19 November 2019

Eckoh plc
("Eckoh" or the "Group")

Unaudited interim results for the six months ended 30 September 2019

Strong first half; full year expectations unchanged

Eckoh plc (AIM: ECK), the global provider of secure payment products and customer contact solutions, is pleased to announce unaudited results for the six months to 30 September 2019.

£m unless otherwise stated	H1 FY20 [1]	H1 FY19	*Change*
Revenue	**18.0**	13.1	*37%*
Gross profit	**14.2**	11.0	*29%*
Adjusted EBITDA [2]	**4.2**	1.6	*161%*
Adjusted Operating Profit [3]	**3.4**	1.0	*235%*
Profit / (loss) before taxation	**2.6**	(0.2)	*n.m.*
Diluted earnings pence per share	**0.78p**	(0.07p)	*n.m.*
Net cash	**10.9**	3.4	*+7.5*
Total business contracted [4]	**19.4**	16.8	15%
New business contracted [5]	**11.8**	14.2	*(17%)*

Financial highlights

- Strong first half; full year expectations unchanged
- Double digit revenue growth in both the UK and US, with revenues up 37% (33% at constant exchange rates[6])
    - UK up 11%: driven by new business deployed and clients' transactional volume
    - US up 104%: growth in all channels, Secure Payments, Support and Coral; includes $2.1m revenue for Coral licenses as part of $3.8m contract win announced in July 2019
- Recurring revenue [7] up 12% to £12.8m (H1 FY19 £11.4m), representing 79% of total revenues excluding the Coral contract (H1 FY19: 87%)
- Adjusted EBITDA increased strongly by 161% to £4.2m (H1 FY19 £1.6m)
- Deferred revenue [8] grew to £15.2m (H1 FY19: £12.7m), reflecting business wins and impact of IFRS 15
- Record total business contracted, up 15% to £19.4m, with growth in both the UK and US

Strategic highlights

- US Secure Payments growth driven by large deployments, increased regulation and fines for non-compliance
    - Revenue doubled
    - Order book up 24% to $26.9m (H1 FY19: $21.7m)
- Innovation supporting new business wins
    - Extending Contact Centre security into the Cloud – largest Cloud deal won to date
    - Digital transformation opportunities via the Eckoh Experience Portal driving UK pipeline
    - First major contract for ChatGuard in the US (post period end)
- Significant US Secure Payment contract wins since period end including a Fortune 100 retailer

1. *H1 2020 results have been prepared under IFRS 16: Leases. Prior period comparatives have not been restated.*
2. *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.*
3. *Adjusted operating profit is the profit before tax adjusted for finance income, finance expense, legal fees and settlement costs and expenses relating to share option schemes.*
4. *Total business contracted includes new business from new clients, new business from existing clients as well as renewals with existing clients.*
5. *New business contracted excluding renewals with existing customers.*
6. *Constant currency (using last year exchange rates).*
7. *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.*
8. *Deferred revenue is defined in IFRS 15: Revenue from Contracts with Customers as contract liabilities.*

Nik Philpot, Chief Executive Officer, said:

"The first half of Eckoh's 2020 financial year has been extremely positive, with strong growth in revenue and profit in the UK and US. Our total contracted business performance was our highest ever, which is pleasing given the same period a year ago included our largest US contract to date at $7.4 million. This performance underlines the strong momentum within the business.

In the US we continue to benefit from our market leading position in Secure Payments, with revenues doubling, a record order book, and an increasing number of large enterprises successfully deployed. We expect attractive macro drivers to support future growth, as corporates face significant risks and costs if they do not comply with tougher regulations.

Our strong first half, excellent revenue visibility and ongoing investment in our market-leading products, provides a robust platform for the full year outturn and reinforces our confidence in the positive long-term outlook for the Group."

For more information, please contact:

Eckoh plc	
Nik Philpot, Chief Executive Officer	Tel: +44 (0) 1442 458 300
Chrissie Herbert, Chief Financial Officer	
www.eckoh.com	
FTI Consulting LLP	Tel: +44 (0) 203 727 1000
Ed Bridges, Jamie Ricketts, Darius Alexander, Jan Meinicke	
eckoh@fticonsulting.com	
N+1 Singer (Nomad & Joint Broker)	
Shaun Dobson, Tom Salvesen, Justin McKeegan	Tel: +44(0) 20 7496 3000
www.n1singer.com	
Canaccord Genuity Limited (Joint Broker)	
Simon Bridges, Andrew Potts	Tel: +44(0) 20 7523 8000
www.canaccordgenuity.com	

About Eckoh plc

Eckoh is a global provider of Secure Payment products and Customer Contact solutions, supporting an international client base from its offices in the UK and US.

Our Secure Payments products help our clients take payments securely from their customers through all engagement channels. The products, which include the patented CallGuard and ChatGuard, can be hosted in the Cloud or deployed on the client's site and remove sensitive personal and payment data from contact centres and IT environments. They offer merchants a simple and effective way to reduce the risk of fraud, secure sensitive data and become compliant with the Payment Card Industry Data Security Standards ("PCI DSS") and wider data security regulations. Eckoh has been a PCI DSS Level One Accredited Service Provider since 2010, securing over £2 billion in payments annually.

Eckoh's Customer Contact solutions enable enquiries and transactions to be performed on whatever device the customer chooses, allowing organisations to increase efficiency, lower operational costs and provide a true Omnichannel experience. We also assist organisations in transforming the way that they engage with their customers by providing support and transition services as they implement our innovative customer contact solutions.

Our large portfolio of clients come from a broad range of vertical markets and includes government departments, telecoms providers, retailers, utility providers and financial services organisations.

For more information go to www.eckoh.com or email MediaResponseUK@eckoh.com.

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 delivered an extremely strong performance in the first half of our 2020 financial year, with double digit revenue growth in both the UK and US, a very significant increase in profit, and record levels of total business contracted.

This growth reflects our progress against our core strategic objectives. We continue to see excellent momentum in our US Secure Payments business, with revenue and new business growth driven by our continued success in deploying the largest enterprises. This reflects increasing regulation governing payments and data security, with the prospect of significant fines and brand damage for corporates who do not comply.

Our investment in innovation has supported new business wins. We have successfully extended our market-leading and patented Contact Centre security offering into the Cloud, winning our largest US Cloud deal to date in the period. Our new Eckoh Experience Portal ("EXP") is broadening the Customer Contact solutions we can offer in the UK as an integrated offering for enterprises embarking on digital transformations. We secured our first major contract for ChatGuard, our patented product that allows payments to be made securely within a live web chat session, in the US post period end.

Total revenue for the six months was £18.0 million, an increase year on year of 37% (H1 FY19: £13.1 million) or adjusting for constant exchange rates 33%. Both the UK and US operations grew, with the UK up 11% and the US up 104%.

Total contracted business for the first six months of the financial year in the Group was a record £19.4 million compared to £16.8 million in the prior year, an increase of 15%. New business in the first half was £11.8 million (H1 FY19: £14.2 million), against particularly strong prior year comparators for both the UK and US divisions.

Gross profit grew by 29% to £14.2 million (H1 FY19 £11.0 million). The US grew 79% to £5.3 million (H1 FY19: £3.0 million), with gross profit margin decreasing to 71% (H1 FY19: 81%) due to the impact of the lower margin Coral contract. Excluding the Coral Licences, gross profit margin would have been 80%. The UK grew by 11% to £8.8 million (H1 FY19: £8.0 million), where gross profit margin decreased marginally by 1% to 84%.

Adjusted EBITDA increased very strongly to £4.2 million (H1 FY19: £1.6 million).

Cash and cash generation remain strong with a net cash position of £10.9 million, an increase of £7.5 million on the previous year and £2.6 million since March 2019. This comprises a cash balance of £13.5 million, less an outstanding loan of £2.6 million, taken out in 2015 in part to purchase the Group's UK head office.

IFRS 16: *'Leases'* has been implemented from 1st April 2019, but prior year comparators have not been restated. The impact of the implementation is £0.2m of costs are now included in depreciation. After the accounting change for IFRS 16: *'Leases'*, costs have been held, as expected, at the run-rate at the end of the last financial year following the investments made in headcount, Sales, IT and marketing.

As previously announced, Group performance is expected to have a higher first half weighting than usual. This reflects a contract extension, announced in July 2019, with a Fortune 100 telecommunications company for our agent desktop tool Coral worth a minimum of $3.8 million, of which $2.1 million was recognised in the first six months of the year.

Operational Review

US Division (42% of group revenues)

In the US, we had exceptional dollar revenue growth of 92% to $9.4 million (H1 FY19: $4.9 million), with growth in all activities (Secure Payments, Support and Coral). This included the $2.1 million for Coral licences that were part of the $3.8 million contract win we secured. If we exclude the Coral contract, revenue still grew by 48% in the US.

Total business contracted was up 16% to $14.5 million (H1 FY19 $12.5 million). New business contracted was $11.4 million, an increase of 8% (H1 FY19: $10.5 million).

The Group's US focus remains on three sales activities where it has the greatest differentiation and the least competition. The performance of these activities in the US is summarised below.

- **Secure Payments** revenue grew 103% to $3.6 million (H1 FY20: $1.8 million), and now represents 38% of US revenue. During the period we deployed our largest contract won to date. In the second half we expect revenue to increase on the first half, as revenue visibility for the full year for Secure Payments is $8.3 million.

- **Support** revenue was $2.8 million, an increase of 15% (H1 FY19: $2.4 million). As Secure Payments grows, Support accounts for a lower share of US revenues, now 30% compared to 50% in H1 FY19. In the second half and beyond we expect Support to decline in value and as a share of US revenues as we focus our staff on the Secure Payments growth opportunity.

- **Coral** had revenues of $3.0 million in the period (H1 FY19: $0.6 million), reflecting the $2.1 million revenues for Coral licences, and accounted for 32% of US revenue in the first half (H1 FY19: 13%). The timing of large Coral orders remains hard to forecast.

Secure Payments, where we deliver a patented solution that enables enterprises to take card payments securely within their Contact Centre operations, continued to have excellent momentum. It was our second best ever half year for new business contracted, with $7.3 million won, compared to $9.5 million in H1 FY19, which included our largest contract to date valued at $7.4 million. We also won more individual contracts than in the same period last year.

Since 2015, when we launched our Secure Payments product in the US, the total of new business contracted has grown significantly each year, as shown below.

Financial Year	FY15	FY16	FY17	FY18	FY19	**H1 FY20**
New Business Contracted	$0.3m	$1.6m	$8.3m	$9.3m	$13.7m	**$7.3m**

The Company continues to successfully focus on large enterprise contracts, and consequently in the period the average contract value was again greater than the $750k size we initially indicated we would expect to see. Most contracts won continue to be for deployment into the customer's environment. However, we won a three-year Cloud contract with a Healthcare provider, which was substantial and our largest Cloud deal to date by some margin. We also won our first deal in the Gaming sector. Since period end, we have won a contract with a Fortune 100 retailer, continuing our success with the largest US corporates. We have also secured the first significant contract for our patented ChatGuard product that allows payments to be made securely within a live web chat session.

The average length of contracts for Secure Payments is three years, therefore there have been few contracts due for renewal in the first half due to the early stage of maturity for our business in this area. The first large contract is due for renewal in the second half of the current year and we anticipate the contract to be renewed successfully, and others to follow, mirroring the trend of the UK.

External factors, such as the impending change to the Payment Card Industry Data Security Standard (PCI DSS), the implementation of new data laws like the California Consumer Privacy Act and significant fines levied on US organisations through the GDPR legislation, are undoubtedly helping raise awareness of the risks of not protecting sensitive data properly. This will assist us in continuing to build our pipeline which is substantial and growing. Our focus on these larger contracts means that in future periods the timing of contract wins continues to be hard to predict given the typically longer sales cycle.

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 were stronger in the first half at $2.8 million than in the prior year. However the large contract that commenced in July 2016 with a major US telecommunications company which started to reduce in scope and value from September 2017 is continuing, as expected, to reduce further in scope and there will be a step down in the level of support to this client in the second half of the year. Over the next 18 months we expect to see Support decline as we proactively switch certain employees from servicing this channel to increasingly service the more lucrative Secure Payments opportunities. As we have indicated previously 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, compared to the longer-term nature of the Secure Payments business.

We will continue to target Support business tactically and where we see cross-selling opportunities for Secure Payments. As an example, we see good opportunities from our partnership with Ribbon Communications. Eckoh already uses Ribbon's session border controllers (a device that protects and regulates IP communications flows) for some of our 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 agent desktop that increases efficiency by bringing all the Contact Centre agent's 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. In the period and as previously announced, we secured a contract extension with a Fortune 100 telecommunications company for our agent desktop tool Coral. The contract is worth a minimum of $3.8 million, and of this, $2.1 million relating to the purchase of licences has been recognised in the first six months of the year. Consequently, the overall Group performance in the first half is expected to have a greater weighting this financial year than is usual.

Recurring revenues in the US after adjusting for the one-off $2.1 million of Coral licences, were 63%, lower than the 79% a year ago because of the disproportionately large value of non-recurring revenue relating to hardware and set-up fees from our largest Secure Payment contract that went live in the period. We would expect recurring revenue to increase in the second half and continue to grow over time.

UK Division (58% of group revenues)

The UK division has delivered strong revenue and gross profit growth in the first half of this financial year, as the new business contracted in the prior year is deployed and with high levels of transactional revenue coming through from some of our largest clients.

Revenue in the period was £10.5 million, an increase on last year of 11% (H1 FY19: £9.4 million), and gross profit increased 11% to £8.8 million (H1 FY19: £8.0 million). Gross margins in the UK decreased in the period by 1% to 84% (H1 FY19: 85%) and recurring revenue has decreased as expected to 87% from 90% in H1 FY19. As indicated previously, we expect recurring revenue to return to pre-IFRS 15 levels, to a steady state of approximately 86% - 87%.

Total business contracted was up 8% to £7.9 million (H1 FY19: £7.4 million). The more significant renewals occurred in the first half this year compared to last year, where they were contracted in the second half of the year. The first half of last year was our strongest period for new business for the last five years. Against this strong comparator, new business has been slower in the first half compared to last year at £2.7 million (H1 FY19: £6.2 million). This is largely due to the uncertain business climate in the UK, which has resulted in delays in decisions being made, and projects being put on hold. This weakness is mirrored in the sales performance of some of our major partners, who have experienced similar challenges. We would expect a return to more normal levels of activity when conditions in the UK return to a more typical pattern.

Looking at the segmentation of UK revenue, 21% came from Payment services (H1 FY19: 26%), 36% from Customer Contact Solutions (H1 FY19: 29%) and the remaining 43% from clients where we provide a combination of both solutions (H1 FY19: 45%).

New business in the UK is increasingly coming from sales delivered through our recently launched Eckoh Experience Portal ("EXP"), which enables organisations to buy and deploy our Customer Contact and Secure Payment solutions in a modular fashion. The increase in Customer Contact solutions has largely come from the focus of the sales team on larger, more complex opportunities, typically known as 'digital transformations', where Eckoh's breadth of portfolio and proven expertise delivers more value to the client and differentiates us. A digital transformation is where Eckoh provides a fully integrated solution in which newer digital channels for customer engagement such as live web chat, chatbots and social media messaging sit alongside more conventional ones such as voice and email. This can then be overlaid with our Secure Payment proposition encompassing CallGuard, ChatGuard and our eWallet capability.

Digital transformation wins included a significant new contract win for a large UK building society. In addition, one of the longest projects to go live is another digital transformation client won through Capita in June 2018.

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 secured in the first half of £2.7million, £1.1 million (H1 FY19: £1.3 million) was contracted with existing customers for delivery of new solutions or modifications. In addition to the new business, renewals of £5.2 million were contracted.

During the first half, our strong track record with existing clients has continued to be demonstrated through the levels of renewal business contracted. In the first half the largest renewal was with Premier Inn, who have been a customer since 2010, and is the largest contract scheduled to come up for renewal in this financial year.

The new business and consistent renewals of existing clients gives us high revenue visibility for the remainder of the year, with over 95% of expected revenue visible. We expect new business contracted to improve in the second half. Whilst a limited number of large renewals are imminent, the strength of existing relationships has led some clients to show an appetite for renewing contracts early. Therefore, it is possible that we may see unexpected and large contract renewals in the second half.

Innovation

Our ongoing compliance with PCI DSS reached a milestone in the period with our 10-year anniversary of being a level 1 service provider, the longest of any company operating in our target market. With onerous changes in the Data Security Standard expected in version 4 of the code, we anticipate this will be a further driver for businesses to look to de-scope entirely their environments of card data using Eckoh's services.

Eckoh has partnered with global payments technology provider Mastercard to offer the Pay by Bank app ("PbBa") as an alternative payment capability for contact centres over the phone. PbBa, which was created by Vocalink, a Mastercard company, is an easy and secure way for customers to pay from their current bank account, using their trusted mobile banking app. It's designed to simplify the checkout experience, giving customers more control and visibility of their finances when they make a payment.

Eckoh and Vocalink have been in a strategic partnership since November 2017, and this exciting development will extend both parties' Secure Payment capabilities across all customer contact channels. Eckoh have already broadened our CallGuard solution to encompass eWallet services like Apple Pay and Google Pay, and PbBa is yet another example of Eckoh leading the market by being a payments enabler for our clients, as well as ensuring every transaction is secure.

As Eckoh continues to innovate and enhance its product portfolio, we have embarked on a journey to embrace Cloud Native practices and capabilities which we have named Project Leapfrog. As the name implies, leveraging our existing best-of-breed solutions, Cloud Native offers technologies and practices with nearly limitless computing power, alongside cutting-edge data and application services for product development. When companies build and operate applications in a Cloud Native fashion, they bring new ideas to market faster and respond sooner to client demands. This is at the core of Eckoh's client-focused delivery model.

We are pursuing this methodology so that we can stay ahead of our competitors across the technical landscape, position ourselves to continually utilise emerging technology, and further automate our pipeline and tooling for continuous transformation. It is also our aim to keep pace with security trends to enhance our products over an ever-growing threat surface area, and to win the ongoing talent war for high quality developers.

As a result of our innovation initiatives, we expect our product portfolio to be enhanced even faster, at higher margins, and with a focus on assured quality. Critically we also expect a positive impact on staff retention and personal development, as knowledge sharing of cutting-edge technology and processes increases.

Current Trading and Outlook

As we disclosed at the year end, the advantage of *IFRS 15: Revenue from Contracts with Customers* is the even stronger revenue visibility we now have. Total US revenue visibility has increased to $15 million following the Coral contract win and UK revenue visibility, which was disclosed at year end at 90% of our full year target, is now sitting comfortably higher than this.

Trading in the first half of the year has been exceptionally strong, leading to a confident outlook for the full year, with the Board's expectations for the full year unchanged despite the softer backdrop in the UK. Our revenue visibility remains excellent for the remainder of the year and beyond, due to high levels of recurring revenue and record levels of contracted business. With the growth opportunity in the US in particular coming through so strongly and supported by external market factors, the Board remains optimistic about the future prospects for the business.

Financial Review

The Group has adopted IFRS 16: *'Leases'* from 1st 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. Note 1 sets out the new accounting policy and summarises the impact of the implementation of IFRS 16: *'Leases'*, the impact to adjusted EBITDA and depreciation being £0.4 million for the full year and £0.2 million for the first half. There is no impact to Profit after tax.

Revenue
Revenue for the period increased by 37.4% to £18.0 million (H1 FY19: £13.1 million) and at constant exchange rates by 32.8%. Revenue in the UK, which represents 58% (H1 FY19: 72%) of total group revenues, increased by 11.4% to £10.5 million (H1 FY19: £9.4 million). The US represented 42% (H1 FY19: 28%) of total group revenues and revenues increased in the period by 104% to £7.5 million (H1 FY19: £3.7 million), revenues in local currency grew by 92% year on year and in sterling by 104%. Further explanations of movements in revenue between the US and UK divisions have been addressed in the Operational Review above.

	H1 FY20 (UK) £000	**H1 FY20 (US) £000**	**H1 FY20 Total £000**	H1 FY19 (UK) £000	H1 FY19 (US) £000	H1 FY19 Total £000
Revenue	**10,504**	**7,511**	**18,015**	9,433	3,676	13,109
Gross Profit	**8,847**	**5,329**	**14,176**	7,992	2,980	10,972
Gross margin	**84%**	**71%**	**79%**	85%	81%	84%

Gross profit margin was 79% for the first half of 2020 compared to 84% for the first half of 2019. Gross profit margin in the US business was impacted by the sale of the Coral licences in the first half. Gross profit margin in the UK business decreased by 1% to 84%. In the US the margin decreased from 81% to 71%, due in principle to the Coral licences. Excluding the Coral licenses, gross profit margin was 80%. As expected, new secure payment clients went live during the half, the margin marginally decreased due to the hardware delivered as part of the Secure Payment solutions.

In the UK, as the service is hosted on an Eckoh platform there is typically no hardware provided to clients. In the US, due to the impact of IFRS 15 and the growth in the Secure Payments activities, we would expect gross profit margin to gradually decrease to approximately 75% in the next two years. This is because currently our Secure Payments activities are typically deployed into the client's environment and require hardware to be provided. When clients renew their contracts without additional significant hardware the gross profit margin should gradually start to increase marginally.

Administrative expenses
Total administrative expenses were £11.6 million in the period, compared to £11.1 million for the same period last year. Adjusted administrative expenses were £10.8 million compared to £10.0 million for the same period last year, the last year comparator has not been restated for IFRS 16 *'Leases'*, an impact of £0.2 million. The adjusted administrative expenses of £10.8 million are in line with the run-rate exiting the second half last year following investment in headcount, IT, Sales and Marketing. Included in administrative expenses is a trading foreign currency gain of £0.3 million.

Profitability Measures

Adjusted EBITDA for the period was £4.2 million (H1 FY19: £1.6 million) and adjusted operating profit was £3.4 million (H1 FY19 £1.0 million), after adjusting for the Coral licences of £0.9 million and the foreign currency gain of £0.3 million adjusted EBITDA was £3.0 million and adjusted operating profit £2.2 million.

	Six months ended 30 Sept 2019 £'000	Six months ended 30 Sept 2018 £'000	Year ended 31 March 2019 £'000
Profit from operating activities	**2,557**	(173)	1,194
Amortisation of acquired intangible assets	**498**	773	1,325
Expenses relating to share option schemes	**359**	420	567
Adjusted operating profit	**3,414**	1,020	3,086
Amortisation of intangible assets	**147**	102	275
Depreciation	**661**	495	960
Adjusted EBITDA	**4,222**	1,617	4,321

Finance charges

For the financial period ended 30 September 2019, the net interest charge was £1k (H1 FY19: £24k).

Taxation

For the financial period ended 30 September 2019, there was a tax charge of £515k (H1 FY19: £30k credit).

Earnings per share

Basic earnings per share was 0.80 pence per share (H1 FY19: 0.07 pence loss per share). Diluted earnings per share was 0.78 pence per share (H1 FY19: 0.07 pence loss per share).

Deferred liabilities and assets

Deferred liabilities and deferred assets 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 £15.2 million (H1 FY19: £12.7 million), included in this balance are £14.3 million of deferred liabilities relating to the Secure Payments product or hosted platform product, an increase from £11.7 million at the same time in the previous year, a year on year increase of 20%. Deferred assets as at 30 September were £4.8 million (H1 FY19: £2.5 million). During the period we won a substantial three-year Cloud contract with a Healthcare provider, as the mix of new business starts to gradually shift towards the Cloud, the level of deferred revenue and deferred costs will start to reduce as there will not be the need for clients to purchase a hardware component for their solution.

Cashflow and liquidity

Net cash at 30 September 2019 was £10.9 million, an improvement of £7.5 million to the previous year and £2.6 million from 31 March 2019. In the period the Company has repaid £0.7 million of the loans outstanding to Barclays Bank in accordance with the terms of the loan. There has been a net cash inflow for trade debtors, trade creditors, inventory and tax of £0.4 million (H1 FY19: cash outflow £0.4 million).

Consolidated statement of comprehensive income
for the six months ended 30 September 2019

	Six months ended 30 September 2019 £'000	Six months ended 30 September 2018 £'000	Year ended 31 March 2019 £'000
Continuing operations			
Revenue	**18,015**	13,109	28,719
Cost of sales	**(3,839)**	(2,137)	(4,614)
Gross profit	**14,176**	10,972	24,105
Administrative expenses	**(11,619)**	(11,145)	(22,911)
Profit / (loss) from operating activities	**2,557**	(173)	1,194
Adjusted operating profit	**3,414**	1,020	3,086
Amortisation of acquired intangible assets	**(498)**	(773)	(1,325)
Expenses relating to share option schemes	**(359)**	(420)	(567)
Profit / (loss) from operating activities	**2,557**	(173)	1,194
Interest payable	**(39)**	(40)	(77)
Interest receivable	**38**	16	37
Profit / (loss) before taxation	**2,556**	(197)	1,154
Taxation (charge) / credit	**(515)**	30	(209)
Profit / (loss) for the period	**2,041**	(167)	945
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	**52**	**(392)**	580
Other comprehensive income for the period, net of income tax	**52**	**(392)**	580
Total comprehensive income / (loss) for the period attributable to the equity holders of the parent company	**2,093**	**(559)**	1,525

Profit / (loss) per share expressed in pence			
Basic earnings per 0.25p share	**0.80**	**(0.07)**	0.37
Diluted earnings per 0.25p share	**0.78**	**(0.07)**	0.36

Consolidated statement of financial position
as at 30 September 2019

	30 September 2019 £'000	30 September 2018 £'000	31 March 2019 £'000
Assets			
Non-current assets			
Intangible assets	**7,200**	7,433	7,464
Tangible assets	**4,482**	4,637	4,118
Deferred tax asset	**4,116**	4,191	4,081
	15,798	16,261	15,663
Current assets			
Inventories	**514**	585	458
Trade and other receivables	**13,920**	14,248	13,209
Cash and cash equivalents	**13,512**	7,324	11,582
	27,946	22,157	25,249
Total assets	**43,744**	38,418	40,912
Liabilities			
Current liabilities			
Trade and other payables	**(20,607)**	(16,694)	(19,983)
Other interest-bearing loans and borrowings	**(1,300)**	(1,300)	(1,300)
Lease liabilities	**(280)**	-	-
	(22,187)	(17,994)	(21,283)
Non-current liabilities			
Other interest-bearing loans and borrowings	**(1,300)**	(2,600)	(1,950)
Lease liabilities	**(246)**	-	-
Deferred tax liability	**(519)**	(563)	(495)
	(2,065)	(3,163)	(2,445)
Net assets	**19,492**	17,261	17,184
Shareholders' equity			
Share capital	**638**	632	635
Share premium	**2,663**	2,640	2,659
ESOP Reserve	**(429)**	(318)	(393)
Capital redemption reserve	**198**	198	198
Merger reserve	**2,697**	2,697	2,697
Currency reserve	**844**	708	896
Retained earnings	**12,881**	10,704	10,492
Total shareholders' equity	**19,492**	17,261	17,184

Consolidated interim statement of changes in equity
as at 30 September 2019

	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 2019	**635**	**2,659**	**(393)**	**198**	**2,697**	**896**	**10,492**	**17,184**
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	2,041	2,041
Other comprehensive (expense)/ income for the period	-	-	-	-	-	(52)	-	(52)
Contributions by and distributions to owners								
Shares transacted through Employee Benefit Trust	-	-	(36)	-	-	-	(11)	(47)
Shares issued under the share option schemes	3	4	-	-	-	-	-	7
Share based payment charge	-	-	-	-	-	-	359	359
Balance as at 30 September 2019	**638**	**2,663**	**(429)**	**198**	**2,697**	**844**	**12,881**	**19,492**
Balance at 1 April 2018	631	2,640	(238)	198	2,697	316	10,414	16,658
Total comprehensive income for the period								
Profit for the period	-	-	-	-	-	-	(167)	(167)
Other comprehensive (expense)/ income for the period	-	-	-	-	-	392	-	392
Contributions by and distributions to owners								
Shares transacted through Employee Benefit Trust	-	-	-	-	-	-	3	3
Purchase of own shares	-	-	(80)	-	-	-	-	(80)
Shares issued under the share option schemes	1	-	-	-	-	-	-	1
Share based payment charge	-	-	-	-	-	-	454	454
Balance at 30 September 2018	**632**	**2,640**	**(318)**	**198**	**2,697**	**708**	**10,704**	**17,261**

Consolidated statement of cash flows
for the six months ended 30 September 2019

	Six months ended 30 September 2019 £'000	Six months ended 30 September 2018 £'000	Year ended 31 March 2019 £'000
Profit / (loss) after taxation	**2,041**	(167)	945
Interest income	**(38)**	(16)	(37)
Interest payable	**39**	40	77
Taxation	**515**	(142)	209
Depreciation of property, plant and equipment	**661**	495	960
Amortisation of intangible assets	**645**	875	1,600
Legal fees and settlement costs	**-**	(443)	-
Share based payments	**323**	454	567
Exchange differences	**(288)**	71	78
Operating profit before changes in working capital and provisions	**3,898**	1,167	4,399
(Increase) / decrease in inventories	**(57)**	139	266
(Increase)/ decrease in trade and other receivables	**(728)**	(2,305)	(1,267)
Decrease/ (increase) in trade and other payables	**395**	1,246	4,090
Net cash generated in operating activities	**3,508**	247	7,488
Taxation	**(268)**	120	(227)
Net cash from continuing operating activities	**3,240**	367	7,261
Cash flows from investing activities			
Purchase of property, plant and equipment	**(238)**	(441)	(541)
Purchase of intangible fixed assets	**(172)**	(22)	(435)
Proceeds from sale of tangible fixed assets	**-**	6	-
Interest paid	**(39)**	(40)	(77)
Interest received	**38**	16	37
Net cash utilised in continuing investing activities	**(411)**	(481)	(1,016)
Cash flows from financing activities			
Dividends paid	**-**	-	(1,392)
Repayment of borrowings	**(650)**	(650)	(1,300)
Purchase of own shares	**-**	(80)	(155)
Issue of shares	**6**	1	23
Principal lease repayments	**(244)**		
Shares acquired by Employee Benefit Trust	**(11)**	3	(3)
Net cash utilised in continuing investing activities	**(899)**	(726)	(2,827)
Increase / (decrease) in cash and cash equivalents	**1,930**	(840)	3,418
Cash and cash equivalents at the start of the period	**11,582**	8,164	8,164
Cash and cash equivalents at the end of the period	**13,512**	7,324	11,582

Notes to the interim financial statements
For the six months ended 30 September 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 9NH.

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

1. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union and should be read in conjunction with the Group's last annual consolidated financial statements as at and for the year ended 31 March 2019, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law. They do not include all of the information required for a complete set of International Financial Reporting Standards ("IFRS") financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance since the last annual financial statements.

The unaudited interim financial information for the period ended 30 September 2019 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2019 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2019.

The accounting policies adopted in these interim financial statements are consistent with those of the previous financial year and the corresponding interims period, except for the adoption of new accounting standards as set out below.

The statutory financial statements for the year ended 31 March 2019 detail the IFRSs which will be effective in the financial year's ending 31 March 2019, 31 March 2020 and 31 March 2022. The statutory financial statements for the year ending 31 March 2019 included an estimate of the impact on the Group of the implementation of IFRS 16 *'Leases'*.

Impact of adoption of new accounting standards
The Group has adopted IFRS 16: *'Leases'* from 1 April 2019, which has resulted in new accounting policies as set out below.

IFRS 16: *'Leases'*
On adopting the standard there was no adjustment to opening equity and the comparative amounts presented in the Consolidated Income Statement and Consolidated Balance Sheet have not been restated.

On adoption the Group recognised lease liabilities of £0.8m for leases previously classified as operating leases, measured at the present value of the remaining lease payments. In accordance with the transition provisions of IFRS 16, the Group discounted the future lease payments at the incremental borrowing rate of the lessee at the date of adoption. The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 April 2019 was 4.3%. At the same time, the Group recognised right-of-use assets of £0.8m, measured as if the standard had been applied since commencement date of the lease, and discounted using the lessee's incremental borrowing rate at the date of adoption. The expected impact to adjusted EBITDA is an increase of approximately £0.4 million, but there is no overall impact to profit before tax.

A difference arises between the present value of operating lease commitments disclosed at 31 March 2019 and the lease liabilities recognised by the Group at 1 April 2019. As explained in the Financial Statements as at 31 March 2019, this is due to the Group taking advantage of the exemptions in IFRS 16 that permit lease payments for short term leases and leases of low value assets to continue to be accounted for as an expense on a straight line basis over the lease term.

New accounting policy
From 1 April 2019, each lease is recognised as a right-of-use asset with a corresponding liability at the date at which the lease asset is available for use by the Group. Interest expense is charged to the Consolidated Income Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate can not be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the Consolidated Income Statement.

The Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. The Group's liquidity and going concern review can be found in the Management Report on page 8.

2. Dividends

The proposed dividend of £1.5m for the year ended 31 March 2019 of 0.61p per share was paid on 25 October 2019.

3. 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.

	Six months ended 30 September 2019 £000	Six months ended 30 September 2018 £000	Year ended 31 March 2019 £000
Earnings / (loss) for the purposes of basic and diluted earnings per share	**2,041**	(167)	945

Denominator	**Six months ended 30 September 2019 '000**	Six months ended 30 September 2018 '000	Year ended 31 March 2019 '000
Weighted average number of shares in issue in the period	**255,085**	247,425	253,117
Shares held by employee ownership plan	**(1,434)**	(1,070)	(1,363)
Number of shares used in calculating basic earnings per share	**253,651**	246,355	251,754
Dilutive effect of share options	**9,460**	11,040	10,263
Number of shares used in calculating diluted earnings per share (where applicable)	**263,111**	257,396	262,017

4. Subsequent events to 30 September 2019

As at the date of these statements there were no such events to report.