12 June 2019

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

Full year results for the year ended 31 March 2019

Results in line with expectations, with strong new business growth in UK and US

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*

Strategic highlights:

- Strong UK and 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 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
- Adjusted EBITDA of £4.3m reduced by 16% (FY18[1]: £5.1m) demonstrating a planned increase in headcount, and investment in Sales, Marketing and IT ahead of the recognition of deferred revenue[6] under IFRS 15
- 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

1. *Restatement as a result of adoption of IFRS15 – 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 and settlement costs and expenses relating to share option schemes.*
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 with existing clients*

- Strong sales pipeline in both the UK and US Secure Payments
- Record visibility for current year

Nik Philpot, Chief Executive Officer, said:

"Eckoh performed extremely well in the 2019 financial year, and in line with market expectations. We grew both the UK and US divisions, achieved record levels of new business sales that will convert into future revenue growth, and had another strong cash performance.

Looking ahead, our fast-growing order book is supporting greater revenue visibility. This, combined with our investment in our business and people, and our patented IP, provides an excellent platform for future growth and reinforces our confidence in the positive outlook for the Group."

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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 multiple channels. The products, which include the patented CallGuard, 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 $2bn 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 Media ResponseUK@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 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 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 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, with the UK up 5.2% and the US up 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[5] 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.

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 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 near term, IFRS15 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 client's 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 Live 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 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

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

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 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 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. 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 license 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 (45% of Group new business won, 68% of Group revenue, 90% recurring revenue)

The UK division delivered a strong performance with total new business contracted 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 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%.

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 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 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 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 18 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 covers 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 to our competitors as it allows us to protect our client's 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 client 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.

Financial Review

The Group has adopted IFRS 15 *Revenue from Contracts with Customers* with effect from 1st April 2018, the prior year financial statements and the opening retained earnings at 1 April 2017 have been restated. Full disclosure of the impact of the adoption of IFRS 15 are in note 6. 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 onsite 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 or 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
Revenue for the year increased by 5.4% to £28.7m (FY18[1]: £27.2m) and at constant exchange rates by 5.0%. Revenue in the UK, which represents 68% (FY18[1]: 68%) of total group revenues, increased by 5.2% to £19.4m (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 £12.2m (FY18[1]: £11.7m), revenues in local currency grew by 5.9% year on year. Further explanations of movements in revenue between the US and UK divisions have been addressed in the Operational Review above.

	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%

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 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 on the acquisition of Veritape became fully amortised. In the first half of 2018, the deferred consideration of £975k, 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.

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.

Earnings per share

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

Deferred liabilities and assets

Deferred liabilities[4] and deferred assets[4] 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.

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

Profit per share	**2019** pence	2018 Restated 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**	2018 Restated	1 April 2017 Restated
		£'000	£'000	£'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)
				(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

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)**	**-**	**-**	**-**	**(868)**	**(999)**
Balance at 31 March 2019	**635**	**2,659**	**(393)**	**198**	**2,697**	**896**	**10,492**	**17,184**

Consolidated statement of changes in equity (continued)

for the year ended 31 March 2019

	Called up share capital	Share premium	ESOP reserve	Capital redemption reserve	Merger reserve	Currency reserve	Retained earnings	Total shareholders' equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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	**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

1. Basis of preparation

The preliminary results of Eckoh plc have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") in issue as adopted by the European Union and effective at 31 March 2019. These statements do not constitute the Company's statutory accounts within the meaning of section 435 of the Companies Act 2006, but have been derived from those accounts.

Statutory accounts for the year ended 31 March 2018 have been delivered to the Registrar of Companies but those for the year ended 31 March 2019 have not yet been delivered.

The auditors have reported on the accounts for the year ended 31 March 2019; their report was not qualified, did not include references to any matters to which the auditors drew attention to by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The preliminary announcement complies with the recognition and measurement criteria of IFRS, and with the accounting policies of the Group which were set out on pages 56 to 64 of the 2018 annual report and accounts, with the exception of the below.

Changes in accounting policy from 2018 annual report and accounts
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 with effect from 1 April 2018 and the prior year financial statements have been restated. Note 6 sets out the adjustments recognised for each individual line item for the year ended 31 March 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.

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 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*, will be effective for the year ending 31 March 2020 and its adoption is deemed to be material for the Group. The impact is as follows

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.

2. 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)
	(6,981)	(5,800)

Payment terms and conditions in clients 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 March 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 March 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	K2C £'000	Total 2018 £'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.

	Eckoh UK £'000	Eckoh US £'000	K2C £'000	2018 £'000
Revenue by geography				
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**

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.

	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

4. Cashflow from operating activities

	2019	2018 Restated
	£'000	£'000
Profit after taxation	**945**	1,323
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**	(263)
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

5. Events after the Statement of Financial Position Date

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

6. 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 below.

Balance sheet (extract)	**31 March 2018 As originally presented**	IFRS 15	**31 March 2018 Restated**
	£'000	£'000	£'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 April 2017 As originally presented	IFRS 15	1 April 2017 Restated
	£'000	£'000	£'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 March 2018 As originally presented	IFRS 15	Reclassification[1]	31 March 2018 Restated
	£'000	£'000	£'000	£'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.