2nd December 2021

Eckoh plc

Unaudited interim results for the six months ended 30 September 2021

Results in line with Board expectations

Growing global Secure Payments opportunity and UK recovery underpin expectations for FY22 and FY23

Eckoh plc (AIM: ECK) ("Eckoh" or the "Group"), the global provider of secure payment products and customer contact solutions, is pleased to announce unaudited results for the six months to 30 September 2021.

£m (excluding exited third-party Support)	**FY22 H1**	**FY21 H1**	***Change***
Revenue	**14.4**	**13.9**	*+3%*
Adjusted operating profit[1]	**2.5**	**2.2**	*+18%*
Recurring Revenue[2]	**10.5**	**9.8**	*+7%*
Total contracted business[3]	**11.2**	**12.7**	*(12%)*
US Secure Payments ARR ($m)[4]	**8.9**	**6.9**	*+29%*
£m (IFRS unless otherwise stated)			
Revenue	**14.7**	**15.7**	*(6%)*
Gross profit	**11.9**	**12.8**	*(8%)*
Adjusted operating profit[1]	**2.8**	**3.4**	*(19%)*
Profit after taxation	**1.9**	**2.0**	*(6%)*
Diluted earnings pence per share	**0.73**	**77p**	*(5%)*
Net cash	**12.7**	**12.9**	*(0.2m)*

Strategic highlights

- Results in line with Board expectations
- Resilient UK performance with September exit run-rate comparable with pre-pandemic volumes
- Continued good progress in US Secure Payments which now represents 89% of US revenues
- Future significant cost savings achieved (more than £1m per annum from FY23) from the move to a global Network Operations Centre (NOC), the planned and completed exit from third-party Support and natural staff attrition
- Cloud deals continue to drive most Secure Payments sales activity and we won our largest global Cloud contract to date post period, with a minimum value of $1.5m
- CallGuard Express, the new SaaS product designed to be resold through channel partners and typically targeting smaller customers launched post period, expanding the Group's target market
- Eckoh's patent portfolio strengthened with two further grants, meaning a portfolio of 17 international patents now backs Eckoh's strong IP and product proposition

Financial highlights (excluding exited third-party Support)

- Profit improved by 18% to £2.5m (H1 FY21: £2.2m)
- Revenue increased year on year by 3% to £14.4m (H1 FY21: £13.9m)
- Recurring revenue[2] increased by 7% to £10.5m, 73% of total revenues (H1 FY21: £9.8m; 71%), reflecting a transition towards higher growth US Secure Payments
- US Secure Payments progress continues:
    - New KPI of annualised recurring revenue[4] (ARR) introduced, increasing by 29% to $8.9m in the period

1. *Adjusted operating profit is the profit before tax adjusted for finance income, finance expense expenses relating to share option schemes, acquired intangibles amortisation and restructuring costs.*
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. *Total contracted business includes new business from new clients, new business from existing clients as well as renewals with existing clients.*
4. *Annualised Recurring Revenue of all signed contracts, whether live or still to be deployed.*

    - Revenue increased to $6.8m (H1 FY21: $6.5m); including two successful renewals and our largest contract, where hardware and implementation fees do not reoccur
    - Recurring revenue grew 26%, with new contracted business of $3.3m (H1 FY21: $5.9m)
- UK revenue moved back to growth, increasing 6% to £9.0m (H1 FY21: £8.5m)
- Total contracted business[3] was £11.2m (H1 FY21 £12.7m), reflecting fewer significant UK renewals in the period and ongoing challenging conditions for new business due to the pandemic
- Robust balance sheet with net cash of £12.7m (H1 FY21: £12.9m)

Outlook

- With a highly relevant product portfolio, resilient business model, high recurring revenues and a robust balance sheet, Eckoh is well placed to continue strong progress in the coming years
- The evidenced recovery of the UK business in the first half, allied to the continuing growth of the US Secure Payments activity and increasing global opportunity, coupled with the £1m of annualised cost savings, gives the Board significant confidence for the current financial year with double digit revenue and profit growth expected to return in FY23, subject to no new COVID developments

Nik Philpot, Chief Executive Officer, said: *"The last 18 months have highlighted the resilience of our business and we have used this period as an opportunity to make structural and strategic changes to our operations that will give us an even stronger platform for future, profitable growth. We have successfully concluded the planned exit from our third-party Support activity, meaningfully reduced direct costs by further optimising our operations, and continued to progress in enhancing our Secure Payments offering and extending the reach of our SaaS Cloud proposition.*

With clear signs that our UK business is now very much in recovery, set alongside the exciting US Secure Payments market opportunity that is now expanding via the Cloud into a truly global proposition, the future looks bright for Eckoh to return to stronger growth next year and beyond, notwithstanding any further COVID developments."

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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 all engagement channels. The products, which include the patented CallGuard and ChatGuard, can be hosted in the Cloud or deployed on the client's site and remove sensitive personal and payment data from contact centres and IT environments. They offer merchants a simple and effective way to reduce the risk of fraud, secure sensitive data and become compliant with the Payment Card Industry Data Security Standards ("PCI DSS") and wider data security regulations. Eckoh has been a PCI DSS Level One Accredited Service Provider since 2010, securing over £5 billion in payments annually.

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

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

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

Introduction and Financial Highlights

Eckoh performed in line with Board expectations, in the first half of the year, driven by the resilience of our business model, a recovery underway in the underlying UK business and continued momentum for the switch to Cloud in our US Secure Payments business and into other territories, supporting confidence for the year as a whole.

We have successfully managed our planned transition away from the third-party Support business and this is now complete, with revenue in the UK and US from third-party Support only £0.3 million in the first half (H1 FY21: £1.8 million). Our focus remains, as previously stated, in becoming the leading provider of Customer Engagement security solutions, which will provide greater visibility of our revenues going forward and high recurring revenues.

The underlying performance of the ongoing activities of the Group (excluding the exited third-party Support) showed clear progress, despite the lingering challenges from the impact of the pandemic. Revenue on this basis improved 3% to £14.4 million (H1 FY21: £13.9 million) with adjusted profit increasing 18% to £2.5 million from £2.2 million in the previous half year. Recurring revenue increased by 7% to £10.5 million representing 73% of total revenues (H1 FY21: £9.8 million; 71%), reflecting a transition towards the higher growth US Secure Payments. This was also reflected in the new KPI we have introduced of Annualised Recurring Revenue for Secure Payments in the US, which increased 29% to $8.9 million.

Gross profit excluding the exited third-party Support was £11.6 million, an increase of 2.8% on the same period in the prior year. (H1 FY21: £11.2 million). The US gross profit, excluding the third-party Support business, was level at £4.0 million and 74% in both the first halves of FY21 and FY20. The UK gross profit, excluding the third-party Support was £7.6 million, increasing by 5.0% (H1 FY21: £7.2 million), gross profit margin decreased marginally by 1% to 84%.

Total contracted business for the Group, excluding the exited third-party Support, was £11.2 million in the period compared to £12.7 million in the prior year. This decline was driven by ongoing challenges in moving larger new business contracts forward, particularly in the US, and fewer large renewals naturally arising in the UK. New business in the first half was £4.9 million (H1 FY21: £7.9 million).

We have introduced a new metric in these results of Annualised Recurring Revenue for US Secure Payments, and this was $8.9 million at the end of the period, an increase of 29% on the previous year. Payment contracts delivered through the Cloud are all priced on a SaaS basis and so we would expect to be able to broaden the scope of this KPI to include Global contracts in due course. UK contracts, however, have evolved over the last decade and therefore have a variety of pricing approaches and the fees often cover a bundled solution, not just payments. We will therefore need to evaluate how practical it is to include UK contracts in this metric.

Cash remains strong with a net cash position of £12.7 million, a decrease of £0.2 million on the previous year and level with 31 March 2021. The business is currently debt free, with the final repayments of the loan, taken out in 2015 in part to purchase the Group's UK head office being made in July 2021.

A Clear Growth Strategy

Our strategic objectives reflect our primary goal to become the global leader in our areas of expertise, and in particular, Customer Engagement data and payment security.

Our strategic objectives include:

- Being the market leader for Customer Engagement data and payment security
- Capitalise on the fast-growing global market for technology solutions that help protect customer data
- Maximise client value and retention through cross-selling to generate higher levels of recurring income
- Make Cloud our primary platform and use Cloud technologies to develop and enhance our proprietary solutions
- Evaluate acquisition opportunities that can support our growth strategy in Customer Engagement security

A significant and largely untapped market opportunity

Our target market both in the UK and US for our Secure Payments proposition has up to now been 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 payment transactions or customer engagement activity that the organisation has, the more attractive they are to Eckoh, and the larger the contact centre operation supporting the organisation is likely to be.

The contact centre industry in both the UK and US is extremely large, representing around 4% of the entire workforce in both markets, and the industry continues to grow. We have historically targeted organisations that utilise contact centres with more than 50 agent seats, and this represents 2,510 in the UK and 12,050 in the US.

The recent development of CallGuard Express, which is specifically intended to be a solution that services smaller clients and has almost no additional operational overhead on Eckoh, will serve to broaden our target market beyond the larger enterprise. There are a further 27,300 Contact Centres in the US and 3,525 in the UK that have between 10-50 seats, extending the market very considerably.

The procurement of security and payment solutions to be deployed across multiple territories is certainly increasing, and these solutions would all be delivered through our Cloud platforms that we continue to invest in and extend. This trend will broaden our market further and inevitably lead to us having the UK, US and ROW as geographic revenue streams.

With regulation tightening 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 secure themselves more comprehensively, leading to broadening information security budgets and remits. Moreover, the pandemic has led to a much greater reliance on more contact centre agents working remotely, that is likely to only accentuate these security requirements. We see the trend of remote working becoming a permanent feature, and this can only benefit Eckoh as our payments proposition enables companies to effectively further reduce or remove the risk of data breaches arising from one of the most challenging parts of their businesses.

Operational Review

US Division (38% of group revenues)

In the US, excluding third-party Support, revenue was $7.4 million an increase of 7.8% (H1 FY21 $6.9 million). Total contracted business was $5.5 million a decrease of 13% (H1 FY21 $6.3 million) and new contracted business was $3.3 million (H1 FY21: $5.9 million). In the period, there were two secure payment contracts that successfully renewed for the first time, at which point the original hardware and implementation fees are fully recognised.

In the US, the Group's focus remains on the US Secure Payments opportunity, where it has the greatest differentiation and the least competition. The performance of the Secure Payments business is summarised below, together with the impact of the Support business that we have strategically exited, as well as the Coral business.

- **Secure Payments** revenue of $6.8 million, an increase of 5.7% (H1 FY21: 6.5 million), and this now represents 89% of US revenue (H1 FY21: 81%). In the second half we expect revenue to be at a slightly higher level to the first half as new business goes live with higher proportions of recurring revenue as they are typically Cloud deals. The revenue increase will be somewhat tempered by the sizeable hardware and implementation fees that have been fully recognised following the renewal in July of our largest contract.

- **Coral** had revenues of $0.6 million in the period, compared to $0.4 million in H1 FY21. In the first half, Coral accounted for 8% of US revenue (H1 FY20: 6%). As noted previously, the timing of Coral orders remains hard to forecast and they will be lumpy in nature.

- **Support** revenue declined as expected to $0.3 million, a decrease of 75% (H1 FY21: $1.1 million) and now represents only 3% of the US revenue. The managed transition away from Support is now complete and after this financial year, we will not separately disclose it. A proportion of the restructuring costs incurred in the US in the first half relate to this area of the business and the last stage of the restructuring has taken place in October as we merge the UK and US Customer Support desks to a global Network Operations Centre (NOC).

Secure Payments, where we deliver a patented solution that enables enterprises to take card payments securely within their Contact Centre operations, continued to grow in the first half, albeit more slowly than the second half last year. It is a trend we have seen over the last few years, where the first months of the year are quieter, with more new business being contracted in the later months.

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

Financial Year	FY16	FY17	FY18	FY19	FY20	FY21	**H1 FY22**
New Contracted Business	$1.6m	$8.3m	$9.3m	$13.7m	$10.7m	$11.6m	**$3.2m**

The Company remains focused on large enterprise contracts, however, during the first half of the year we continued to see the sales processes for the largest companies slow to commence or resume. The impact of the pandemic diminished in the first half of the year, but its effect on procurement processes and also internal priority setting remains significant. Consequently, there continues to be greater emphasis on contracts with medium-sized organisations, which generally have a lower average contract value than the $750k previously indicated.

We continue to see, as expected, the general acceleration towards Cloud deployments and all the Secure Payment deals signed in the first half have been of this type. However, we still believe the largest enterprises are likely to take many years to achieve that goal. Although we have started to see some of these large organisations re-commence their sales processes, it still remains a lengthy process and none of these have concluded in the first half. Contracts secured in the period came from a number of sectors but notably the increasingly important sector for us in Healthcare.

The launch of CallGuard Express since period end, which is deliberately designed for smaller customers, will see smaller contracts being targeted and won for the first time. This product is extremely quick to deploy, with very limited operational overhead associated with it, so the conversion of a sale into revenue will be much faster than on our larger contacts, and margin higher. We expect most of these deals to be won through partners and more broadly our sales channels continue to strengthen, so the share of pipeline and revenue from partners is expected to increase over time. Partner sales opportunities now represent 30% of our total pipeline.

The average length of new contracts for Secure Payments is three years which is comparable to the UK, however, it is more typical in the US for renewals to be annual, often on an auto-renew. In the first half of the year there were two contracts that successfully renewed, one of which was our largest contract signed to date ($7.4 million over 2 years). There was a significant level of one-off fees in this contract, which have now been fully recognised at the end of July. With the ongoing revenue stream from this contract being much lower than previously (although entirely recurring), this will have the short-term effect of dampening the growth profile of the Secure Payments revenue stream. In the second half of the year there is one contract due for renewal, which is on an annual auto-renew as described above, this is now in its fifth year showing a similar lifecycle value to our UK clients.

External factors, such as the impending change to version 4 of the Payment Card Industry Data Security Standard (PCI DSS), the implementation of new data laws such as US Consumer Privacy Acts and significant fines levied on US organisations through the GDPR legislation, are undoubtedly helping raise awareness of the risks of not protecting sensitive data properly. This will assist us in continuing to build our pipeline which is substantial and growing. Our focus on these larger contracts means that in future periods the timing of contract wins continues to be hard to predict given the typically longer sales cycle.

Coral is a browser-based agent desktop that increases efficiency by bringing all the contact centre agent's communication tools into a single screen. It also enables organisations, particularly those who have grown by acquisition, to standardise their contact centre facilities, as Coral can be implemented in environments that operate on entirely different underlying technology. As noted previously, the timing of Coral orders remains hard to forecast and they will be lumpy in nature.

In **Support**, as we stated last year, we are transitioning away from this activity to focus on the high growth Secure Payments opportunity. As the final phases of the transition away from the third-party Support have been completed in the first half of the financial year, we have also reviewed the operational structure for the on-going Secure Payment clients and as a result have incurred restructuring costs. The last stage of this has happened in October after the half year end and we have combined our UK and US Network Operations Centres into a single a global NOC.

Recurring revenues in the US were 63% in the period compared to 56% for the same period last year. Secure Payments recurring revenue increased year on year by 26%. We would expect recurring revenue to continue to increase over time as we successfully renew the large enterprise clients where their initial hardware and implementation fees have been fully recognised, continue to deploy new clients live, but also as more clients' solutions are delivered in the Cloud, where there is a much lower level of one-off revenue initially. Recurring revenue for Secure Payments is lower than the UK operation due to the hardware component. The US operation's revenues are based on fixed contractual fees which has given us continued resilience and visibility in the current situation.

UK Division (62% of group revenues)

The UK division has continued to deliver a resilient performance in the first half, despite the challenging environment that continued through the first quarter. We have seen a notably stronger end to the second quarter and at the end of September our existing like for like clients had a comparable run-rate to pre-pandemic volumes. This provides us with confidence for the second half performance, assuming there are no further lockdowns instigated.

Excluding the discontinued third-party Support activity, revenue in the period was £9.0 million (H1 FY21 £8.5 million) an increase of 6%, showing clear signs of a recovery. Gross profit increased 5% to £7.6 million (H1 FY21: £7.2 million) and total contracted business was £7.3 million a 5% decrease on the prior year (H1 FY21: £7.7 million). New contracted business was £2.5 million (H1 FY21: £3.2 million).

Gross margins in the UK decreased in the period by 1% to 84% (H1 FY21: 85%), and recurring revenue has decreased to 80% from 85% in H1 FY21 due to the planned exit from third-party Support.

Whilst the UK business is recovering strongly, it did continue to be impacted by the on-going pandemic, especially in the first quarter. UK clients are contracted through a range of commercial models that have evolved over time, unlike the newer US business which operates entirely on fixed fee contracts. Where the commercial model is transactional, which remains the most common model, it is usual for a client to commit to a high percentage of its expected volumes and in so doing achieve the most competitive buying rate. However, this is not the case for a few of our most longstanding clients, some of which are Eckoh's largest. During the first half as the UK has gradually come out of lockdown, our clients' transactional volumes have continued to improve, and the September exit run-rate was at the same level as pre-pandemic. Notable examples of this recovery in activity are Premier Inn, who have been able to open their full hotel network, and Transport for London who have not only extended the Congestion Charge zone but seen overall volumes increase as more commuters have returned to work.

Looking at the segmentation of UK revenue, 27% came from Secure Payment services (H1 FY21: 28%), 34% from Customer Contact Solutions (H1 FY21: 34%) and the remaining 39% from clients where we provide a combination of both solutions (H1 FY21: 38%). The small shift from Secure Payment services to clients with combined solutions is principally due to the improving volumes from our larger clients who take both the Secure Payments solution and the Customer Engagement solution.

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. £2.2 million of the new business secured in the first half (H1 FY21: £2.3 million) was contracted with existing customers for delivery of new solutions or modifications. Our strong track record with existing clients has also continued to be demonstrated through the extremely high proportion of clients that are successfully renewed. As an illustration, during the period, we successfully renewed Premier Inn and Rail Delivery Group - who have both been with Eckoh for well over a decade - on multi-year renewals.

In the first half last year, we completed a six-year renewal of our contract with Capita for the provision of services for the Congestion Charge to Transport for London, at a minimum contract value of £4 million. As part of this contract, from October 2021 the Congestion Charge service was updated for the Ultra Low Emission Zone (ULEZ), which was extended significantly, and as anticipated this has brought a large uplift in transactional volumes. There was only one significant client that was not renewed in the period, who migrated to a Cloud solution because of the pandemic, this was the first such non-renewal for many years.

New business wins, consistent renewals of existing clients and the improved transactional volume from our long-standing clients give us high revenue visibility and our UK clients are underpinned by contractual fees or minimum transaction levels. We expect the improvement in transactional revenues seen in the second quarter to continue into the second half, subject to no further lockdowns being implemented.

Cloud Update

Post period, Eckoh has won a significant contract with a leading global food and drink company to provide Secure Payments services from its Cloud platforms to the new client's global contact centre operations.

The three-year contract was won following a successful competitive tender process and is worth a minimum of $1.5m, but there is an expectation that the deal will exceed this total value. The Client's North American operation will deploy the solution first, before rolling it out to up to 28 other countries over the contract term. This contract will help support the forecast growth in the next financial year and beyond.

This contract is Eckoh's largest-ever win for a Cloud solution delivered into multiple territories. We expect to see more global procurement contracts like this for Cloud delivery, as major enterprises seek to uphold rigorous security standards consistently across all their regions. Consequently, in FY23 we are likely to implement a Rest of the World (ROW) revenue stream to cover the activity being generated from outside the UK and US.

As previously highlighted, Eckoh continues to invest in its global Cloud platforms to capitalise on the growing market opportunity identified. This contract win underlines Eckoh's strategic vision and technical expertise in developing a market-leading solution to leverage that additional capability. The solution is expected to go live early in the next financial year and, in line with other Cloud contracts, will deliver higher levels of recurring revenue and margin.

Product Update

As organisations adapt their customer engagement strategy to reflect the increase in remote working that is now set to become a permanent feature, we have seen improved interest in and sales for our CallGuard Remote product, which facilitates the taking of payments securely in remote working environments. Furthermore, we are seeing the number of companies who are looking to migrate to Cloud-based solutions accelerating. A key initiative in development, to assist new and existing clients in responding to these changes, is delivering 'stack solutions' incorporating Amazon Connect, and Eckoh services (Omnichannel, Secure Payments and advanced voice self-service). This will take the flexibility of Amazon Connect but combine it with the depth and sophistication of Eckoh's services, to provide an overall solution that is more suited to the demands of larger enterprises and can be charged in a more cost-effective manner.

Alongside this we are currently migrating our market-leading omnichannel solution, including our web chat product that has the largest single deployment of web chat in the UK, to a new Cloud platform in Amazon Web Services. This will enable us to deploy these services more easily and quickly across the globe and enable cross-selling of the services to our Secure Payment customers outside of the UK.

In October, we soft launched our new product CallGuard Express, which is designed to target those customers that wish to protect their operations and are happy to take a 'vanilla' version of CallGuard with no bespoke alteration of the solution. These customers are typically smaller than those that would have been targeted by Eckoh previously, so to ensure that delivery of the solution is operationally efficient we have designed the product to be able to be deployed with almost no overhead and in a matter of hours. The SaaS nature of the product lends itself to being sold through channel partners, and it is anticipated that this will largely be the sales model in both the UK and US.

Patent Update

During the period Eckoh's patent portfolio was further strengthened with two more grants, meaning a portfolio of 17 international patents now backs Eckoh's strong IP and product proposition, with the earliest expiry date in 2031.

The new patents granted are for Reverse Contact Centre Authentication, which is now patented in the UK, Canada, and the USA. This new technology dramatically improves security and convenience for end customers when receiving unsolicited calls from organisations, helping to prevent them from becoming fraud victims. When a customer receives such a call, they cannot know whether the call is legitimate or a scam. With Eckoh's newly patented solution, the caller can verify the representative's identity instantly by clicking on a link, either on the organisation's publicly available website or their app. If the customer is already logged in or chooses to do so, the page will immediately confirm that an agent is on a call with them based on their registered contact details. This confirmation also validates the customer to the agent and provides a secure channel to share information.

These patents will complement the existing IP in these same regions for inbound Contact Centre Authentication. This solution comprises sending the customer a message to their mobile device when they phone a contact centre. To save time and increase security, the caller can confirm their identity before connecting to an agent through an existing mainstream authentication method, such as PayPal, Facebook, or Amazon. Once connected to an available agent, the caller's relevant and verified information can be immediately seen by the agent, usually without further security checks, and they can greet the customer appropriately. Billing and mailing addresses retained by these methods can prepopulate contact centre CRM systems, saving the agent time and increasing data accuracy. Because the caller has already authenticated themselves the contact centre agent (and the organisation they represent) can be sure that they are talking with the actual person the caller claims to be.

Patents play a critical role in Eckoh's data and payment security portfolio. The secure proxy patents underpin Eckoh's unique approach to customer engagement security used in CallGuard, our market-leading secure payment solution. CallGuard automatically replaces payment data or other sensitive data such as Social Security Numbers with 'placeholders' or 'tokens' before entering an organisation's contact centre or IT environment.

The solution neutralises sensitive data and deploys over existing IT infrastructure and payment systems without disruption. Eckoh's ChatGuard product uses this same method to secure payments within any Chat software conversation; and can also be applied to Chatbot or messaging apps such as WhatsApp for secure compliant payments.

Current Trading and Outlook

Eckoh performed in line with Board expectations for the first half and is on track to deliver revenue and profit for the financial year 2022 that is comparable to the financial year 2021, with double digit year-on-year revenue and profit growth expected in the financial year 2023. These expectations are subject to no further lockdowns in the UK and US, and ongoing uncertainty in the macro-economic climate because of the COVID-19 pandemic.

With a highly relevant product portfolio, resilient business model and high levels of recurring revenues, Eckoh is well placed to continue strong progress in the coming years. The future significant cost savings that have been achieved (more than £1m per annum), alongside long-term structural growth drivers, Cloud adoption and Eckoh's strengthening partner offering support FY23 growth expectations.

The anticipated recovery of the UK business in the first half, allied to the continuing growth of the US Secure Payments activity and increasing global opportunity, supported by a robust balance sheet gives the Board significant confidence for the future performance of the Group.

Financial Review

Last year the results of the UK and US operations included the planned exited third-party Support business. During the first half of this year the managed transition exit from the third-party Support business in both the UK and US business was completed. In the below financial review performance has been covered both at a total basis and excluding the third-party Support business in both this year and last year to assist the understanding of the go-forward Customer Engagement Secure Payments business.

Revenue

Revenue for the period decreased by 6.1% to £14.7 million (H1 FY21: £15.7 million) and at constant exchange rates by 2.9%, the underlying performance for the continuing business, excluding the third-party Support business, in the first half was an increase in revenue of 3.4% to £14.4 million (H1 FY21: £13.9 million).

Revenue in the UK, which represents 62% (H1 FY21: 60%) of total group revenues, decreased by 2.6% to £9.2 million (H1 FY21: £9.4 million). UK Revenue, excluding the third-party Support business, increased by 6.2% to £9.0 million (H1 FY21: £8.5 million).

The US revenue represented 38% (H1 FY21: 40%) of total group revenues and revenues decreased in the period to £5.6 million (H1 FY21: £6.3 million), revenues in local currency fell by 3.3% year on year and in sterling by 11.2%. US Revenue, excluding the third-party Support business, increased by 7.8% to $7.4 million (H1 FY21: $6.9 million).

Further explanations of movements in revenue between the US and UK divisions have been addressed in the Operational Review above.

	H1 FY22 (UK) £000	**H1 FY22 (US) £000**	**H1 FY22 Total £000**	H1 FY21 (UK) £000	H1 FY21 (US) £000	H1 FY21 Total £000
Revenue	**9,154**	**5,576**	**14,730**	9,401	6,281	15,682
Gross Profit	**7,728**	**4,123**	**11,851**	8,028	4,723	12,751
Gross margin	**84%**	**74%**	**81%**	85%	75%	81%

Gross profit margin was 81% for the first half of the financial year 2022 and 2021. In the UK, the gross profit margin decreased by 1% to 84%. The Gross profit margin in the US business decreased by 1% to 74% in the first half of the financial year 2022, as new Secure Payment clients continue to go-live. Previously we have indicated the gross profit margin would decrease towards 70%, but with the continued adoption of the Secure Payments solutions in the Cloud, the gross profit margin is expected to be stronger than previously indicated.

In the UK, as the service is hosted on an Eckoh platform there is typically no hardware provided to clients and gross profit margin is expected to remain level at 83% to 85%. In the US, due to the impact of IFRS 15 and the growth in the Secure Payments activities being deployed in the Cloud, we would expect gross profit margin to gradually decrease to a range of approximately 72% to 75%, (prior to the Cloud adoption seen towards the end of last financial year this had been indicated as 70% to 75%). As new Secure Payment business continues to be adopted in the Cloud and the existing clients with on-site solutions renew their contracts without significant hardware, the gross profit margin should gradually start to increase.

Administrative expenses
Total administrative expenses were £9.4 million in the period, compared to £10.2 million for the same period last year, an improvement of 10%. Adjusted administrative expenses were £9.1 million compared to £9.3 million for the same period last year, as a result of the restructuring measures taken in the first half to adopt to the changing environment we operate in post the pandemic. Restructuring costs incurred in the first half were £233k (H1 FY21: £nil). Included in administrative expenses is a trading foreign currency loss of £44k (H1 FY21: £55k loss).

Profitability Measures
Adjusted Operating profit for the period was £2.8 million a decrease of 19.4% on a total basis (H1 FY21: £3.4 million). Adjusted Operating Profit excluding the closed third-party Support business was £2.5 million (H1 FY21: £2.2 million), a year-on-year improvement of 18%. Included in the first half profit for the current period was a foreign currency loss of £44k (H1 FY21: £55k loss).

	Six months ended 30 Sept 2021 £'000	Six months ended 30 Sept 2020 £'000	Year ended 31 March 2021 £'000
Profit from operating activities	**2,405**	2,538	3,550
Amortisation of acquired intangible assets	**73**	486	663
Expenses relating to share option schemes	**42**	392	536
Restructuring costs	**233**	-	-
Adjusted operating profit[1]	**2,753**	3,416	4,749
Amortisation of intangible assets	**184**	164	398
Depreciation of owned assets	**329**	363	704
Depreciation of leased assets	**230**	254	505
Adjusted EBITDA	**3,496**	4,197	6,356

Finance charges
For the financial period ended 30 September 2021, the net interest charge was £22k (H1 FY21: £10k).

Taxation
For the financial period ended 30 September 2021, there was a tax charge of £461k (H1 FY21: £484k), an effective tax rate of 19% (H1 FY20: 20%).

Earnings per share

Basic earnings per share was 0.75 pence per share (H1 FY21: 0.80 pence per share). Diluted earnings per share was 0.73 pence per share (H1 FY21: 0.77 pence per share).

Contract liabilities and assets

Contract liabilities and contract assets relating to IFRS 15 Revenue from Contracts with Customers are revenue and costs relating to the implementation of our solutions which are deferred onto the balance sheet until our solution is accepted by the client and then they are released evenly over the initial term of the contract. Total contract liabilities were £10.8 million a decrease from the March 2021 contract liabilities of £12.5 million (H1 FY21: £14.0 million). Included in this balance are contract liabilities relating to the Secure Payments product or hosted platform product of £9.6 million compared to £11.1 million at March 2021 (H1 FY21: £12.7 million). Deferred assets as at 30 September were £3.9 million compared to £4.4 million at March 2021 (H1 FY21: £5.2 million). The amounts held on the balance sheet have decreased from the year end due to the switch of clients choosing Cloud solutions compared to on-premise solutions and the timing of new business and their deployments.

Cashflow and liquidity

Net cash at 30 September 2021 was £12.7 million, a decrease of £0.2 million to the previous year and level with the year end at 31 March 2021. There has been a net cash outflow for trade debtors, trade creditors, inventory and tax of £1.8 million (H1 FY21: cash inflow £1.7 million), in principle due to the unwinding of deferred revenue on the large enterprise on-premise solutions.

Consolidated statement of comprehensive income
for the six months ended 30 September 2021

	Six months ended 30 September 2021 £'000	Six months ended 30 September 2020 £'000	Year ended 31 March 2021 £'000
Continuing operations			
Revenue	**14,730**	15,682	30,486
Cost of sales	**(2,879)**	(2,931)	(6,291)
Gross profit	**11,851**	12,751	24,195
Administrative expenses	**(9,446)**	(10,213)	(20,645)
Operating profit	**2,405**	2,538	3,550
Adjusted operating profit	**2,752**	3,416	4,749
Amortisation of acquired intangible assets	**(72)**	(486)	(663)
Expenses relating to share option schemes	**(42)**	(392)	(536)
Restructuring costs	**(233)**	-	-
Profit from operating activities	**2,405**	2,538	3,550
Finance charges	**(87)**	(22)	(87)
Finance income	**65**	12	48
Profit before taxation	**2,383**	2,528	3,511
Taxation	**(461)**	(484)	(717)
Profit for the period	**1,922**	2,044	2,794
Other comprehensive income/(expense)			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences – foreign operations	**56**	(74)	134
Other comprehensive income/ (expense) for the period, net of income tax	**56**	(74)	134
Total comprehensive income for the period attributable to the equity holders of the parent company	**1,977**	1,970	2,928

Profit per share expressed in pence			
Basic earnings per 0.25p share	**0.75**	**0.80**	1.09
Diluted earnings per 0.25p share	**0.73**	**0.77**	1.06

Consolidated statement of financial position
as at 30 September 2021

	30 September 2021 £'000	30 September 2020 £'000	31 March 2021 £'000
Assets			
Non-current assets			
Intangible assets	**6,508**	6,709	6,527
Property, plant and equipment	**4,074**	3,774	4,307
Right -of-use leased assets	**1,086**	404	1,310
Deferred tax asset	**2,761**	3,786	3,211
	14,429	14,673	15,355
Current assets			
Inventories	**218**	258	174
Trade and other receivables	**11,909**	12,333	13,277
Cash and cash equivalents	**12,672**	14,808	12,706
	24,799	27,399	26,157
Total assets	**39,228**	42,072	41,512
Liabilities			
Current liabilities			
Trade and other payables	**(15,382)**	(18,502)	(18,482)
Other interest-bearing loans and borrowings	**-**	(975)	(975)
Lease liabilities	**(516)**	(380)	(517)
	(15,898)	(19,857)	(19,974)
Non-current liabilities			
Other interest-bearing loans and borrowings	**-**	(975)	-
Lease liabilities	**(618)**	(17)	(825)
Deferred tax liabilities	**(302)**	(281)	(296)
	(920)	(1,273)	(1,121)
Net assets	**22,410**	20,942	20,417
Shareholders' equity			
Called up share capital	**654**	638	638
Share premium account	**2,663**	2,663	2,663
Capital redemption reserve	**198**	198	198
Merger reserve	**2,697**	2,697	2,697
Currency reserve	**1,038**	848	982
Retained earnings	**15,160**	13,898	13,239
Total Shareholders' equity	**22,410**	20,942	20,417

Consolidated interim statement of changes in equity
as at 30 September 2021

	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 period							
Profit for the period	-	-	-	-	-	1,922	1,922
Other comprehensive expense for the period	-	-	-	-	56	-	56
Contributions by and distributions to owners					**56**	**1,922**	**1,979**
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(126)	(126)
Shares issued under the share option scheme	16	-	-	-	-	-	16
Shares purchased for share ownership plan	-	-	-	-	-	(72)	(72)
Share based payment charge	-	-	-	-	-	197	197
Total contributions by and distributions to owners	**16**	**-**	**-**	**-**	**56**	**-**	**-**
Balance as at 30 September 2021	**654**	**2,663**	**198**	**2,697**	**1,038**	**15,160**	**22,410**

	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 2020	638	2,663	198	2,697	848	11,965	19,009
Total comprehensive income for the period							
Profit for the period	-	-	-	-	-	2,044	2,044
Other comprehensive expense for the period	-	-	-	-	-	(74)	(74)
Contributions by and distributions to owners	-	-	-	-	-	1,970	1,970
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(41)	(41)
Shares issued under the share option schemes	-	-	-	-	-	(173)	(173)
Share based payment charge	-	-	-	-	-	177	177
Total contributions by and distributions to owners	**-**	**-**	**-**	**-**	**-**	**(37)**	**(37)**
Balance at 30 September 2020	**638**	**2,663**	**198**	**2,697**	**848**	**13,898**	**20,942**

Consolidated statement of cash flows
for the six months ended 30 September 2021

	Six months ended 30 September 2020 £'000	Six months ended 30 September 2020 £'000	Year ended 31 March 2021 £'000
Profit after taxation	**1,921**	2,044	2,794
Interest income	**(65)**	(12)	(48)
Interest payable	**87**	22	87
Taxation	**461**	484	717
Depreciation of property, plant and equipment	**329**	363	704
Depreciation of leased assets	**230**	254	505
Amortisation of intangible assets	**256**	650	1,061
Share based payments	**197**	177	522
Exchange differences	**9**	51	303
Operating profit before changes in working capital and provisions	**3,425**	4,033	6,645
(Increase)/ Decrease in inventories	**(44)**	54	138
Decrease in trade and other receivables	**568**	1,161	217
(Decrease) in trade and other payables	**(2,300)**	(2,592)	(2,615)
Net cash generated from operating activities	**1,649**	2,656	4,385
Taxation	**-**	(466)	(10)
Interest paid	**(63)**	(16)	(54)
Interest paid on lease liability	**(24)**	(6)	(33)
Net cash from continuing operating activities	**1,562**	2,168	4,288
Cash flows from investing activities			
Purchase of property, plant and equipment	**(89)**	(294)	(1,175)
Purchase of intangible fixed assets	**(187)**	(157)	(573)
Proceeds from sale of tangible fixed assets	**-**	3	-
Interest received	**65**	12	48
Net cash utilised in continuing investing activities	**(210)**	(436)	(1,700)
Cash flows from financing activities			
Dividends paid	**-**	-	(1,558)
Repayment of borrowings	**(975)**	-	(975)
Principal elements of lease payments	**(209)**	(251)	(461)
Shares purchased for share ownership plan	**(72)**	(173)	(241)
Issue of shares	**16**	-	-
Shares acquired by Employee Benefit Trust	**(126)**	(41)	(138)
Net cash utilised in continuing investing activities	**(1,366)**	(465)	(3,373)
(Decrease) / increase in cash and cash equivalents	**(14)**	1,267	(785)
Cash and cash equivalents at the start of the period	**12,706**	13,541	13,541
Effect of exchange rate fluctuations on cash held	**(21)**	-	(50)
Cash and cash equivalents at the end of the period	**12,671**	14,808	12,706

Notes to the condensed consolidated interim financial statements
For the six months ended 30 September 2021

GENERAL INFORMATION
Eckoh plc is a public limited company and is incorporated and domiciled in the UK under the Companies Act 2006 (Company Registration number 03435822). The address of the Company's registered office is Telford House, Corner Hall, Hemel Hempstead, HP3 9NH.

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

These condensed consolidated interim financial statements for the six months ended 30 September 2021 comprise the Company and its subsidiaries (together the "Group").

1. Basis of preparation

These condensed consolidated interim financial statements for the six months ended 30 September 2021 have been prepared in accordance with IAS 34 Interim Financial Reporting as adopted by the European Union. This report does not include all of the information required for full annual financial statements and should be read in conjunction with the consolidated financial statements of the Group as at and for the year ended 31 March 2021, which have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and applicable law.

The unaudited condensed consolidated interim financial information for the period ended 30 September 2021 does not constitute statutory accounts as defined in Section 435 of the Companies Act 2006. The comparative figures for the year ended 31 March 2021 are extracted from the statutory financial statements which have been filed with the Registrar of Companies, on which the auditor gave an unqualified report, which made no statement under section 498(2) or (3) respectively of the Companies Act 2006 and did not draw attention to any matters of emphasis.

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

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 March 2021.

In reporting financial information, the Group presents alternative performance measures ("APMs") which are not defined or specified under the requirements of IFRS. The Directors consider that disclosing alternative performance measures enhances Shareholders' ability to evaluate and analyse the underlying financial performance of the Group. They have identified adjusted operating profit and adjusted EBITDA as measures that enable the assessment of the performance of the Group and assists in financial, operational and commercial decision-making. In adjusting for these measures, the Directors have sought to eliminate those items of income and expenditure that do not specifically relate to the normal operational performance of the Group in a specific year.

These condensed consolidated interim financial statements were approved by the Board of Directors on XX November 2021.

The accounting policies adopted in these interim financial statements are consistent with those of the previous financial year and the corresponding interims period.

Going concern
The Directors have, at the time of approving the condensed consolidated interim financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements.

New standards and interpretations not yet adopted
Amended standards and interpretations not yet effective are not expected to have a significant impact on the Group's consolidated financial statements.

2. Dividends

The proposed dividend of £1.6m for the year ended 31 March 2021 of 0.61p per share was paid on 22 October 2021.

3. Earnings per share

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

	Six months ended 30 September 2021 £000	Six months ended 30 September 2020 £000	Year ended 31 March 2021 £000
Earnings for the purposes of basic and diluted earnings per share	**1,922**	2,044	2,794

Denominator	**Six months ended 30 September 2021 '000**	Six months ended 30 September 2020 '000	Year ended 31 March 2021 '000
Weighted average number of shares in issue in the period	**255,500**	255,852	255,351
Shares held by employee ownership plan	**(1,908)**	(1,717)	(1,862)
Number of shares used in calculating basic earnings per share	**253,592**	254,135	253,489
Dilutive effect of share options	**9,121**	9,678	9,426
Number of shares used in calculating diluted earnings per share (where applicable)	**262,713**	263,813	262,915

4. Subsequent events to 30 September 2021

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