Eckoh

14 June 2023

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

Full year audited results for year ended 31 March 2023

- Significant double-digit revenue and profit growth, with profit and cash ahead of expectations
- Group and North America Security Solutions ARR growing strongly
- Cloud proposition and transition driving growth in key North American market
- Enhanced data security solutions portfolio has expanded addressable market and customer value
- Increased revenue visibility and encouraging new business pipeline supports confidence for FY24

Eckoh plc (AIM: ECK), the global provider of Customer Engagement Data Security Solutions, is pleased to announce full year audited results for the year ended 31 March 2023.

Nik Philpot, Chief Executive Officer, said: *"Our full year results clearly show our strategy is working. This performance is underpinned by the strategic progress we've made in developing a market-leading, cloud-first suite of solutions, and the successful integration of Syntec across our processes, products, and teams. We are particularly encouraged by the 34% organic ARR growth in North America, which underlines the scale of the market opportunity we see in that region.*

At Eckoh we're on a mission to make customer data arising from customer engagement more secure, and we believe that consumers should be able to trust every brand and engage without risk. We've already been chosen by some of the largest global brands to ensure their customer data and payments are handled securely. Tightening data regulations and the shift to home working has created new security and performance challenges for enterprise contact centres, which significantly expands the opportunity for us. With our new go-to-market proposition, our commercial team now reorganised as a single global team focused on the significant North American market, scalable cloud platforms and an expanded software portfolio, we are well placed to convert our pipeline of new business opportunities and capitalise on Eckoh's already sizable addressable market."

£m (IFRS unless otherwise stated)	**FY23**	**FY22**	***Change***
Revenue	**38.8**	31.8	*+22%*
Gross profit	**31.2**	25.4	*+23%*
North America (NA) Security Solutions ARR ($m)[1]	**15.9**	11.9	*+34%*
Total ARR[2]	**30.4**	25.8	*+18%*
Adjusted EBITDA[3]	**9.4**	6.8	*+38%*
Adjusted operating profit[4]	**7.7**	5.2	*+48%*
Profit before taxation	**5.0**	2.3	*+117%*
Basic earnings pence per share	**1.58**	0.59	*+167%*
Adjusted diluted earnings pence per share[5]	**2.09**	1.34	*+56%*
Net cash	**5.7**	2.8	*+102%*
Proposed final dividend (pence)	**0.74**	0.67	*+10%*
Total contracted business[6]	**34.5**	22.5	*+53%*
New contracted business[7]	**14.4**	10.8	*+33%*

Financial Highlights

- Revenue for the year increased by 22% to £38.8 million (FY22: £31.8 million) and at constant exchange rates by 16%, driven by organic growth and the full year impact from the acquisition of Syntec in December 2021
- Adjusted operating profit[4] up 48% to £7.7m, driven by sales growth, increased cross selling, operational leverage, and a £0.5m favourable impact from FX movements

1. ARR is the annual recurring revenue of all contracts billing at the end of the period.
2. Group ARR is all revenue that is contractually committed and an element of UK revenue that has proven to be repeatable, but not contractually committed. FY22 Group ARR has been restated to include NA Coral RR
3. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is the profit before tax adjusted for depreciation of owned and leased assets, amortisation of intangible assets, expenses relating to share option schemes, restructuring costs, legal costs and settlement agreements and costs relating to business combinations.
4. Adjusted operating profit is the profit before tax adjusted for amortisation of acquired intangible assets, expenses relating to share option schemes, restructuring costs, legal costs and settlement agreements and costs relating to business combinations.
5. Adjusted earnings per share and adjusted diluted earnings per share uses the adjusted operating profit and applies a normalised tax rate to both years of 19%.
6. Total contracted business includes new business from new clients, new business from existing clients as well as renewals with existing clients.
7. New contracted business includes new business from new clients and new business from existing clients, including product upsells and cross-sells.
8. *Eckoh believes that consensus market expectations for the year ending 31 March 2023 is revenue of £40.25 million, adjusted operating profit of £7.45 million and cash of £5.2m*

- Growth in adjusted diluted earnings per share demonstrates good organic growth from the underlying business combined with the impact of the earnings enhancing acquisition of Syntec in December 2021
- Excellent performance from North American Data Security Solutions, where we have the largest addressable market and a significant opportunity for continued strong growth:
  - North American Data Security Solutions ARR[1] up 34% and revenue up 25%
  - Recurring revenue increased 54% driven by ongoing cloud transition and successful contract renewals
- Refreshed go-to-market strategy drove up new contracted business principally through winning cloud deployed deals and international mandates in North America, which accounted for 71% of all new business
- UK and Ireland (UK&I) and Rest of World showed a resilient performance with revenue up 10%
- Balance sheet remains strong with net cash ahead of expectations[8] at £5.7m (FY22: £2.8m)
- Proposed final dividend of 0.74p per share (FY22: 0.67p), demonstrating confidence in our product portfolio and the clear opportunity to capitalise on the scale of the North American opportunity

Strategic highlights

- Strategic focus and cloud delivered solutions supports our scalable growth:
  - By offering cloud platform choice and multiple SaaS solutions without additional deployment effort, we deliver scalability into larger client opportunities in North America and across international mandates, with significant cross-sell opportunities and faster new client deployments, increasing client lifetime value
- Our proprietary cloud Secure Call Recording product was launched in April 2023, to an encouraging response:
  - Expected to support the growth in cross selling and generate new client contracts at a time when 24% of US contact centres are looking to update their call recording solution in the next 12 months*
- Global Commercial team now fully aligned to our strategic focus on the North American market:
  - Embedded a unified proposition into our new go-to-market vision of Customer Engagement Data Security Solutions, formally launched in April 2023
  - TAM in North America is currently estimated to be 20 times the value of the UK market
- Total contracted business showed strong growth through securing new business wins and several successful renewals with key clients in North America
- Notable new client wins and successful renewals during the period included:
  - A Fortune 100 retailer, purchasing two solutions; first client to go-live on our new Azure cloud platform
  - New two-year voice security contract across more than 20 territories with a leading, global hotel company
  - New global reseller contract with a US based unified communications company, 3 contracts delivered to date

Current trading and Outlook

- Positive start to the year with total order value more than £7m in the first two months
- The Board is confident of further progress in the year ahead, supported by an encouraging new business pipeline, increased revenue visibility through continued ARR growth and a robust balance sheet and cash position
- Eckoh is well placed to benefit from favourable industry trends in its target markets including the shift to hybrid contact centre working and increasing regulatory requirements around personal data management

** Source: Contact Babel - US Contact Centers 2022-2026 the State of the Industry*

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About Eckoh plc

As a global provider of Customer Engagement Data Security Solutions, Eckoh is all about making the world of data more secure.

Our vision is that everyone should be able to trust every brand and engage without risk to their personal information. We're on a mission to set the standard for secure interactions between consumers and the world's leading brands, and our innovative products build trust and deliver value though exceptional experiences.

We're trusted by many of the world's leading brands to help them manage the personal data from customer enquiries and transactions safely. Our solutions enable payment transactions to be performed securely and help protect sensitive personal data across any customer engagement channel and device the customer chooses.

Protected by multiple patents, our solutions remove sensitive personal and payment data from contact centres and IT environments, as the best way to secure data is not to collect it. This allows organisations to be not just compliant but secure, increase efficiency, lower operational costs, and provide an excellent customer experience. This is our specialism.

Our solutions are delivered globally through multiple cloud platforms or can be deployed on the client's site. 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, and our extensive portfolio of typically large enterprise clients spans a broad range of vertical markets including government departments, telecoms providers, retailers, utility providers and financial services organisations.

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

Chief Executive Officer's statement

Introduction

I am pleased to report Eckoh performed strongly in the financial year ended 31 March 2023 delivering organic growth alongside the positive impact of our earnings enhancing acquisition of Syntec in December 2021, and making significant progress with our overall strategy. Adjusted operating profit and cash were both ahead of market expectations, and ARR growth was strong, especially in our key North American market.

In the 18 months following the acquisition we have completed the integration of Syntec, also a provider of data security solutions, which brought complementary technology, IP, clients, learnings, and people into Eckoh. We are already seeing positive impacts in both our strategic progress and financial performance and we have started the new year positively with over £7m in total business contracted in the first two months. As indicated at our interim results in November 2022, following the integration of Syntec these financial results have been presented on a territory basis for this period.

A clear growth strategy

At Eckoh, we're on a mission to set the standard for secure interactions between consumers and the world's leading brands. Companies today need to provide an exceptional customer experience with a frictionless and secure payment or process journey. Every interaction or transaction should be secure. We make sure that happens through our innovative products which build trust and deliver value through exceptional experiences.

We're trusted by well-known global brands, predominantly from the retail, healthcare, telecoms, financial services, utilities, and travel sectors, to help process customer enquiries and payments safely, usually via their customer contact centres, which are either operated in-house or outsourced. Given the sensitive nature of the solutions we sell, it is unusual for these companies to be willing to be publicly named, but they are often happy to provide client references.

Our secure engagement solutions help protect sensitive customer data and can be utilised over any common customer engagement channel (voice, live chat, messaging, email, social channels, etc.) and via any device the customer chooses. Our philosophy when it comes to data security is that the best way to protect your data is not to collect it. Many of the most sensitive engagement processes, especially taking a payment itself, do not require the enterprise to collect and store data, and if the process can be performed without doing this, then this removes the risk of breach or fraud for the customer. This is our specialism and an approach for which we have a growing portfolio of patents.

Our strategy is driving strong growth in our key markets with total revenue for the year increasing to £38.8 million, an increase year-on-year of 22% (FY22: £31.8 million) or 16% adjusting for constant exchange rates. Recurring revenue for the period was 80% of Group revenue at £31.0 million, a year-on-year increase of 29%. North America ARR[1] was $15.9 million, an increase of 34% year-on-year, again demonstrating strong progress and the high level of visibility we now have in our business model.

To support our strategy to be the market leader in Customer Engagement Data Security Solutions, we completed the acquisition of Syntec in December 2021. Our "Syntegration" plan (our process of integrating and unifying Syntec into Eckoh's operations), was split into three phases and covered people, process, product, and technology. Over the last financial year, we have combined the underlying platform technology for delivering Eckoh's existing voice security product, branded as CallGuard, and Syntec's solution, branded CardEasy, to create a new unified platform appliance we call our Secure Voice Appliance (SVA). The SVA is the cornerstone of our new global Secure Voice Cloud platform, which supports our Secure Engagement Suite of solutions that can be bought either singly or in multiples by our enterprise clients and delivered through the same platform.

Our delivery infrastructure for new clients and new products is now fully integrated across the Secure Voice Cloud platform. Aligned to this, we have integrated our operational teams and processes through Eckoh's Global Network Operation Centre (NOC), to provide a unified, cross-trained global support capability across our client base.

Phases 1 & 2 are complete and during the third phase, we are tasking the unified development team to develop new solutions for the Secure Engagement Suite in key growth areas. I am pleased to confirm that we launched our first new solution from the unified team as planned at the beginning of the new financial year - our new Secure Call Recording solution. We are only a few weeks into showcasing and demonstrating the solution, but we are very encouraged by the reaction of existing and new clients alike.

Progressing well against our strategic goals

We have made excellent progress during the year with our strategic objectives, which reflect our ambition to be the global leader in Customer Engagement Data Security Solutions. Our strategic goals are outlined below:

Our overarching strategic goal is our mission. To set the standard for secure interactions between consumers and the world's leading brands. By delivering on our five strategic pillars this will take us closer to achieving this overall goal.

1) **Capitalise on external global market trends and regulation to help protect customer data through continual innovation**

Eckoh is well placed to capitalise on favourable industry trends with a more focused commercial team

Eckoh has historically targeted organisations that either transact or engage with its customers at scale, at volume and utilise contact centres with more than 50 agent seats in either the UK or US. This represented a target market of over 2,500 potential customers in the UK and 12,000 in the US. During the last year and spearheaded by our new Group Marketing Director we have invested in and implemented new MarTech tools which have provided us with a more granular way of assessing the global opportunity for our solutions. By being more granular in our analysis we have identified a total addressable market (TAM) of over 150,000 companies, with the North American market representing 48% of that TAM making it nearly ten times larger than the UK & Ireland at 5%. However, when looking at the average value of a North American contract compared to one in the UK that would increase the North American TAM value to more than 20 times the UK & Ireland.

To better pursue this opportunity, at the end of the fourth quarter we actively re-organised our commercial teams (comprising our Sales, Marketing and Client Services teams) to service the market and clients globally, and specifically to focus more of our collective resources on the large North American market. Prior to this the UK-based team, which was larger in size than the US one, was focused predominantly on the UK market. Now our unified global team is set up to sell globally, mobilised in an effective way with no geographical boundaries to service the client need, anywhere in the world.

A year ago, it would arguably have been too soon to make this change, as we only had a single product line, that of voice security, available to sell through a common cloud platform in the US market. But with the advent of our cloud-based Secure Engagement Suite we now have multiple complementary solutions that are available to any client anywhere in the world and this means that our existing North American client base are prime targets for cross selling.

Across the Group we have around 200 clients, which range greatly in both size and opportunity. Given this we have reorganised how we support and service our client accounts globally to ensure the most focus is given to the key accounts with the largest perceived opportunity for growth. The sales team and account managers have been assigned specific accounts to manage and develop across the different tiers of client opportunity and have significant cross selling and up selling targets as well as new business targets. In the top key account tier, we have around 30 accounts all of which are based in the North America region, reinforcing again the rationale for the realignment of our precious resources.

With the launch of our unified go-to-market proposition of Customer Engagement Data Security Solutions combined with our global commercial team, we are better positioned to drive growth. This is underpinned by our new Secure Engagement Suite of solutions plus our expanding and scalable cloud platforms, which provide us with the opportunity not only to extend our reach geographically, but also increase the opportunity within every client account to land and expand.

Increasing regulation and data security challenges drive demand

With increasing regulation regarding the management of personal data and the financial impact of data breaches and fraud growing, organisations are increasingly looking for ways to move beyond the requirement of merely being compliant to securing their data more comprehensively. This has made IT information security budgets one of the most protected areas of spend within enterprises. Eckoh is well placed to navigate these data security challenges, working behind the scenes as a 'sales enabler', converting sales in a secure way on behalf of an increasingly diversified and global client base.

Our addressable target market is large and has fundamentally changed post pandemic

The contact centre industry globally is extremely large, representing around 4% of the entire workforce in both the UK and US markets. The pandemic and the current economic climate have fundamentally changed the way our industry operates and the added pressures it has brought to navigating the new remote and hybrid working environments. Looking at the largest market, the US, the figures shown below, outlined in Contact Babel's 'US Contact Centers 2022-2026' research document, are particularly striking:

Percentage of US contact centres with more than 50% of agents working remotely	2019	2020	2021	2022 (estimate)
	10%	87%	89%	77%

Pre-pandemic only 10% of US contact centres had more than 50% of their agents working remotely. A huge shift to using remote agents peaked in 2021 with 89% of US contact centres having more than half their agents working from home. Even those organisations who were very reluctant to use remote working have been forced to adapt. In 2022 the estimate is that this figure is 77% and is expected to remain at these levels for the foreseeable future.

Shift to home-based agents creates new data security challenges, driving significant new opportunities

Post pandemic, contact centres have been under acute pressure to adapt in order to retain agent staff as the convenience of working from home is popular, enabling flexibility of working hours. This flexibility is also a positive for the enterprises that employ such agents as they can deploy agents to work short shifts to cope with unexpected customer demand. This changed landscape does however bring many and varied complications to the running of such remote and hybrid contact centres and the companies now need to tackle the challenge and inherent data security risks that comes from remote working agents. A managed facility is far easier to control from a data security point of view than many remote locations. It is largely impossible to replicate such an environment, which presents a significant challenge if the agent is handling customer data and especially payment data.

Within Eckoh's new solutions suite, our real time transcription solution will offer sentiment analysis and AI led agent assistance, which ensures that all customers can be triaged and dealt with swiftly and effectively, without compromising their customer experience or the security of their personal data.

This trend provides a massive opportunity for Eckoh's solutions, not just for data security but also agent performance and efficiency. Our data security proposition enables companies to reduce further, or remove, the risk of data breaches by ensuring that sensitive data isn't just blocked but replaced with placeholders that can be safely stored in the client's systems. Our patented technology wraps around the client's infrastructure seamlessly and means that from the client's point of view, they do not actually collect any sensitive personal data.

2) Grow our leadership position in Customer Engagement Data Security Solutions to increase shareholder value

Leverage our trusted supplier status to broaden the scope of our offering to our clients

The acquisition and then integration of Syntec served as a catalyst for us to refine how we go to market and how we want Eckoh to be perceived in the market. We unified and clarified our proposition into Customer Engagement Data Security Solutions which is delivered to our clients through our Secure Engagement Suite. Over the past 20 years we have delivered many different products and services, but our differentiator and strength in the customer engagement market, which has led to our success and growth, is our ability to deliver great customer experience with a data security focus. Eckoh prevents sensitive personal and payment data from entering IT and contact centre environments when customers engage with an enterprise and make payments for goods and services. With a chief aim of not compromising the quality of the customer experience, as a unified offering all our new customer engagement offerings will be underpinned with security features and capabilities to assist our clients to address data security concerns and increasing regulation.

This clarity of approach has led us to rationalise and retire several product offerings, especially those that require significant levels of bespoke implementation and professional services. Going forward our new Secure Engagement Suite will focus on those offerings that deliver value to our enterprise clients through that security layer and whilst we will retain flexibility in delivery, the overall methodology will be SaaS.

In recent years Eckoh has been developing a highly relevant suite of data security solutions, designed to protect without compromising user experience, and delivered in the cloud (or on premise if that is still required). For example, our live chat offering incorporates our patented and unique ChatGuard capability. This enables payment or personal information to be entered by a customer into a live chat session without any of that information traversing the clients' environment or being shared with an advisor. The key difference now is that those solutions which we consider to be part of our go-forward proposition have been amalgamated in our Secure Engagement Suite and delivered from our Secure Voice Cloud platforms, enabling clients to more easily deploy and purchase them.

Our patented products already help organisations to reduce the risk of fraud; secure sensitive data; comply with the Payment Card Industry Data Security Standard ("PCI DSS") and wider security regulations such as the General Data Protection Regulation ("GDPR") or the US Consumer Privacy Acts. We can grow our leadership position most quickly by adding additional solutions that assist our clients to protect wider forms of data and in different ways, as well as broader security requirements such as identifying fraudulent customers. The nature of the solution we have initially sold the client has already established Eckoh as a trusted advisor, and we can leverage that position to get access more readily to potential buyers of other complementary solutions within the organisation, such as the recently launched Secure Call Recording.

3) Use cloud technologies to develop and enhance our proprietary solutions to support scalable growth

The procurement of data security solutions to be deployed across multiple territories is certainly increasing, and our focus is on investing in our Customer Engagement Data Security Solutions to be deployed on our scalable cloud platform to support the growth from our largest territory and absolute strategic focus, North America. Our market leadership lies in our ability to offer our clients a choice of cloud platform and delivering multiple complementary SaaS solutions without any additional deployment effort or complex integrations.

Our unified team developed the new Secure Call Recording solution using the cloud native methodology and technology that we implemented some years ago. This approach has not only reduced the time it takes us to launch new solutions, but it has simplified the process of continual development and sped up the addition of new features. It also enables us to automatically scale up or down the size of our cloud platforms responding instantly to changes in demand from our clients, leading to optimum operational performance and cost to serve.

One of the largest contracts won in the year was for a Fortune 100 retailer who purchased two cloud-based solutions, voice security and digital payments, and was the first client to go-live on our new Azure cloud platform. The time to revenue for new clients is significantly improved when they opt to use a cloud deployed solution, and it enables their ability to access the other offerings in our Secure Engagement Suite with little or no additional implementation effort.

We are excited by the growing proportion of cloud deployments secured in the North American market. The share of North America ARR from cloud revenue is now 50%, rising from a 35% share a year ago. Landing and expanding within our client base is a key focus and has the benefit of increased visibility of revenue through recurring revenues and improved margin. With our product roadmap extending into a broader data security proposition, we expect to be able to increase the lifetime value of our clients and continue to have high renewal rates and very low levels of churn.

We're flexible to client needs, retaining the ability to deploy locally

The proportion of cloud contracts won in North America remains very high at over 80%, and whilst we still expect a small number of on-premise deployments, these will reduce over time. While cloud deployment is a key goal and advantage, many of the largest enterprises, especially those in North America, may still take several years to achieve that objective. Retaining the capability to deploy as required in a client's own data centres and environment and then migrate those accounts to a cloud solution at some later point, continues to give us a tactical advantage over our competitors. During the first half, we saw two clients migrate from on-site deployments to our cloud platform and as part of the renewal process, three more clients have now contracted to migrate in FY24.

4) Maximise lifetime client value and aid retention by cross and up-selling to increase recurring revenue

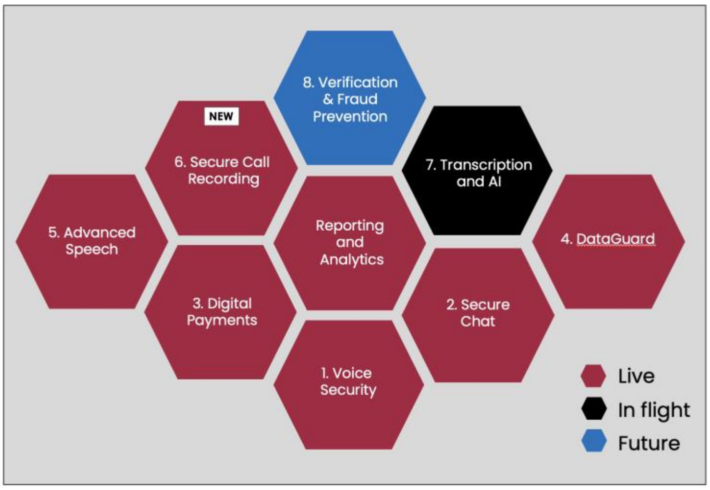
The significant enterprise deals we won during the period show the merit of Eckoh's longstanding strategy to pursue larger opportunities and reflects the continuing trend towards cloud adoption and more international mandates in our target markets.

The Eckoh offering

Our suite of data security solutions called Eckoh's Secure Engagement Suite, which has been developed and refined through the Syntegration process, is displayed in the honeycomb visual below and includes the following segments:

Secure Engagement Suite.

1. **Voice Security** – our core product to protect phone payments under the CallGuard or CardEasy brand
2. **Secure Chat** – live chat incorporating our patented ChatGuard solution to take payments securely
3. **Digital Payments** – allowing customers to pay through a secure mobile link whilst connected live to an advisor
4. **DataGuard** – securing other forms of personal data as well as payment information
5. **Advanced Speech** – using speech recognition to take payment information securely where key entry is unviable
6. **Secure Call Recording** – recording, transcribing and analysing calls, and redacting sensitive information
7. **Transcription and AI** – using real time transcription to enable agents to deliver effective and fast assistance
8. **Verification and Fraud** – improving the verification process to help identify fraudulent activity.



The first six are all now available, with the first release of Secure Call Recording launched as planned in April this year and delivered through our new Secure Voice Appliance and Secure Voice Cloud.

Later this year we will add the seventh, which will be the real time transcription solution that uses AI and machine learning to assist advisors to provide the best possible assistance whether they are experienced agents or not. It will also allow contact centre managers and supervisors to identify problem calls instantly through the sentiment analysis tool which will provide a heatmap across all agent conversations in real time, highlighting where issues may be occurring. With so many agents now working remotely, this oversight task is critical to ensure performance is not compromised because of hybrid working. Both this solution and Secure Call Recording should have an even larger TAM than our other solutions as neither necessitate the client to be taking payments to make them attractive solutions. This gives us the opportunity to target new companies that historically would not have featured in our marketing efforts.

Our first solution in the Verification and Fraud area is on our solution roadmap for the end of FY24. This will include commercialising patents that we already have granted, notably our reverse authentication patent. This enables a consumer to verify the identity of an adviser contacting them regarding activity on their account, conveniently and easily. We all know these inbound customer calls are a common route for scamming and fraud and so for the end customer to be able to verify that the call is genuine, we believe will be a unique and valuable solution. This will streamline the process for both parties, thereby improving efficiency for our enterprise clients and increasing satisfaction for the end customer.

Enterprise provides significant cross sell opportunity

Enterprise expands our total addressable market even further, particularly with the expansion and enhancement of our security suite and the global nature of our cloud platform. Given our long-standing cross-selling experience in the UK market we believe it is entirely credible that potential customer value could double compared to what was achievable from just the sale of the core voice security product.

It is encouraging that in the period the proportion of new business in North America coming from existing clients was already 38%. What is uncertain at this point is how many additional organisations will be appropriate targets for the call recording, transcription, and verification products, which arguably have an even wider applicability.

5) Evaluate acquisition opportunities that can support our growth strategy in Customer Engagement Data Security

Syntec has been a strategically important acquisition in terms of reinforcing Eckoh's position as the market leader in our field, being the catalyst for expanding our security suite and re-engineering our core cloud platform. We believe that through an ongoing focus on both organic growth and selective M&A, we are well placed to seize the opportunities we see in our sizeable addressable market.

Operational review

In the following section all comparatives have been restated for the new reporting territories.

North America (NA) Territory (45% of group revenues)

Following a thorough review of the opportunity and our go-to-market strategy, we are delighted that North America continues to power strong growth across all key KPIs, underlining our strategic focus and the significant market opportunity we are targeting in this territory.

This is best demonstrated through Data Security Solutions ARR[1], which grew 34% to $15.9 million (FY22: $11.9 million). Total North American ARR[1], which includes both our Data Security Solutions and Coral (our agent desktop product) grew to $16.9 million (FY22: $12.6 million).

Revenue for the period was $21.3 million, an increase of 25% (FY22: $17.1 million) and North America now accounts for a 45% share of Group revenue (FY22: 40%). In FY24, we expect North American revenue will at least be of equal size to revenue from the UK and Ireland territory.

During the period, in the region we have seen twelve successful renewals, an increase in the level of cloud deployments and cross selling of additional licences and product, strengthening our recurring revenue and gross profit.

Total and New Contracted Business

- Increase in sales momentum as anticipated in H1, with new contracted business wins of $12.6 million, an increase year on year of 70% (FY22: $7.4 million)
- Security Solutions new contracted business of $11.3 million with 38% of this coming from existing clients
- Combination of new contracted business and the increasing number of contract renewals has grown the total contracted business by 91% year on year to $20.9 million (FY22 $10.9 million)

Contract Renewals

- Recurring revenue increased to 76% (FY22: 69%), because of the ongoing cloud transition and six clients' initial contract renewals. At the point of renewal, the hardware and setup fees from the initial contract are fully recognised
- Six further contracts renewed during the year, three of which migrated from on premise solutions to the cloud
- One client did not renew due to a sale of their business

Cross-selling

We continue to focus on winning new large enterprise contracts, alongside cross-selling additional products introduced to the North American territory in H1 with new and existing clients. Two large enterprise deals contracted in the period illustrate that cross-selling progress is already bearing fruit, as outlined below:

New enterprise deal #1 – A **Fortune 100 retailer**	***New enterprise deal #2 -*** **A leading, global hotel company**
• Secured purchase of two product lines.	• Won a $1.3 million, 2-year contract.
• 3-year enterprise contract included a $1.4m fee for voice security to secure their telephone agents and a $0.6m fee for digital payments to secure their live chat agents.	• Cloud deployment model to incorporate voice payment security, digital payments, and advanced speech recognition.
• Multiproduct contract and first client to go-live on new Azure cloud platform.	• Single cloud deployment that will cover more than 20 territories and an equivalent number of speech recognition languages.

Coral

In the period, Coral had revenue of $2.0 million (FY22: $1.8 million Coral & third-party Support). Coral, a browser-based agent desktop, aids the following:

- to increase efficiency by bringing all the contact centre agent's communication tools into a single screen;
- to enable organisations, particularly those grown by acquisition, to standardise their contact centre facilities; and
- to be implemented in environments that operate on entirely different underlying technology.

Coral contracts are small in number but high in value when they occur, and they have a very long sales cycle (usually years) as the decision has long term ramifications for the client. This makes the timing of any new agreements both lumpy and hard to predict. There is a proof of concept being planned with a large global financial services company, however, there is no certainty at this stage if this will lead to a contract.

<u>UK & Ireland (UK&I) Territory, and Rest of World (ROW) Territory (55% of group revenues)</u>

- Total revenue for the year was £21.3 million, an increase of 10% (FY: £19.3 million)
- ARR[1] at the end of the year was £16.3 million (FY22: £16.5 million), with growth hindered by the loss of a significant (non-security) client in the first half
- Gross profit in the period was £17.5 million, an increase of 9% (FY22: £16.1 million) and gross margin was 82%, a decrease year on year of 1% (FY22: 83%), due principally to the inclusion of the Syntec UK & Ireland and ROW business
- Total contracted business was £17.2 million compared to £13.4 million in the prior year and new contracted business was £4.2 million, a decrease of 9% year-on-year (FY22: £4.7 million)
- The ROW territory is expected to grow quickly with the large international contracts deployed, but for FY23 as this territory accounts for only 2% of total revenue it has been reported together with the UK&I
- Because of the realignment of the global commercial team and focus on North America, we think it is reasonable to expect UK & Ireland growth to be modest at best. The effort involved in growing this territory would be disproportionate to the value generated compared to the more lucrative and larger market in North America

New contracted business

- Most global deals, which drive the revenue and growth in Ireland and the ROW, have been contracted through the UK Sales team. This will change with the new alignment of the global commercial team
- Contract for voice security won with the Irish division of one of the world's largest insurance companies, worth $0.6 million. This is one of the first clients to utilise the new enhanced cloud platform developed through "Syntegration"
- A further new UK contract also worth £0.6 million was won with a financial services company to provide voice security for their debt collection service

Contract renewals

- Successfully renewed the year's largest contract; a 5-year contract through Capita for a large public service organisation worth £2.1 million
- Contract through BT for the Ministry of Justice for taking payments for fixed penalty notices and magistrates fine also renewed, the second largest in the year
- Other important renewals included Kingfisher, Target, PowerNI, Transport for London and Allied Irish Bank

Outlook

The year's performance reflects the continued progress of Eckoh's strategy to pursue large enterprise opportunities, cross-sell from a broader product suite and continue the trend towards cloud adoption and more international mandates. With a refreshed go-to-market approach, coupled with an encouraging pipeline, a resilient business model of high recurring revenues, operational efficiencies, on-going cloud adoption and a robust balance sheet, the Board remains confident in delivering its expectations and achieving continued growth in FY24.

Financial Review

Eckoh has had a successful year, delivering a robust level of adjusted operating profit of £7.7 million, an increase of 48% year-on-year (FY22: £5.2 million) and ahead of consensus market expectations. Adjusted operating profit margin was 19.9%, an improvement from last year of 340 basis points (FY22: 16.5%). The growth was driven by North America and the focus on large enterprise clients, our cloud-based offering, the full year impact of the acquisition of Syntec on 21st December 2021, integration of Syntec ("Syntegration") and a £0.5 million EBITDA FX benefit (FY22: loss £0.1 million and first half gain of £0.7 million) arising from the strength of our North American activity.

Revenue for the year increased by 22% to £38.8 million (FY22: £31.8 million) and at constant exchange[3] rates by 16%. This is split £31.8 million recurring revenue (FY22: £24.1 million) and £7.8 million one-off revenue (FY22: £7.1 million). Group recurring revenue was therefore 80% (FY22: 76%), the increase being driven from the North America territory. Adjusted operating profit[1] was £7.7 million an increase of 48% year-on-year (FY22: £5.2 million). Profit after tax for the year was £4.6 million, compared to £1.6 million in FY22. The prior year profit after tax of £1.6 million included £1.0 million of transaction costs relating to the acquisition of Syntec and restructuring costs of £0.9 million. In the current year there is an exceptional legal cost and settlement agreement item of £0.2 million.

Group ARR[1] showed strong progress and demonstrates the high level of visibility we have in our business model. As of 31 March 2023, Group ARR[1] was £30.4 million, an increase of 18% year-on-year after restating last year's Group ARR[1] to include the North American Coral business (FY22 restated: £25.8 million). Group ARR[1] increased by 11% at constant exchange rates.

Total contracted business for the financial year at the Group level was £34.5 million (FY22: £22.5 million), a year-on-year increase of 55%. New contracted business increased by 33% to £14.4 million (FY22: £10.8 million) and the momentum in the first half continued into the second half.

Basic earnings per share for the year ended 31 March 2023 was 1.58 pence per share (FY22: 0.59 pence per share). Adjusted earnings per share for the year ended 31 March 2023 was 2.14 pence per share (FY22: 1.57 pence per share) demonstrating both the strong organic growth and accretion following the acquisition of Syntec in December 2021.

Territory performance – NA, UK&I, & ROW

Historically we have focused solely on the UK and US markets, but with the integration of the Syntec business into Eckoh's operations and an increasingly cloud-based security proposition enabling increased activity to come from an expanding international market, we have shifted to segmenting our activity into North America (NA), UK and Ireland (UK&I) and Rest of World (ROW) revenue streams.

Revenue in North America, which represents 45% of total group revenues, increased to £17.5 million (FY22: £12.5m). UK&I represented 53% of total group revenues at £20.6 million and ROW represented 2% of group revenues.

Further explanations of movements in revenue between the NA, UK&I and ROW territories have been addressed in the Operational Review above.

Gross profit

The Group's gross profit increased to £31.2 million (FY22: £25.4 million), an increase year-on-year of 23%. Gross profit margin was 80% for the year, in line with last year (FY22: 80%). The UK&I gross profit margin was 82%, a 1% decrease based on the new territories or a 2% decrease from the UK division last year. In North America, the full year margin was 79%, an increase from last year's NA margin of 75% or 74% for last year's US division. This increase in margin as previously indicated is a result of the continued deployment of the new Customer Engagement Data Security Solutions in the cloud environment together with the successful renewals of the earlier contracted on-site solution deployments, where the lower margin hardware component becomes fully recognised at the point of renewal.

In the UK&I, 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 at 82-83%. In North America, we would expect the gross profit margin to continue to marginally increase from 79% to c.80%. This is driven by the continued growth of the Secure Payments activities for cloud solutions coupled with a small number of clients with on-site solutions, who in the coming year are due to renew their initial contract, at which point the hardware component will be fully recognised.

Administrative expenses

Total administrative expenses for the year were £26.2 million (FY22: £23.0 million). Included in administrative expenses is the £2.5 million of amortisation for the acquired intangible assets from the acquisition of Syntec on 21 December 2021 (FY22: £0.8m) and exceptional legal fees and settlement agreements of £0.2 million. Adjusted administrative expenses[4] for the year were £23.5 million (FY22: £20.2 million).

Profitability measures

Adjusted operating profit was £7.7 million, an increase of 48% year-on-year (FY22: £5.2 million). Included in the profit was a foreign currency gain of £0.5 million (FY22: loss £0.1 million), which is unlikely to be repeated to the same extent in the financial year to 31st March 2024. Adjusted EBITDA[2] for the year was £9.4 million, an increase of 38% year-on-year (FY22: £6.8 million).

	Year ended 31 March 2023 £'000	Year ended 31 March 2022 £'000
Profit from operating activities	**5,020**	2,386
Amortisation of acquired intangible assets	**2,473**	751
Expenses relating to share option schemes	**40**	241
Restructuring costs	**-**	866
Legal costs and settlement agreements	**203**	-
Costs relating to business combinations	**-**	985
Adjusted operating profit[1]	**7,736**	5,229
Amortisation of other intangible assets	**398**	392
Depreciation of owned assets	**643**	675
Depreciation of leased asset	**618**	498
Adjusted EBITDA[2]	**9,394**	6,794

1. Adjusted operating profit is the operating profit before adjustments for expenses relating to share option schemes, amortisation of acquired intangibles assets, restructuring costs, legal costs and settlement agreements and costs relating to business combinations.
2. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is the profit from operating activities adjusted for depreciation, amortisation, expenses relating to share option schemes, restructuring costs, exceptional items and costs relating to business combinations.
3. At constant exchange rates (using last year exchange rates)
4. Adjusted administrative expenses are administrative expenses before adjustments for expenses relating to share option schemes, depreciation of owned and leased assets, amortisation of acquired intangible assets, restructuring costs, exceptional items and costs relating to business combinations.
5. Total contracted business includes new business from new clients, new business from existing clients as well as renewals with existing clients.

Finance charges

For the financial year ended 31 March 2023, the interest payable charge was £53k (FY22: £74k). The interest charge is made up of bank interest of £nil (FY22: £23k) and interest on leased assets of £53k (FY22: £51k). The finance interest received was £53k (FY22: £6k).

Taxation

For the financial year ended 31 March 2023, there was a tax charge of £383k (FY22: £743k charge). The effective tax rate in the financial year ended 31 March 2023 was 7.6% (FY22: 43.8%). The current year tax rate is impacted by a prior year adjustment relating to Syntec Holdings balance sheet as they adopted International Accounting Standards.

Earnings per share

Adjusted diluted earnings per share was 2.09 pence per share (FY22: 1.34 pence per share) a year-on-year increase of 56%, due to the increase in adjusted profit before tax, a lower effective tax rate and an essentially unchanged number of issued ordinary shares. Basic earnings per share was 1.58 pence per share (FY22: 0.59 pence per share). Diluted earnings per share was 1.55 pence per share (FY22: 0.51 pence per share).

Client contracts

Client contracts are typically multi-year in length and have a high proportion of recurring revenues, usually underpinned by minimum commitments. With a greater proportion of contracts being delivered through the cloud the initial set up fees and hardware costs associated with larger customer premise deployments will be reducing, leading over time to an increase in operating margin.

Statement of financial position

Our balance sheet remains robust with a strong net cash position of £5.7 million, an increase of £2.9 million year on year (FY22: £2.8 million). The business has a Revolving Credit Facility of £5 million, secured against the Group's UK head office, which is an asset we own outright. As at 31 March 2023 our revolving credit facility remains undrawn.

While Eckoh continues to innovate by developing new products and features such as those detailed in the Chief Executive Officer's review, there has been an increase in the amount capitalised to intangible assets in the financial year to £0.6 million relating to the Call-Recording product (FY22: £0.3m), which was launched as expected in April 2023.

Contract liabilities and contract assets

Contract liabilities and contract assets relating to IFRS 15 Revenue from Contracts with Customers has continued, as expected, to decrease in the current year, principally as new contracted business in NA has been predominantly for cloud-based solutions. Where clients contract for their services to be provided in the cloud or on our internal cloud platform, the level of hardware is significantly reduced, and implementation fees are typically lower. This reduces the level of upfront cash received but drives a greater level of revenue visibility and earnings quality. Total contract liabilities were £9.9 million (FY22: £12.5 million), included in this balance are £6.3 million of contract liabilities relating to the Secure Payments product, hosted platform product or Syntec's CardEasy Secure Payments product, a decrease of £1.8 million at the same time in the previous year. Contract assets as at 31 March 2023 were £2.4 million (FY22: £3.8 million).

Cashflow and Liquidity

Gross cash at 31 March 2022 was £5.7 million (FY22: £2.8 million), as at 31 March 2023 there was no drawdown of debt (FY22: £nil million debt). As a result of the acquisition of Syntec in the financial year to 31 March 2022, we secured a new £10 million debt facility with Barclays Bank, which comprised a £5.0 million overdraft and a £5.0 million revolving credit facility. In November 2022, the overdraft facility was cancelled and the RCF remains in place, but undrawn as at 31 March 2023.

During the year there has been a net cash outflow from working capital of £1.6 million (FY22: £1.7 million cash outflow) due to the timing of invoicing and cash receipts and as the deferred revenue for the North American large on-site deployments has been recognised over the term of the contract, generally three years.

Dividends

The Board are proposing a final dividend for the year ended 31 March 2023 of 0.74 pence per Ordinary Share be paid to the Shareholders whose names appear on the register at the close of business on 22 September 2023, with a payment date of 20 October 2023. The ex-dividend date will be 21 September 2023. This proposal 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 £2.2m.

Consolidated statement of total comprehensive income

for the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Continuing operations			
Revenue	2	**38,821**	31,780
Cost of sales		**(7,578)**	(6,357)
Gross profit		**31,243**	25,423
Administrative expenses		**(26,223)**	(23,037)
Operating profit		**5,020**	2,386
Adjusted operating profit		**7,736**	5,229
Amortisation of acquired intangible assets		**(2,473)**	(751)
Expenses relating to share option schemes		**(40)**	(241)
Exceptional restructuring costs		**-**	(866)
Exceptional legal fees and settlement agreements	3	**(203)**	-
Costs relating to acquisition	5	**-**	(985)
Profit from operating activities		**5,020**	2,386
Finance charges		**(53)**	(74)
Finance income		**53**	6
Profit before taxation		**5,020**	2,318
Taxation		**(383)**	(743)
Profit for the financial year		**4,637**	1,575
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		**(389)**	139
Other comprehensive income for the year, net of income tax		**(389)**	139
Total comprehensive income for the year attributable to the equity holders of the parent company		**4,248**	1,714

Profit per share		**2023 pence**	2022 Pence
Basic earnings per 0.25p share	4	**1.58**	0.59
Diluted earnings per 0.25p share	4	**1.55**	0.51

Consolidated statement of financial position

as at 31 March 2023

	Notes	**2022 £'000**	2022 £'000
Assets			
Non-current assets			
Intangible assets		**37,500**	39,664
Property, plant and equipment		**4,181**	4,189
Right-of-use leased assets		**995**	1,516
Deferred tax assets		**129**	1,789
		42,805	47,158
Current assets			
Inventories		**254**	268
Trade and other receivables		**11,778**	12,283
Cash and cash equivalents		**5,740**	2,840
		17,772	15,391
Total assets		**60,577**	62,549
Liabilities			
Current liabilities			
Trade and other payables		**(16,190)**	(18,286)
Lease liabilities		**(482)**	(609)
		(16,672)	(18,895)
Non-current liabilities			
Lease liabilities		**(569)**	(928)
Deferred tax liabilities		**(1,528)**	(2,983)
		(2,097)	(3,911)
Net assets		**41,808**	39,743
Shareholders' equity			
Called up share capital		**732**	732
Share premium account		**22,180**	22,180
Capital redemption reserve		**198**	198
Merger reserve		**2,697**	2,697
Currency reserve		**732**	1,121
Retained earnings		**15,269**	12,815
Total shareholders' equity		**41,808**	39,743

Consolidated statement of changes in equity

for the year ended 31 March 2023

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 April 2022	732	22,180	198	2,697	1,121	12,815	39,743
Total comprehensive income for the year							
Profit for the financial year	-	-	-	-	-	4,637	4,637
Other comprehensive expense for the period	-	-	-	-	(389)	-	(389)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(389)**	**4,637**	**4,248**
Dividends paid in the year	-	-	-	-	-	(1,959)	(1,959)
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(2)	(2)
Shares purchased for share ownership plan	-	-	-	-	-	(120)	(120)
Share based payment charge	-	-	-	-	-	(102)	(102)
Transactions with owners recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**(2,183)**	**(2,183)**
Balance at 31 March 2023	**732**	**22,180**	**198**	**2,697**	**732**	**15,269**	**41,808**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 April 2021	638	2,663	198	2,697	982	13,239	20,417
Total comprehensive income for the year							
Profit for the financial year	-	-	-	-	-	1,575	1,575
Other comprehensive expense for the year	-	-	-	-	139	-	139
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**139**	**1,575**	**1,714**
Dividends paid in the year	-	-	-	-	-	(1,559)	(1,559)
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(75)	(75)
Purchase of own shares	-	-	-	-	-	(126)	(126)
Shares purchased for share ownership plan	-	-	-	-	-	(111)	(111)
Shares issued under the share options schemes	3	226	-	-	-	-	229
Share based payment charge	-	-	-	-	-	464	464
Shares issued as part of acquisition	91	19,291	-	-	-	-	19,382
Deferred tax on share options	-	-	-	-	-	(592)	(592)
Transactions with owners recorded directly in equity	**94**	**19,517**	**-**	**-**	**-**	**(1,999)**	**17,612**
Balance at 31 March 2022	**732**	**22,180**	**198**	**2,697**	**1,121**	**12,815**	**39,743**

Consolidated statement of cash flows

for the year ended 31 March 2023

	Notes	2023 £'000	2022 £'000
Cash flows from operating activities			
Cash generated from operations	5	**6,956**	3,362
Taxation (paid) / received		**(178)**	88
Interest paid		**-**	(23)
Interest paid on lease liability		**(53)**	(51)
Net cash generated from operating activities		**6,725**	3,376
Cash flows from investing activities			
Purchase of property, plant and equipment		**(613)**	(308)
Purchase of intangible assets		**(570)**	(375)
Business acquisition		**-**	(22,500)
Interest received		**53**	6
Net cash utilised in investing activities		**(1,130)**	(23,177)
Cash flows from financing activities			
Dividends paid		**(1,959)**	(1,559)
Repayment of borrowings		**-**	(975)
Principal elements of lease payments		**(564)**	(500)
Purchase of own shares		**-**	(126)
Shares purchased for share ownership plan		**(120)**	(110)
Issue of shares net of issue costs		**-**	13,311
Shares acquired/sold by Employee Benefit Trust		**-**	(75)
Net cash (utilised in)/ generated from financing activities		**(2,643)**	9,966
Increase / (decrease) in cash and cash equivalents		**2,952**	(9,835)
Cash and cash equivalents at the start of the period		**2,840**	12,706
Effect of exchange rate fluctuations on cash held		**(52)**	(31)
Cash and cash equivalents at the end of the period		**5,740**	2,840

1. Basis of preparation

The preliminary results of Eckoh plc have been prepared in accordance with the recognition and measurement principles of UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and effective at 31 March 2023. 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 2022 have been delivered to the Registrar of Companies but those for the year ended 31 March 2023 have not yet been delivered.

The auditors have reported on the accounts for the year ended 31 March 2023; 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.

Going concern

In determining the appropriate basis of preparation of the financial statements, the Directors are required to consider whether the Group and Company can continue in operational existence for the foreseeable future.

The Board has carried out a going concern review and concluded that the Group and Company have adequate cash to continue in operational existence for the foreseeable future. The Company has net current liabilities, as balances are owed to subsidiary companies. The Board can confirm the subsidiary companies will not request repayment within 12 months of approval of the financial statements.

The Directors have prepared cash flow forecasts for a period in excess of 12 months from the date of approving the financial statements. As at 31 March 2023, the £5 million of Revolving Credit Facility (RCF) from Barclays Bank is undrawn. Bank covenants have been reviewed and are comfortably achieved for the year to 31 March 2023 and are forecast to continue to be so for at least 12 months from the date of approval of the financial statements.

Our key business indicators, total orders, new business orders and Annual Recurring Revenue (ARR), which includes all clients that we are billing, demonstrate strong visibility of future revenue. In NA, we continue to see the majority of the Security Solution contracts won and delivered through Eckoh's cloud platforms, as large enterprises have accelerated their move into the cloud. The proportion of recurring revenue is higher for contracts delivered through the cloud, which also improves our operational gearing, earnings quality and visibility in the business. We anticipate the renewal rate for NA and the UK&I businesses to remain unchanged during this period. When preparing the cash flow forecasts the Directors have reviewed a number of scenarios including a severe but plausible downside scenario which assumes no new business. In all scenarios the Directors were able to conclude that the Group has adequate cash to continue in operational existence for the foreseeable future.

2. Segment analysis

Following the acquisition of Syntec Holdings Limited on 22nd December 2021, and as part of the integration strategy of the acquired business, we have during the financial year ended 31st March 2023, revised our key segments. The key segments reviewed at Board level are North America (NA), UK & Ireland (UK&I) and Rest of World (ROW).

Information regarding the results of each operating segment is included below. Performance is measured on operating segments based on the information that internally is provided to the Executive Management team, considered to be the Chief Operating Decision Maker.

Current period segment analysis	NA £'000	UK&I £'000	ROW £'000	**Total 2023 £'000**	Total 2022 £'000
Segment Revenue	**17,513**	**20,573**	**735**	**38,821**	31,780
Gross profit	13,752	16,780	711	**31,243**	25,423
Administrative expenses	(9,350)	(16,475)	(398)	**(26,223)**	(23,037)
Operating profit	**4,402**	**305**	**313**	**5,020**	2,386
Adjusted operating profit	**4,552**	**2,871**	**313**	**7,736**	5,229
Other expenses[1]	(150)	(2,566)	-	**(2,716)**	(2,844)
Operating profit	**4,402**	**305**	**313**	**5,020**	2,386
Profit before taxation	**4,371**	**337**	**312**	**5,020**	2,318
Segment assets					
Trade and other receivables	2,864	2,784	173	**5,821**	5,712
Prepayments and contract assets	2,503	3,259	195	**5,957**	6,571
Segment liabilities					
Trade and other payables	344	2,147	8	**2,499**	2,336
Accruals and contract liabilities	7,099	6,156	384	**13,639**	15,950
Capital expenditure					
Purchase of tangible assets	519	94	-	**613**	308
Purchase of leases	-	77	-	**77**	686
Purchase of intangible assets	-	570	-	**570**	375
Depreciation and amortisation					
Depreciation of property, plant & equipment	189	444	10	**643**	680
Depreciation of leased assets	162	443	12	**617**	495
Amortisation	-	2,871	-	**2,871**	1,143

1. Other expenses include expenses relating to share option schemes, amortisation of acquired intangible assets, exceptional restructuring costs, legal costs and settlement costs and costs from business combinations.

In 2022/23 there was no one customer that individually accounted for more than 10% of the total revenue of the continuing operations of the Group. In 2021/22 there was one customer that individually accounted for more than 10% of the total revenue of the continuing operations of the Group.

Revenue by geography	**NA £'000**	**UK & I £'000**	**ROW £'000**	**2023 £'000**	2022 £'000
United States of America & Canada	17,513	-	-	**17,513**	18,856
UK & Ireland	-	20,573	-	**20,573**	12,429
Rest of the World	-	-	735	**735**	495
Total Revenue	**17,513**	**20,573**	**735**	**38,821**	31,780

Timing of revenue recognition	**NA £'000**	**UK & I £'000**	**ROW £'000**	**Total 2023 £'000**	Total 2022[1] £'000
Services transferred at a point in time	3,371	3,372	169	6,192	7,039
Services transferred over time	14,142	17,201	566	31,909	24,741
	17,513	**20,573**	**735**	**38,821**	31,780

1. The split between services transferred at a point in time and overtime were incorrectly disclosed in the Annual Report 2022 and have been corrected above.

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

	2023 £'000	2022 £'000
Receivables, which are included in, 'Trade and other receivables'	**5,151**	4,860
Contract assets which are included in 'Trade and other receivables'	**2,364**	3,828
Contract liabilities which are included in 'Trade and other payables'	**(9,909)**	(9,470)
	(2,394)	(782)

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

Contract assets result when costs directly attributable to the delivery of the hardware and the implementation fees are capitalised as contract assets and released over the contract term, thereby also deferring costs to later periods and revenue earnt not yet invoiced.

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. Contract liabilities are released as revenue is recognised.

Contract assets and contract liabilities 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 year are as follows:

	31 March 2023		**31 March 2022**	
	Contract assets £'000	**Contract liabilities £'000**	**Contract assets £'000**	**Contract liabilities £'000**
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	6,754	-	6,938
Current year billings recognised in contract liabilities	-	3,575	-	4,108
Cost of sales recognised that was included in the contract assets balance at the beginning of the period	2,600	-	2,640	-
Costs deferred in current year and unbilled revenue included in contract assets	1,115	-	1,538	-

Contract costs	**31 March 2023 £'000**	31 March 2022 £'000
Deferred implementation costs	**958**	1,028
Deferred hardware costs	**157**	510
	1,115	1,538

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.

The contract liabilities and contract assets has continued, as expected, to decrease in the current year, principally as new contracted business in North America has been predominantly for cloud-based solutions. Where clients contract for their services to be provided in the cloud or on our internal cloud platform, the level of hardware is significantly reduced, and implementation fees are typically lower.

Transaction price allocated to the remaining performance obligations

The total amount of revenue allocated to unsatisfied performance obligations is £9.9m (FY22: £9.5m). We expect to recognise approximately £7.6m (FY22: £3.9m) in the next 12 months, £1.7m (FY22: £5.5m) 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 on new basis	NA £'000	UK&I £'000	ROW £'000	Total 2022 £'000
Segment Revenue	**12,454**	**18,961**	**365**	**31,780**
Gross profit	9,344	15,727	352	**25,423**
Administrative expenses	(7,916)	(14,878)	(243)	**(23,037)**
Operating profit	**1,428**	**849**	**109**	**2,386**
Adjusted operating profit	**1,983**	**3,137**	**109**	**5,229**
Other expenses[2]	(555)	(2,289)	-	**(2,844)**
Operating profit	**1,428**	**849**	**109**	**2,386**
Profit before taxation	**1,404**	**805**	**109**	**2,318**
Segment assets				
Trade and other receivables	2,379	3,295	38	**5,712**
Prepayments and contract assets	3,351	3,004	216	**6,571**
Deferred tax asset	513	1,276	-	**1,789**
Segment liabilities				
Trade and other payables	809	1,516	11	**2,336**
Accruals and contract liabilities	8,000	7,342	608	**15,950**
Capital expenditure				
Purchase of tangible assets	120	188	-	**308**
Purchase of leases	-	686	-	**686**
Purchase of intangible assets	-	375	-	**375**
Depreciation and amortisation				
Depreciation of property, plant & equipment	150	523	7	**680**
Depreciation of leased assets	130	360	5	**495**
Amortisation	-	1,143	-	**1,143**

1. Since date of acquisition of Syntec Holdings Limited on 22 December 2021.
2. Other expenses comprise expenses relating to share option schemes, amortisation of acquired intangible assets, exceptional restructuring costs and costs from business combinations

Prior period segment analysis on old basis	Eckoh UK £'000	Eckoh US £'000	Syntec[1] £'000	Total 2022 £'000
Segment Revenue	**18,596**	**11,487**	**1,697**	**31,780**
Gross profit	15,593	8,473	1,357	**25,423**
Administrative expenses	(14,399)	(7,300)	(1,338)	**(23,037)**
Operating profit	**1,194**	**1,173**	**19**	**2,386**
Adjusted operating profit	**3,194**	**1,728**	**307**	**5,229**
Other expenses[2]	(2,000)	(555)	(289)	**(2,844)**
Operating profit	**1,194**	**1,173**	**19**	**2,386**
Profit before taxation	**1,156**	**1,149**	**13**	**2,318**
Segment assets				
Trade and other receivables	2,904	2,059	749	**5,712**
Prepayments and contract assets	2,798	954	2,819	**6,571**
Deferred tax asset	1,103	513	173	**1,789**
Segment liabilities				
Trade and other payables	1,364	607	367	**2,336**
Accruals and contract liabilities	6,216	4,191	5,543	**15,950**
Capital expenditure				
Purchase of tangible assets	187	120	1	**308**
Purchase of leases	-	686	-	**686**
Purchase of intangible assets	375	-	-	**375**
Depreciation and amortisation				
Depreciation of property, plant & equipment	525	130	25	**680**
Depreciation of leased assets	353	108	34	**495**
Amortisation	1,143	-	-	**1,143**

Revenue by geography in new segments	NA £'000	UK&I £'000	ROW £'000	**2022 £'000**
United Sates of America & Canada	12,454	-	-	**12,454**
UK & Ireland	-	18,961	-	**18,961**
Rest of the World	-	-	365	**365**
Total Revenue	**12,454**	**18,961**	**365**	**31,780**

Revenue by geography in old segments	Eckoh UK £'000	Eckoh US £'000	Syntec £'000	**2022 £'000**
UK	18,117	-	739	**18,856**
United States of America	339	11,314	776	**12,429**
Rest of the World	140	173	182	**495**
Total Revenue	**18,596**	**11,487**	**1,697**	**31,780**

Timing of revenue recognition in new segments	NA £'000	UK & I £'000	ROW £'000	**Total 2022[1] £'000**
Services transferred at a point in time	3,559	3,451	29	7,039
Services transferred over time	8,895	15,510	336	24,741
	12,454	**18,961**	**365**	**31,780**

Timing of revenue recognition in old segments	Eckoh UK £'000	Eckoh US £'000	Syntec £'000	**2022[1] £'000**
Services transferred at a point in time	3,403	3,411	225	7,039
Services transferred over time	15,193	8,076	1,472	24,741
	18,596	**11,487**	**1,697**	**31,780**

1. The split between services transferred at a point in time and overtime were incorrectly disclosed in the Annual Report 2022 and have been corrected.

3. Exceptional legal fees and settlement agreements

In the financial year ended 31 March 2023 legal fees and settlement agreements of £0.2 million (settlement income of £950k received has been netted off against legal fee expenses), have been incurred regarding commercially sensitive matters which are required to be kept confidential by agreements with third parties or ongoing legal negotiations.

4. 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.

	2023 £'000	2022 £'000
Earnings for the purposes of basic and diluted earnings per share	**4,637**	1,575
Earnings for the purposes of adjusted basic and diluted earnings per share	**6,266**	4,181

Reconciliation of earnings for the purposes of adjusted basic and diluted earnings per share

	2023	2022
	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share	**4,637**	1,575
Taxation	**383**	743
Amortisation of acquired intangible assets	**2,473**	751
Expenses relating to share option schemes	**40**	241
Exceptional restructuring costs	**-**	866
Legal fees and settlement costs	**203**	-
Costs relating to acquisition	**-**	985
Adjusted profit before tax	**7,736**	5,161
Tax charge based on standard corporation tax rate of 19% (2021: 19%)	**(1,470)**	(980)
Earnings for the purposes of adjusted basic and diluted earnings per share	**6,266**	4,181

	2023	2022
Denominator	**'000**	'000
Weighted average number of shares in issue in the period	**292,893**	265,968
Shares held by employee ownership plan	**(2,338)**	(2,028)
Shares held in Employee Benefit Trust	**-**	-
Number of shares used in calculating basic earnings per share	**290,555**	263,940
Dilutive effect of share options	**9,210**	20,558
Dilutive effect of shares for acquisition Dec 21	**-**	7,889
Dilutive effect of placing Dec 21	**-**	18,494
Number of shares used in calculating diluted earnings per share	**299,765**	310,881

	2023	2022
Profit per share	**Pence**	Pence
Basic earnings per 0.25p share	**1.58**	0.59
Diluted earnings per 0.25p share	**1.55**	0.51
Adjusted earnings per 0.25p share	**2.14**	1.57
Adjusted diluted earnings per 0.25p share	**2.09**	1.34

5. Cashflow from operating activities

	2023	2022
	£'000	£'000
Profit for the financial year	**4,637**	1,575
Interest income	**(53)**	(6)
Interest payable	**53**	74
Taxation	**383**	743
Depreciation of property, plant and equipment	**643**	680
Depreciation of leased assets	**617**	495
Amortisation of intangible assets	**2,871**	1,143
Exchange differences	**(516)**	(95)
Share based payments	**40**	241
Operating profit before changes in working capital and provisions	**8,675**	4,850
Decrease / (increase) in inventories	**14**	(5)
Decrease in trade and other receivables	**505**	2,423
Decrease in trade and other payables	**(2,238)**	(3,906)
Cash generated from operations	**6,956**	3,362

6. Events after the Statement of Financial Position Date

Prior to the 31 March 2023, the Group were in settlement discussions with a third party. An agreement was reached post year end with the third party and a settlement entered into in favour of the Group. The income and costs are included in exceptional items in Note 9.