differences are explained below:

Continuing operations	2019 £'000	2018 Restated £'000
Profit before taxation	1,154	1,084
Profit multiplied by rate of corporation tax in the UK of 19% (2018: 19%)	220	206
Additional foreign tax suffered	28	1
Effect of expenses not deductible for tax purposes	16	25
Adjustments in respect of prior periods (current and deferred)	7	(53)
Non-taxable income	-	15
Movement on deferred tax not recognised	(15)	(23)
Effect of tax rate adjustment on closing recognised deferred tax balance	(38)	(90)
Deferred tax impact of rate change on intangible assets	(9)	(350)
Tax charge / (credit) for the year	**209**	(269)

Recognition of deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2019 £'000	2018 Restated £'000	2019 £'000	2018 Restated £'000	2019 £'000	2018 Restated £'000
Capital allowances differences	-	-	-	-	-	-
Short term timing differences	1,168	1,632	-	-	1,168	1,632
Tax losses	2,438	2,088	-	-	2,438	2,088
Property, plant and equipment	475	560	(385)	(113)	90	447
Intangible assets	-	-	(110)	(561)	(110)	(561)
Tax losses carried forward	**4,081**	4,280	**(495)**	(674)	**3,586**	3,606

Movement in deferred tax balances during the year

	2019 £'000	2018 Restated £'000
Balance at 1 April (as previously reported)	3,607	2,340
Restatement (note 1)	-	559
Balance at 1 April (restated)	3,607	2,899
Recognised in income statement	19	271
Recognised in equity	(40)	424
Recognised in OCI	-	12
Other	-	1
Balance at 31 March (restated)	**3,586**	3,607

Unrecognised deferred tax assets

There are unprovided deferred taxation assets totalling £5,855,000 (2018 restated: £5,870,000) in respect of trading losses and £597,000 (2018: £612,000) in respect of capital losses of £5,258,000 (2018: £5,258,000) which are restricted. The trading losses have not been recognised due to the uncertainty of the profits being available to utilise these.

11. Earnings per share

The basic and diluted earnings per share are calculated on the following profit and number of shares. Earnings for the calculation of earnings per share is the net profit attributable to equity holders of the parent.

	2019 £'000	2018 Restated £'000
Earnings for the purposes of basic and diluted earnings per share	**945**	1,353

Denominator	2019 £'000	2018 £'000
Weighted average number of shares in issue in the period	253,117	247,424
Shares held by employee ownership plan	(1,363)	(805)
Shares held in Employee Benefit Trust	-	-
Number of shares used in calculating basic earnings per share	251,754	246,619
Dilutive effect of share options	10,263	12,384
Number of shares used in calculating diluted earnings per share	**262,017**	259,003

12. Intangible assets

Group	Goodwill	Computer software	Customer relationships	Intellectual property	Trade name	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2017 (restated)	5,120	3,951	3,596	7,066	381	20,114
Additions	-	261	-	62	-	323
Reclass of assets	-	(95)	-	95	-	-
Foreign exchange	(288)	(7)	(241)	(36)	(26)	(598)
Disposals	-	(1,531)	-	(5)	-	(1,536)
At 31 March 2018	4,832	2,579	3,355	7,182	355	18,303
Additions	-	417	-	18	-	435
Transfer from tangible assets	-	225	-	-	-	225
Foreign exchange	182	-	271	36	29	518
At 31 March 2019	**5,014**	**3,221**	**3,626**	**7,236**	**384**	**19,481**
Accumulated amortisation						
At 1 April 2017	-	3,157	819	5,153	85	9,214
Reclass of assets	-	(15)	-	15	-	-
Charge for the year	-	387	802	1,365	100	2,654
Foreign exchange	-	6	-	-	-	6
Disposals	-	(1,530)	-	-	-	(1,530)
At 31 March 2018	-	2,005	1,621	6,533	185	10,344
Charge for the year	-	339	729	445	87	1,600
Transfer from tangible assets	-	32	-	-	-	32
Foreign exchange	-	-	31	6	4	41
At 31 March 2019	**-**	**2,376**	**2,381**	**6,984**	**276**	**12,017**
Carrying amount						
At 31 March 2019	**5,014**	**845**	**1,245**	**252**	**108**	**7,464**
At 31 March 2018	4,832	574	1,734	649	170	7,959

Within the intangible category of computer software in the above table is internally developed computer software, as at 31 March 2019 this had a net book value of £591k (2018: £574k).

Amortisation of acquired intangible assets included in the charge for the year in the above table was £1,325k (2018: £2,329k), within the internally generated software is an intangible asset acquired when K2C was purchased.

On an annual basis the impairment review of goodwill is undertaken to determine a value in use calculation for each cash generating unit (CGU) using cashflow projections. Management have identified the CGUs as Eckoh UK, including K2C (renamed in 2018/19 as Eckoh Omni) and Eckoh US in the prior year. Management have performed a profitability forecast for the next five years for each of the CGUs, which are based on the latest three year plan approved by the Board and modified as appropriate to reflect the latest conditions. Management are satisfied that the carrying value of Goodwill and Other Intangible Assets are supported based on the expected performance of the CGUs.

Goodwill acquired through business combinations have been allocated to the following CGUs:

- Eckoh – UK
- Eckoh – US

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

	Goodwill 31 Mar 2019 £'000	Goodwill 31 Mar 2018 £'000	Market growth rate %	Discount rate %
Eckoh - UK	**2,373**	348	5%	13.9%
Eckoh - US	**2,641**	2,459	20%	13.9%
K2C	**-**	2,025	10%	15.8%
Total	**5,014**	**4,832**		

As at 31 March 2018, there was Goodwill relating to the acquisition of K2C, following the earn-out period of K2C Management ceasing in July 2018, this is now held as part of the CGU Eckoh UK Limited.

No impairment has been recorded in the current year for Eckoh UK or Eckoh US. The main assumptions which related to sales volume, selling prices and cost changes, are based on recent history and explanations of future changes in the market. The discount rate applied to the cash flow forecasts is based on a market participant's pre-tax weighted average cost of capital adjusted for the specific risks in the CGUs. Growth rate used to extrapolate beyond the plan year and terminal values are based upon minimum expected growth rates of the individual business.

Sensitivity to the changes in assumptions

If forecast revenues fell by 40%, no impairment in the carrying values of Eckoh UK and Eckoh US would be required, in addition if there was no further growth in either Eckoh UK or Eckoh US, no impairment in the carrying value of Eckoh UK and Eckoh US would be required.

13. Tangible assets

	Leasehold improvements £'000	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost				
At 1 April 2017	32	3,068	10,837	13,937
Additions	-	-	646	646
Foreign exchange	(3)	-	(99)	(102)
Disposals	-	-	(4,664)	(4,664)
At 31 March 2018	29	3,068	6,720	9,817
Additions	1	-	541	542
Transfer to intangible assets	-	-	(225)	(225)
Foreign exchange	-	-	26	26
At 31 March 2019	**30**	**3,068**	**7,062**	**10,160**
Depreciation				
At 1 April 2017	10	96	8,808	8,914
Charge for the year	9	42	863	914
Foreign exchange	(1)	-	(49)	(50)
Disposals	-	-	(4,664)	(4,664)
At 31 March 2018	18	138	4,958	5,114
Charge for the year	11	43	906	960
Transfer to intangible assets	-	-	(32)	(32)
Foreign exchange	1	-	(1)	-
At 31 March 2019	**30**	**181**	**5,831**	**6,042**
Carrying amount				
At 31 March 2019	**-**	**2,887**	**1,231**	**4,118**
At 31 March 2018	**11**	**2,930**	**1,762**	**4,703**

14. Investment in subsidiary undertakings

The company has the following investments in subsidiaries, which are included in the Consolidated Financial Statements:

Subsidiary undertakings	Country of incorporation	Principal activities	Percentage of share capital held
Eckoh UK Limited	England and Wales (ii)	Secure Payment & Customer engagement Solutions	100%
Veritape Limited	England and Wales (ii)	Non trading	100%
Eckoh LLC	United States of America (iii)	Non trading	100%
Eckoh Inc	United States of America (iv)	Secure Payment Solutions & Support Solutions	100%
Eckoh France SAS	France (vi)	Non trading	100% (i)
Eckoh Enterprises Limited	England and Wales (ii)	Dormant	67% & 33% (i)
Eckoh Projects Limited	England and Wales (ii)	Non trading	100%
Avorta Limited	England and Wales (ii)	Dormant	100% (i)
Eckoh Technologies Limited	England and Wales (ii)	Dormant	100% (i)
Intelliplus Group Limited	England and Wales (ii)	Dormant	100%
Intelliplus Limited	England and Wales (ii)	Non-Trading	100% (i)
Medius Networks Limited	England and Wales (ii)	Non-Trading	100% (i)
Telford Projects Limited	England and Wales (ii)	Dormant	100%
Swwwoosh Limited	England and Wales (ii)	Dormant	100% (i)
365 Isle of Man Limited	Isle of Man (v)	Dormant	100%(i)
Eckoh Omni Ltd	England and Wales (ii)	Cloud-based Software Provider	100%

(i) Share capital held by a subsidiary undertaking.

(ii) The registered office is Telford House, Corner Hall, Hemel Hempstead, HP3 9HN.

(iii) The registered office is c/o National Registered Agents Inc., 160 Greentree Drive, Suite 101, Dover, Delaware 19904.

(iv) The registered office is 7172 Regional Street. #431, Dublin, California 94568.

(v) The registered office is First Names House, Victoria Street, Douglas, Isle of Man, IM2 4DF.

(vi) The registered office is Rue De La Vieille Poste Parc, Industriel et Technologique de la Pompignane, 34000 Montpellier.

All companies hold ordinary class shares and have March year-ends, with the exception of Veritape, which has a September year end. Information in relation to geographical operations is set out in note 4.

The subsidiary undertaking Eckoh Omni Limited (registered number: 07553916) is exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act.

15. Inventories

	2019 £'000	2018 £'000
Finished goods	458	718
Work in progress	-	6
	458	724

The cost of inventory recognised as an expense during the year was £189k (2018: £72k).

16. Trade and other receivables

Current	2019 £'000	2018 Restated £'000
Trade receivables	4,340	5,175
Less: provision for impairment of receivables	-	(26)
Net trade receivables	4,340	5,149
Corporation tax debtor	-	19
Other receivables	525	86
Prepayments and accrued income	8,344	6,689
	13,209	11,943

Trade receivables are stated after provisions for impairment of £nil (2018: £26k).

Gross trade receivables - ageing	2019 £'000	2018 £'000
Current	3,005	4,082
1-30 days	885	963
31-60 days	266	69
61-90 days	27	17
Over 90 days	157	44
	4,340	5,175

The Directors consider that the carrying value of the trade and other receivables approximate to their fair value.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's trade and other receivables. Concentrations of credit risk with respect to trade receivables are limited due to working capital practices of the market sector and the Group; and the nature of the Group's customer base. The working capital practices of the market sector within which the Group operates are such that the majority of the trade receivables balance is due from the telephony carriers under a self-bill agreement. The reputable nature of the Group's current customer base limits exposure to credit risk.

17. Cash and cash equivalents

	2019 £'000	2018 £'000
Sterling	10,963	7,950
Euro	31	51
US dollars	588	163
	11,582	8,164

	2019 £'000	2018 £'000
Floating rate	10,963	7,950
Euro	31	51
US dollars	588	163
	11,582	8,164

Cash and cash equivalents comprise cash held by the Group. Surplus cash is placed in an interest bearing account. The average interest rate on the interest bearing account during the year was 0.55% (2018: 0.22%).

The Group's financial risk management is disclosed in note 3.

18. Trade and other payables

	2019 £'000	2018 Restated £'000
Trade payables	1,404	2,958
Other payables	108	72
Other taxation and social security	1,072	732
Accruals and deferred income	17,399	12,129
	19,983	15,891

All of the amounts above are payable within one year and trade payables that are more than three months old at the year-end represent £24,514 (2018: £39,829).

The Group's exposure to liquidity risk is disclosed in note 3.

19. Called up share capital

Allotted called up and fully paid

Share type	Number of shares	Nominal value £'000
Ordinary Shares of 0.25p each		
At 1 April 2018	252,513,520	631
Shares issued under the share option schemes	1,608,248	4
At 31 March 2019	254,121,768	635

All Ordinary Shares in issue are fully paid. The holders of the Ordinary Shares are entitled to receive dividends, if declared, and are entitled to vote at general meetings of the Company. Potential Ordinary Shares are disclosed in note 22.

20. ESOP reserve

	2019 £'000	2018 £'000
ESOP reserve	393	238
	393	238

During the year the Eckoh plc Share Incentive Plan purchased 613,170 shares for the two for one matching element of the UK Share Incentive Plan. Shares are held in a trust in accordance with the terms of the Plan. 928,015 matching shares are held as at 31 March 2019 (2018: 527,032).
In addition to the shares held for the 'Matching' element of the Share Incentive Plan, there are also 362,022 Treasury shares, in total 1,290,037 (2018: 889,054).

21. Non-current liabilities

	Bank Loans £'000	Cash & cash equivalents £'000	Net debt £'000
At 1 April 2018	(4,550)	8,164	3,614
Movement during the year	-	3,418	3,418
Repaid during the year	1,300	-	1,300
At 31 March 2019	**(3,250)**	**11,582**	**8,332**

Loans and borrowings

In July 2016 the Group secured a bank loan with a carrying amount of £6.5m to assist with the acquisition of Klick2Contact EU Ltd and to repay the existing bank loan that had a balance of £3.75m at 31 March 2016 due over 1 year.

The loan of £6.5m is repayable over a period of 5 years. Twenty quarterly repayments of £325,000 commenced in July 2016. A fixed interest is payable at a rate of 1.25 % per annum plus a variable base rate currently 0.82%

Maturity of debt	Bank loans £'000
Less than one year (quarterly)	1,300
More than one year but not more than 2 years	1,300
More than 2 years but no more than five years	650
More than five years	-

22. Share based payments

The Eckoh plc *Share Option Scheme* ('the Scheme') was introduced in November 1999 and re-approved by the Board in the year ended 31 March 2018. Under the Scheme the Board can grant options over shares in the Company to Group employees. The grant price of share options is the middle market quotation price as derived from the Daily Official List of the London Stock Exchange on the date of the grant. The contractual life of an option is ten years. Options granted under the Scheme become exercisable subject to the share price exceeding RPI plus 15% after the third anniversary of the grant date. Exercise of an option is subject to continued employment, with certain exceptions, as specified in the Scheme rules.

The Eckoh plc *Enterprise Management Incentive Scheme* ('the EMI Scheme') was introduced in February 2007. Under the Scheme the Board can grant options over shares in the Company to Group employees. The grant price of share options is the middle market quotation price as derived from the Daily Official List of the London Stock Exchange on the date of the grant. The contractual life of an option is ten years. Options granted under the EMI Scheme become exercisable subject to the percentage growth in earnings per share in the three years following the year of grant being at least 5% (compounded) per annum. Exercise of an option is subject to continued employment, subject to certain exceptions as specified in the EMI Scheme rules.

The Eckoh plc *Share Incentive Plan* ("the Plan") was introduced in September 2016. The Scheme provides employees with the opportunity to acquire shares in Eckoh plc. Shares are purchased on behalf of the employee from amounts sacrificed from their salary on a monthly basis and matched on a two for one basis by the company. Any shares acquired will be held in a trust in accordance with the terms of the Plan. In order to maximise the tax benefits available, the employee must remain employed with the company and hold the shares within the Trust for a minimum of five years.

The Eckoh plc *Performance Share Plan* ("the PSP") was introduced in November 2017, following approval by Shareholders at the 2018 AGM. Initial Awards, at Nominal cost were granted to each of the Executive Directors in November 2017. Each of the PSP awards is subject to a Total Shareholder Return performance condition, measured over a 5 year performance period. Further details are included in the Remuneration Committee report on pages 37 to 42. During the financial year awards have been granted to Senior Management at Nominal cost. Each of the PSP awards is subject to a Total Shareholder Return performance condition, measured over a 3 year performance period.

The fair value of share options granted under the Scheme, the EMI Scheme and the PSP were measured using the QCA-IRS option valuer based on the Black-Scholes formula, taking into account the terms and conditions upon which the grants were made. The fair value per option granted and the assumptions used in the calculation are as follows:

	8 Jun 2012	05 Dec 2014	25 Mar 2015	23 Mar 2016	31 Mar 2017	21 Jun 2017	23 Nov 2017	23 Jul 2018	26 Sep 2018
Share price (pence)	11.125	46.25	37.50	43.50	39.50	47.50	51.25	37.81	34.38
Exercise price (pence)	11.25	46.25	46.5	43.50	39.50	47.50	-	-	-
Number of employees	1	1	1	25	21	1	2	29	1
Shares under option	75,000	150,000	500,000	3,600,000	4,000,000	500,000	6,000,000	1,760,000	100,000
Vesting period (years)	3	3	3	3	3	3	4.33	3	3
Expected volatility	40%	20%	22%	32%	35%	35%	35%	47%	47%
Option life (years)	10	10	10	10	10	10	4.33	3	3
Expected life (years)	3	3	3	3	3	3	4.33	3	3
Risk free rate	2.75%	1.76%	1.76%	0.78%	0.56%	0.56%	0.56%	0.56%	0.56%
Expected dividends expressed as a dividend yield	-	-	-	0.89%	1.14%	1.22%	1.14%	1.53%	1.53%
Fair value per option (pence)	3.18	6.89	6.08	12.00	8.84	10.6	17.00	16.00	16.00

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with assumed option life.

The fair value of share options granted under the Plan was measured using the valuation model. The assumptions used in the calculation are as follows:

Commencement date	2 Sep 2016	5 Dec 2016	7 Jun 2017	1 Dec 2017	1 Jun 2018
Share price (pence)	35.0	47.5	46.6	48.50	39.95
Exercise price (pence)	0.00	0.00	0.00	0.00	0.00
Number of employees	49	44	49	51	48
Shares under option	209,706	178,445	164,204	208,878	195,766
Vesting period (years)	3.50	3.50	3.50	3.50	3.50
Annual attrition	0%	15%	12%	13%	19%
Years to vesting (years)	1.17	1.67	2.17	1.67	3.17
Discounted charge	70,278	45,952	41,506	44,491	41,289

A reconciliation of option movements over the year to 31 March 2019 is shown below:

	2019		2018	
	Number of share options	Weighted average exercise price (pence)	Number of share options	Weighted average exercise price (pence)
Outstanding at 1 April	**19,714,835**	**7.68**	21,279,160	18.43
Granted	**2,264,644**	**0.20**	6,842,649	3.88
Exercised	**(1,638,248)**	**0.50**	(8,306,974)	0.11
Lapsed	-	-	-	-
Forfeited	**(2,050,000)**	**40.97**	(100,000)	43.50
Outstanding at 31 March	**18,291,231**	**17.93**	19,714,835	20.91
Exercisable at 31 March	**4,624,232**	**27.82**	4,062,480	7.68

	2019				2018			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of shares (000s)	Expected	Contractual	Weighted average exercise price (pence)	Number of shares (000's)	Expected	Contractual
0 - 0.5	0.20	10,226	2.43	2.89	0.16	8,325	1.83	8.17
4.5 - 6.5	5.13	265	-	0.92	5.13	265	-	1.92
10.5 - 12.5	11.06	300	-	2.80	11.05	375	-	3.84
37.5 - 39.5	39.42	3,850	0.94	7.94	39.24	5,000	1.75	8.75
42.5 - 44.5	43.50	3,350	0.01	6.99	43.50	4,100	0.99	7.99
46.5 – 48.5	47.50	500	1.22	8.22	47.50	500	2.22	9.22

The total charge for the year relating to employee share based payment plans was £567,000 (2018: £554,000) all of which related to equity-settled share based payment transactions.

23. Pension commitments

The Group operates a Group personal pension scheme and, in addition, the subsidiary company Eckoh UK Limited operates a defined contribution pension scheme. The assets of the pension schemes are held separately from those of the Group in independently administered funds. The pension charge represents contributions payable by the Group to the funds. There were no outstanding or proposed contributions at the balance sheet date.

24. Related party transactions

Eckoh plc is the parent and ultimate controlling company of the Eckoh Group, the Consolidated Financial Statements of which include the results of the subsidiary undertakings set out in note 14.

Each subsidiary is 100% owned by the Eckoh Group and is considered to be a related party.

Directors and key management includes the staff costs of the Directors and the Management Team.

	2019 £'000	2018 £'000
Directors and other key management		
Wages and salaries	1,157	856
Social security costs	130	619
Pension costs	28	37
Share based payments	-	50
	1,315	1,562

There are 2 Directors accruing benefits under the pension scheme.

The aggregate Directors' emoluments are shown in the table below.

	2019 £'000	2018 £'000
Directors		
Aggregate emoluments	878	670
	878	670

Rented Apartment

An apartment owned by a Director, Nik Philpot, is rented to Eckoh Group for use by company employees when on business. The rent is paid on a monthly basis and was charged at comparable market rates. The expense in the year was £15,000 (2018: £17,388). The amount outstanding to them at the end of the current year was £Nil (2018: £4,347). There were no amounts written off in the current or prior year.

25. Operating lease commitments

The Group had total commitments under non-cancellable operating leases, payable as follows:

Land and buildings

	2019 £'000	2018 £'000
Less than one year	404	428
Between one and five years	299	534
	703	962

The Group has an operating lease for a data centre in Heathrow, London at which some of its call processing platform is located. The lease was renewed in July 2017 for a further 3 years at a cost of £333,740 per annum.

The Group took out a lease on a car in March 2018. The lease covers the period to February 2020 at a cost of £4,811 per annum.

Eckoh US has a lease on a New York office which covers the period to March 2022 at a cost of £31,850 per annum. They have a further lease on an Omaha office which covers the period to February 2021 at a cost of £61,136 per annum.

26. Cash flow from operating activities

	2019 £'000	2018 Restated £'000
Profit after taxation	945	1,353
Interest income	(37)	(34)
Finance income	-	(975)
Interest payable	77	118
Taxation	209	(269)
Depreciation of property, plant and equipment	960	914
Exchange differences	78	(293)
Legal fees and settlement costs	-	(152)
Amortisation of intangible assets	1,600	2,654
Share based payments	567	554
Operating profit before changes in working capital and provisions	4,399	3,870
Decrease / (Increase) in inventories	266	(11)
(Increase) /Decrease in trade and other receivables	(1,267)	488
Increase in trade and other payables	4,090	1,482
Net cash generated in operating activities	7,488	5,829

27. Events after the Statement of Financial Position Date

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2019 of 0.61 pence per ordinary share be paid to the Shareholders whose names appear on the register at the close of business on 27 September 2019 with payment on 25 October 2019. The ex-dividend date will be 26 September 2018. This recommendation will be put to the Shareholders at the Annual General Meeting. Based on the shares in issue at the year end, this payment would amount to £1.5m.

28. Impact on the financial statement for changes in accounting policy

As a result of the changes in the entity's accounting policies, prior year financial statements had to be restated. *IFRS 9: Financial Instruments* was implemented without restating comparative information, on the grounds of materiality. *IFRS 15: Revenue from Contracts with Customers* was adopted and the prior year financial statements have been restated. The tables below show the adjustments recognised for each individual line item for the year ended 31 March 2018. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed can not be recalculated from the numbers provided. The adjustments are explained in more detail overleaf.

Balance sheet (extract)	31 Mar 2018 As originally presented £'000	IFRS 15 £'000	31 Mar 2018 Restated £'000
Deferred tax asset	3,533	747	4,280
Total non-current assets	16,195	747	16,942
Trade and other receivables	9,835	2,108	11,943
Total current assets	18,723	2,108	20,831
Total assets	34,918	2,855	37,773
Trade and other payables	(7,885)	(8,006)	(15,891)
Total current liabilities	(9,185)	(8,006)	(17,191)
Net assets	21,809	(5,151)	16,658
Currency reserve	329	(13)	316
Retained earnings	15,552	(5,138)	10,414
Total equity	21,809	(5,151)	16,658

Balance sheet (extract)	1 Apr 2017 As originally presented £'000	IFRS 15 £'000	1 Apr 2017 Restated £'000
Deferred tax asset	3,578	791	4,369
Total non-current assets	18,738	791	19,529
Trade and other receivables	11,557	722	12,279
Total current assets	18,353	722	19,075
Total assets	36,947	1,513	38,604
Trade and other payables	(9,155)	(5,271)	(14,499)
Total current liabilities	(10,455)	(5,271)	(15,799)
Net assets	19,728	(3,831)	15,897
Retained earnings	13,172	(3,831)	9,341
Total equity	19,728	(3,831)	15,897

Statement of profit or loss and other comprehensive income (extract) – 12 months to 31 March 2018	31 Mar 2018 As originally presented £'000	IFRS 15 £'000	Reclassification[1] £'000	31 Mar 2018 Restated £'000
Revenue	30,005	(2,768)		27,237
Cost of sales	(7,120)	1,250	2,123	(3,747)
Gross profit	22,885	(1,518)	2,123	23,490
Administrative expenses	(21,341)	167	(2,123)	(23,297)
Profit from operating expenses	1,544	(1,351)	-	193
Profit / (loss) before taxation	2,435	(1,351)	-	1,084
Taxation credit / (charge)	225	44	-	269
Profit for the year	2,660	(1,307)	-	1,353

Profit per share expressed in pence	pence	pence	pence	pence
Basic earnings per 0.25p share	1.08	(0.53)	-	0.55
Diluted earnings per 0.25p share	1.03	(0.51)	-	0.52

1. As a result of the implementation of *IFRS 15: Revenue from Contracts with Customers* management have reviewed the type of costs being recorded in cost of sales in the UK division and the US division. As part of this review, it was identified that the costs relating to the on-going support of client solutions were not being treated consistently. The above reclassification of costs from cost of sales to administrative expenses aligns the US business to the UK business.

IFRS 15 – *Revenue from Contracts with Customers* – Impact of adoption

The Group has adopted IFRS 15 from 1 April 2018 which resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. In accordance with the transition provisions in IFRS 15, the Group has adopted the new rules retrospectively and has restated comparatives both for the 2018 financial year and the opening balance sheet. In summary, the following adjustments were made to the amounts recognised in the balance sheet at the date of initial application (1 April 2018).

(i) Revenue

From 1st April 2017 hardware and implementation fees previously recognised in revenue during the implementation phase of the client projects delivering either a Secure Payments solution or hosted service have been restated under IFRS 15, the hardware & implementation fees have been deferred into deferred revenue and held in the balance sheet. In addition the opening balance sheet has been restated for current contracts, where implementation fees and hardware have been recognised in revenue prior to 1 April 2017. The net impact of this restatement is a reduction in previously reported revenue of £2.8m for the 12 month period to 31 March 2018. The total deferred liability restated at 31 March 2018 is £8.0m.

Recurring revenue, a Key Performance Indicator for the business has been restated as 85% for the 12 month period to 31 March 2018. This is as management expect and will gradually, over the next 3 years, fall back to somewhat higher than the 76% group recurring revenue reported for the year ended 31 March 2018 due to the growth of the US secure payments.

(ii) Cost of sales

Costs directly attributable to the delivery of the hardware and the implementation fees have been capitalised as 'costs to fulfil a contract'. The net impact of this restatement is a reduction in previously reported cost of sales of £1.3m for the 12 month period to 31 March 2018. The total deferred costs restated at 31 March 2018 is £2.1m.

(iii) Commission costs (administrative expenses)

Commission paid to members of the sale team for the signing of specific contracts has been deferred onto the balance sheet and held in other current assets and will be matched to the revenue over the period of the contract term. Commission costs of £0.2m for the 12 month period to 31 March 2018 have been capitalised into other current assets. No further restatement was made to the opening balance sheet due to materiality.

(iv) Deferred tax assets – remeasurement

As a result of the adjustments under the above three headings the impact to the profit of the business for the 12 month period to 31 March 2018 was reduced by £1.3. The tax charge and utilisation of deferred tax was remeasured and an adjustment of £0.1m for the 12 month period to 31 March 2018.

The opening balance sheet has been adjusted by £0.7m to recognise the deferred tax asset arising on the adjustments made under the above headings to the opening balance sheet.

29. Acquisition of Klick2Contact EU Limited

When the Company was acquired on 20 July 2016, it was agreed that additional consideration would be paid based on the performance of the K2C business against certain financial criteria in the first 24 months post acquisition. During the year ended 31 March 2018, it became apparent that the financial criteria were not going to be met. As a result the contingent consideration of £975,000 which had previously been provided for was released during the year ended 31 March 2018.

Company Financial Statements

Company Statement of Financial Position

as at 31 March 2019

	Notes	2019 £'000	2018 £'000
Non-current assets			
Investments	iii	**19,451**	24,012
Land and Buildings	iv	**2,886**	2,929
		22,337	26,941
Current assets			
Trade and other receivables	v	**4,886**	2
Cash and cash equivalents		**4,932**	6,309
		9,818	6,311
Total assets		**32,155**	33,252
Current liabilities			
Trade and other payables	vi	**(16,944)**	(16,653)
		(16,944)	(16,653)
Non-current liabilities			
Other interest-bearing loans and borrowings	vi	**(1,950)**	(3,250)
Total liabilities		**(18,894)**	(19,903)
Net assets		**13,261**	13,349
Equity attributable to equity holders of the parent			
Called up share capital	viii	**635**	631
Share premium		**2,659**	2,640
ESOP Reserve		**(393)**	(238)
Capital redemption reserve		**198**	198
Merger reserve		**2,697**	2,697
Share based payment		**3,022**	2,469
Currency reserve		**925**	71
Retained earnings		**3,518**	4,881
Shareholders' funds		**13,261**	13,349

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own income statement in these financial statements. The Company's profit after tax for the financial year was £71k (2018: profit after tax of £1,065k). The financial statements were approved and authorised for issue by the Board of Directors on 12 June 2019 and signed on its behalf by:

Chrissie Herbert

CHIEF FINANCIAL OFFICER

Company Registration Number 3435822

Statement of changes in equity

	Called up share capital £'000	Share premium account £'000	ESOP reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Share based payment £'000	Currency reserve account £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 April 2018	631	2,640	(238)	198	2,697	2,469	71	4,881	13,349
Profit for the financial year and total comprehensive expense	-	-	-	-	-	-	-	71	71
Transactions with owners of the company									
Contributions and distributions									
Dividends	-	-	-	-	-	-	-	(1,392)	(1,392)
Purchase of own shares	-	-	(155)	-	-	-	-	-	(155)
Shares issued under the share option schemes	4	19	-	-	-	-	-	-	23
Shares acquired by Employee Benefit Trust	-	-	-	-	-	-	-	(3)	(3)
Currency reserve	-	-	-	-	-	-	854	-	854
Share option charge	-	-	-	-	-	553		-	553
Deferred tax on share options	-	-	-	-	-	-	-	(39)	(39)
Total contributions and distributions	**4**	**19**	**(155)**	**-**	**-**	**553**	**854**	**(1,363)**	**(88)**
Balance at 31 March 2019	635	2,659	(393)	198	2,697	3,022	925	3,518	13,261

	Called up share capital £'000	Share premium account £'000	ESOP reserve £'000	Capital redemption reserve £'000	Merger reserve £'000	Share based payment £'000	Currency reserve account £'000	Retained earnings £'000	Total Shareholders' equity £'000
Balance at 1 April 2018	611	2,660	(83)	198	2,697	1,915	147	5,074	13,219
Profit for the financial year and total comprehensive income	-	-	-	-	-	-	-	1,065	1,065
Transactions with owners of the company									
Contributions and distributions									
Dividends	-	-	-	-	-	-	-	(1,209)	(1,209)
Purchase of own shares	-	-	(156)	-	-	-	-	-	(156)
Shares issued under the share option schemes	20	(20)	-	-	-	-	-	-	-
Shares acquired by Employee Benefit Trust	-	-	-	-	-	-	-	(49)	(48)
Currency reserve	-	-	-	-	-	-	(76)	-	(76)
Share option charge	-	-	-	-	-	554	-	-	554
Total contributions and distributions	**20**	**(20)**	**(155)**	**-**	**-**	**554**	**(76)**	**(1,258)**	**(935)**
Balance at 31 March 2018	631	2,640	(238)	198	2,697	2,469	71	4,881	13,349

Notes to the Company's Financial Statements

for the year ended 31 March 2019

i. Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of preparation

These financial statements were prepared in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ("FRS 101").

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International Financial Reporting Standards as adopted by the EU ("Adopted IFRSs"), but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

Under section s408 of the Companies Act 2006 the company is exempt from the requirement to present its own income statement.

In these financial statements, the company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes;
- Comparative period reconciliation for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and

As the consolidated financial statements include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 Share Based Payments in respect of group settled share based payments

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

No judgements made by the Directors, in the application of these accounting policies have a significant effect on the financial statements.

Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity, cash and cash equivalents and loans and borrowings.

Investments

Investments in subsidiaries are stated at amortised cost less impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

Deferred taxation

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

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Non-derivative financial instruments

Interest-bearing borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

Going Concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company is a going concern. As part of its normal business practice, the Company is included within annual and longer term plans prepared by management, and, in reviewing this information, the Company's Directors are satisfied that the Company has reasonable resources to enable it to continue in business for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing these financial statements.

The principal accounting policies adopted by the Company are described below.

Related party transactions

IAS 24 Related Party requires to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member. There is an exemption in the reduced disclosure framework from disclosing a related party transaction where the related part as entered into between two or more members of a group, provided that any subsidiary which is a party to a transaction is wholly owned by such a member.

Own shares held by ESOP trust

Transactions of the Company-sponsored Employee Share Ownership Plan (‘ESOP’) trust are treated as being those of the Company and are therefore reflected in the Company’s financial statements. In particular, the trust’s purchases and sales of shares in the Company are debited and credited directly to equity.

Share based payments

The Company operates a share option scheme which allowed certain Group employees to acquire shares in the Company. The fair value of share options granted is recognised within the staff costs of the relevant group company with a corresponding increase in equity. The fair value is measured at grant date and spread over the period up to the date when the recipient becomes unconditionally entitled to payment.

The fair value of share options was measured using the Monte Carlo valuation model, taking into account the terms and conditions upon which the grants were made. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold of vesting.

The Company also operates a long-term incentive plan. The fair value of the conditional awards of shares granted under the long-term incentive plan determined at the date of grant. The fair value is then expensed on a straight-line basis over the vesting period based on an estimate of the number of shares that will eventually vest. At each reporting date, the non-market-based performance criteria and total Shareholder return defined in the long-term incentive plan will be reconsidered and the expense will be revised as necessary.

IFRS 2 has been applied to all options granted after 7 November 2002 which have not vested on or before 1 January 2006. A deferred tax adjustment is also made relating to the intrinsic value of the share options at the balance sheet date.

As a result of the grant of share options since 6 April 1999 the Company will be obliged to pay employer’s National Insurance contributions on the difference between the market value of the underlying shares and their exercise price when the options are exercised. A provision is made for this liability using the value of the Company’s shares at the balance sheet date and is spread over the vesting period of the share options. The provision is held by the relevant group company who employs the share option holders.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase to equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

Dividends

Final dividends are recorded in the Financial Statements in the period in which they are approved by the Shareholders. Interim dividends are recognised when paid.

Cash flow statement

The cash flows of the Company are included in the Consolidated Cash Flow Statement on page 54.

Land and Buildings

The Investment Property comprises of freehold land and office buildings that are held for capital appreciation.

The land is recognised at cost and is not depreciated. The Investment Property was initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful life of years which is 25 years. The residual value, useful life and depreciation method of the investment property is reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in the profit or loss when the changes arise.

ii. Operating expenses

Staff costs

Details of the Directors' emoluments are given in the Directors' Report on pages 43 to 45. The Directors' remuneration costs are borne by a subsidiary undertaking. The Company did not incur any staff costs during the year (2018: £nil). The average number of employees employed by the Company during the year was 5 (2018: 5).

Services provided by the Group's auditor

Fees payable for the audit of the parent company and consolidated accounts of £39,000 (2018: £16,000) were borne by a subsidiary undertaking.

iii. Investments

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
At 1 April 2017	26,351	4,093	30,444
Additions	-	554	554
At 31 March 2018	26,351	4,647	30,998
Additions	-	553	553
Transfer to subsidiary	(5,104)	-	(5,104)
Amortisation	(11)	-	(11)
At 31 March 2019	**21,236**	**5,200**	**26,436**
Impairment			
At 31 March 2019, 31 March 2018 and at 31 March 2018	(6,985)	-	(6,985)
Net Book Value			
At 31 March 2019	**14,252**	**5,200**	**19,451**
At 31 March 2018	19,365	4,647	24,012

The Directors have assessed the carrying values of the Company's investments, and concluded that no impairment triggers exist that would require the Company's investments to be impaired. The investment in Eckoh Projects Limited has been fully returned in previous years and therefore has no current value.

Other investments represent additional investments in Eckoh UK Limited as a result of the share-based payments arrangements in place. As the Company grants options over its shares to employees of Eckoh UK Limited, the Company records an increase in its investment in Eckoh UK Limited, the details of which are disclosed further in note 22 of the consolidated financial statements. The disclosure of these amounts has been reclassified between categories during the year.

The Company has the following investments in subsidiaries, which are included in the Consolidated Financial Statements:

Subsidiary undertakings	Country of incorporation	Principal activities	Percentage of share capital held
Eckoh UK Limited	England and Wales (i)	Secure Payment & Customer engagement solutions	100%
Veritape Limited	England and Wales (i)	Non trading	100%
Eckoh LLC	United States of America (ii)	Non trading	100%
Eckoh Projects Limited	England and Wales (i)	Non trading	100%
Intelliplus Group Limited	England and Wales (i)	Dormant	100%
Telford Projects Limited	England and Wales (i)	Dormant	100%
Eckoh Inc	United States of America (iii)	Secure Payment & Customer engagement solutions	100%
Eckoh Omni Ltd	England and Wales (i)	Cloud-based Software Provider	100%

(i) The registered office is Telford House, Corner Hall, Hemel Hempstead, HP3 9HN.

(ii) The registered office is c/o National Registered Agents Inc., 160 Greentree Drive, Suite 101, Dover, Delaware 19904.

(iii) The registered office is 7172 Regional Street. #431, Dublin, California 94568.

The subsidiary undertaking Eckoh Omni Limited (registered number: 07553916) is exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act.

iv. Land and Buildings

	UK Office £'000
Cost	
At 1 April 2018	3,068
Additions	-
At 31 March 2019	**3,068**
Accumulated depreciation	
At 1 April 2018	139
Charge for the year	43
At 31 March 2019	**182**
Carrying amount	
At 31 March 2019	**2,886**
At 31 March 2018	2,929

v. Trade and other receivables

	31 Mar 2019 £'000	31 Mar 2018 £'000
Amounts due from Group undertakings	4,883	-
Prepayments and accrued income	3	2
Amounts due within one year	4,886	2

vi. Trade and other payables

	31 Mar 2019 £'000	31 Mar 2018 £'000
Current		
Amounts owed to Group undertakings	15,626	15,333
Other creditors and accruals	18	20
Loan due within one year	1,300	1,300
Amounts due within one year	16,944	16,653
Non-Current		
Loan due over one year	1,950	3,250
Contingent consideration	-	-
Amounts due over one year	1,950	3,250
	18,894	19,903

The loan is detailed further in note 3 to the consolidated accounts.

vii. Deferred taxation

	31 Mar 2019 £'000	31 Mar 2018 £'000
Total unprovided deferred tax assets are as follows:		
Tax losses available	10,666	10,757
Unprovided deferred tax asset	1,813	1,829

viii. Called up share capital

Allotted, called up and fully paid

Share type	Number of shares	Nominal value £'000
Ordinary Shares of 0.25p each		
As at 1 April 2018	252,513,520	631
Shares issued under the share option schemes	1,608,248	4
As at 31 March 2019	254,121,768	635

ix. Share options and share-based payments

Share options and share based payments are disclosed in note 22 to the consolidated financial statements.

x. Related party transactions

The Company has taken advantage of the exemption conferred by IAS 24 that transactions between wholly owned Group companies do not need to be disclosed.

xi. Events after the balance sheet date

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2019 of 0.61 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 27 September 2019 with payment on 25 October 2019. The ex-dividend date will be 26 September 2019. This recommendation will be put to the shareholders at the Annual General Meeting. Based on the shares in issue at the year end, this payment would amount to £1.5m.

Shareholder Information

Dealings permitted on Alternative Investment Market (AIM) of the London Stock Exchange.

Directors and Company Secretary

C.J. Humphrey	Non-Executive Chairman
G.L. Millward	Non-Executive Director
D.J. Coghlan	Non-Executive Director
N.B. Philpot	Chief Executive Officer
C.G. Herbert	Chief Financial Officer and Company Secretary

Registered Office - **Eckoh plc** - Telford House, Corner Hall, Hemel Hempstead, Hertfordshire HP3 9HN

www.eckoh.com

Registered in England and Wales - Company number 3435822.

Registrar - **Link Asset Services** - The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU
Nominated Advisor and Joint Broker - **Nplus1 Singer Capital Markets Limited** - One Barthlomew Lane, London EC2N 2AX
Joint Broker - **Canaccord Genuity Limited** - 88 Wood Street, London, EC2V 7QR
Solicitor - **Mills & Reeve LLP** - Botanic House, 100 Hills Road, Cambridge CB2 1PH
Banker - **Barclays Bank plc** - 11 Bank Court, Hemel Hempstead, Hertfordshire HP1 1BX
Auditor - **PricewaterhouseCoopers LLP** - The Atrium, 1 Harefield Road, Uxbridge, Middlesex, UB8 1EX

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