22 November 2017

Eckoh plc

("Eckoh" or the "Group")

Unaudited interim results for the six months ended 30 September 2017

Continued double digit growth and strong US payments momentum, in line with the Board's expectations

Eckoh plc (AIM: ECK), the global provider of secure payment products and customer contact solutions, is pleased to announce its unaudited results for the six months to 30 September 2017.

Financial Highlights:

- Revenue increased by 10.0% to £14.8m (H1 FY17: £13.5m)
  - US operations grew by 36% to £5.4m (H1 FY: £4.0m) representing 37% of Group revenues
  - Group recurring revenue strengthened to 78% (H1 FY17: 76%)
- Gross profit increased 25% to £11.0m (H1 FY17: £8.8m)
- Adjusted[1] Operating Profit increased 66% to £2.0m (H1 FY17: £1.2m)
- Adjusted[1] EBITDA increased 34% to £2.6m (H1 FY17: £2.0m)
- Profit before tax increased to £1.5m (H1 FY17: £0.2m loss)
- Strengthened balance sheet with net cash £1.7m (H1 FY17: net debt of (£2.1m))

Operational Highlights:

- US Secure Payments business continues to build with seven contracts won in H1 with total contract value of $5.1m (H1 FY17: three contracts with $2.7m contract value)
- Order book for US payments revenue to be recognised over future periods has increased to $9.3m (FY17 $6.5m)
- New three-year UK payments contract for large high street retailer won through partner BT
- Three-year contract renewals with TenPin and PowerNI
- Post period end:
  - Two new 20-year US patents to be awarded underpinning US payments revenue

Nik Philpot, Chief Executive Officer, commented today:

"The clear progress we have made in the US in a short period of time, combined with the size of the opportunity in that market, continues to support our belief that it will surpass the UK. Eckoh remains at the forefront of contact centre security and our patents, including those that are to be newly awarded, now underpin all of our US payments revenue creating a key differentiator and barrier to future competitors.

As we enter the second half, taking into account the contracts we have already won so far this year, and the strong near-term sales pipeline, we are anticipating a second half in line with current expectations."

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1. *Adjusted Operating Profit and EBITDA excludes expenses relating to share option schemes, non-recurring items and expenses relating to acquisitions*

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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 customers take payments securely from their clients through multiple channels. Our products which include the patented CallGuard, can be hosted in the Cloud or deployed on the client's site and remove sensitive personal and payment data from contact centres and IT environments. Our products 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, processing over $1bn in card 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 Omni-channel 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.

Introduction

I am pleased to report that the first six months of the financial year has seen a 10% increase in Group revenue, with 12% organic growth[1] at constant exchange rates. Furthermore, gross profit grew by 25% extending Eckoh's track record of double-digit growth in these two measures.

Growth has been driven from the US, in particular the on-going delivery of our Secure Payments strategy, which has seen the Group's recurring revenue rise to 78%. Adoption of SaaS-style pricing has continued, delivering higher levels of revenue visibility following successful tendering and securing new US contracts. The US operation now accounts for 37% of Group revenues and the expectation is that the US operation will in time become larger than the existing UK business.

In the UK, revenue was marginally lower but gross profit slightly higher year on year. As highlighted in the full year results we have restructured the UK sales function to ensure a greater focus on larger strategic accounts and channel sales. Whilst the positive impact of this change has yet to be seen in the numbers, we have built a stronger pipeline of business and it's anticipated that the benefits will start to be seen in the second half, subject to the unpredictability of timing when closing larger deals.

Overall, we anticipate that full year results will be in line with market expectations.

A clear growth strategy

Our stated strategic objectives for this year and going forward underpin our desire to become the global leader in our specialist areas, but in particular, secure payments. These objectives include:

- Continuing to integrate and leverage the assets of the businesses acquired in recent years
- Expanding our US footprint to capitalise on the fast-growing market for secure payment opportunities
- Increasing US recurring revenues by favouring SaaS style pricing
- Broadening channel partnerships in both UK and US markets
- Continuing to invest in R&D to underpin next generation product development and maintain market leading position
- Maximising client value through cross-selling
- Continuing to evaluate acquisition opportunities that can support our growth strategy

Operational Review

US Division (37% of Group revenue, 58% recurring revenue)

The US division achieved revenue of $7.0m in the period, an increase year on year of 28% (H1 FY17: $5.5m). This growth was achieved despite the planned closure of the Professional Services activities, which had generated $1m of revenue in the prior period.

The Group's US focus remains on three sales activities where it has the greatest differentiation and the least competition, being Secure Payments, Support (of contact centre infrastructure) and Product (notably Coral, an Omni-channel contact centre agent desktop product). All three revenue streams have grown in the period.

- **Secure Payments** revenue grew fourfold to $2.4m, representing 35% of the US division's revenue compared to $0.6m and 11% for the same period last year.

- **Support** revenue accounted for 45% of revenue in the period at $3.2m and grew by 14% year on year (H1 FY17: $2.8m).

- **Coral product** had revenue of $0.9m in the period and grew by 3% year on year (H1 FY17: $0.9m) and other product revenues in the period of $0.5m (H1 FY17: $0.2m).

Included in the results for the same period last year was the Professional Services activity which has since been discontinued (H1 FY17: $1.0m), if this was excluded the US division grew by 58% year on year.

The first six months of this year has built on the success and strong second half of last year. Seven new Secure Payments contracts have been successfully secured during the period with a total value of $5.1m compared to three in the same period last year with a total value of $2.7m. The number of payments contracts won in the US since Eckoh entered the market in 2014 is now 30.

1. Organic growth excludes in the UK the Klick2Contact business in H1 2017 and in the US the closed Professional Services in H1 2016

We have moved our contracts predominantly to the 'SaaS style' (which we refer to as 'Opex' pricing) as our preferred model, and in the period, all of the new contract wins were of this nature. With this model, typically 15-25% of the contract value is recognised over the implementation period, which can be between six to eight months for our patented on-site tokenisation solution, CallGuard, which is selected by the vast majority of our clients. The balance of the recurring revenue is recognised equally each month over the remainder of the contract once the solution is operational, which is generally three years. This is compared to the 'Capex pricing', where customers would pay 65-70% of the contract up front for the implementation of their service followed by a three-year annual support and maintenance contract representing the remaining 30-35%. Although the Opex method of pricing leads to lower revenues in the year that the contract is signed, it provides the Group with greater visibility on future revenues and higher levels of recurring revenue in line with the UK financial model.

The change in strategy for payment clients from the Capex style contracts to the Opex pricing has been extremely successful as shown in the table below:

	Contract wins	Total Contract Value	Average Contract Value	Capex Pricing	Opex Pricing
FY16	9	$1.6m	$173k	8	1
FY17	9	$8.3m	$918k	2	7
H1 FY17	3	$2.7m	$912k	1	2
H1 FY18	7	$5.1m	$724k	0	7

Eckoh has made good progress in converting its contracts pipeline; both the number of contracts won and their total contract value are significantly higher than in the same period last year. The average contract value is as expected lower than the same period last year and the full year ended 31 March 2017. As previously indicated, in the financial year ended 31 March 2017 there were two large payments contracts, which increased the average contract value over and above the level management deem as normal. The Group's largest Secure Payments contract won in this period was a three-year contract with a global Healthcare business worth $1.6m, which was won against the Group's main competitor. With all contracts secured under the Opex pricing model, the end of the period order book of unrecognised revenue, which will be recognised largely over the next three years, stood at $9.3m (end of FY17 $6.5m).

Recurring revenues for the year in the US were 58% (H1 FY17: 57%) and we anticipate this to grow further as the as the proportion of revenue from Secure Payments increases. Progress has been made on broadening our partner channels for Secure Payments, a number of referral arrangements have been signed with specialist consultancies and other arrangements are in discussion.

In Support, where our service provides third party guidance within large Contact Centre operations for customers such as Avaya, Cisco, Genesys and Aspect, the division has grown 14% principally due to the large contract signed last year with a major US telecommunications company, which went live in June 2016. We continue to pursue new Support opportunities and see this activity as a key part of our US strategy as we seek to leverage the team who work in Support across our other sales channels. The customers for whom we provide support can also be excellent prospects for both our Secure Payments and Coral product, as seen from the lucrative contracts the Group has won through cross-selling.

In the period there have been no additional licence sales achieved for the Coral product, however as explained previously, the sale of the licenses are somewhat ad hoc in nature. Coral is a browser-based agent desktop tool to increase efficiency by bringing all their communications 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. Eckoh has been the exclusive reseller for Coral since the product was launched some years ago and in the period the contract has been renewed for a six-year period, with the exclusive arrangement in place until at least 2021. We are also in the process of fully integrating the Klick2Contact (K2C) product set into the desktop capability, which we believe will enhance the product offering.

UK Division (63% of Group revenue, 89% recurring revenue)

In the UK, unlike the US, the Group sells its full portfolio of services and over the last 15 years has built up a large client base of customers, with many having been with the Group for more than a decade. In the period, revenue for the UK division decreased by 1% to £9.4m (H1 FY17: £9.5) whilst gross profit has increased 2% to £7.8m (H1 FY17: £7.7m). Gross margins in the UK have increased to 84% (H1 FY17: 81%) and recurring revenue has increased to 89% from 85% in the same period last year.

We now have 87 UK clients who generate more than £25k per annum of revenue (H1 FY17: 74 clients). The largest contract to be renewed during the period was with Tenpin, which has been renewed for a further three years running up to October 2020 to provide both Secure Payments and Customer Contact Services. Through our long-standing partner BT we have also secured a three-year contract with a large high street retailer to provide Secure Payments, which we hope to go live in the second half. Our contract with PowerNI through BT has also been renewed for a further three years taking the relationship to more than a decade.

Looking at the segmentation of UK revenue for these 87 clients, 27% (FY17: 23%) came from Payment services, 26% (FY17: 33%) from Customer Contact Solutions and the remaining 46% (FY17: 44%) from those clients where we provide a combination of both solutions. The average client contract value currently stands at £260k per annum, and £530k for clients we service with both solutions, significantly higher than those we service with just Secure Payments or Customer Contact Services. 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.

Partnerships arrangements remain an important channel to market and we have recently started working on a new client with Capita, who have proven to be an important driver of large customers historically. Our relationship with Teleperformance has strengthened and in June we announced the first contract to be won through them to deliver solutions from both the Eckoh and K2C portfolio into Her Majesty's Passport Office. We have since begun providing services to another new Teleperformance customer in the insurance sector, who we also expect to take a cross-section of solutions.

Research commissioned recently by Eckoh with ContactBabel has identified that there are 572m card payments made annually over the phone through UK contact centres, on average one payment a month for every adult in the country. With GDPR taking effect from April 2018 organisations face the prospect of very significant fines for non-compliance and need to take even greater steps to secure their customer's personal data, and Eckoh is well placed to assist in that regard.

Innovation

As announced on November 9th 2017 we received notification from the US Patent and Trademark Office that two new 20-year patents will be granted for Eckoh's industry-leading contact centre security solution, CallGuard.

In 2015, Eckoh was awarded a US patent for part of its CallGuard offering but these new awards will ensure that all current Eckoh US payments revenue and future contracted payments revenue will be protected by at least one Eckoh patent. With over $13m of US payments contracts having been won in the last 18 months, and the US market growing rapidly, this protection of Eckoh's intellectual property is strategically vital in ensuring we continue to lead this key market.

The first new CallGuard patent to be awarded is for Eckoh's tokenisation process that automatically replaces real card payment data or other personal data such as Social Security numbers with valueless 'placeholders' thereby encrypting and protecting customer's sensitive data. These placeholders can flow safely through a contact centre's telephony and data networks, reducing the risk of hacking and ensuring agents are not exposed to customers' sensitive data.

The second US patent that will be awarded is for transformational technology that not only provides a secure way for merchants to take a phone payment but also identify potentially fraudulent callers. Eckoh's advancement here uses both voice biometrics to authenticate a caller, and a phone 'footprint' to authenticate the caller's mobile device. This dual authentication mechanism will provide a more secure way for merchants to verify that the caller is the genuine cardholder. Today, a fraudster may be in possession of stolen card details, but they are highly unlikely to pass a voice biometric check and to also be calling from the cardholder's own mobile phone. As such, Eckoh's new-patented approach could reduce the risk of fraud substantially.

With incoming regulation such as the Payments Services Directive 2 (PSD2) demanding tighter security via two-stage authentication, Eckoh's newly patented dual authentication transaction process demonstrates the Group's innovation to bring to market a solution that meets industry and customer needs for the long term. Securing these two new patents strengthens the Group's industry-leading position in offering the consumer an enhanced user experience, whilst maintaining the highest levels of data security.

Finally, on November 16th at the 2017 Payment Awards Eckoh was the winner of the Payment Innovation of the Year Award for our ground-breaking solution to enable a secure payment to be made using Apple Pay over a phone call. This innovation was first announced in October 2016 and was then subsequently implemented into our first live client Thames Water in June.

Board Changes

In June 2017 Christopher Humphrey was appointed as Non-executive Director and following the AGM in September, he became Chairman. In May 2017, Chrissie Herbert was appointed to the role of Chief Financial Officer.

Current Trading and Outlook

Given the nature of its business, Eckoh has always operated a model where the second half of the financial year is significantly more profitable than the first and this factor remains.

The clear progress we have made in the US, combined with the size of the opportunity in that market, continues to support our belief that, in time, it will surpass the UK. Eckoh remains at the forefront of contact centre security and our patents, including those that are to be newly awarded, now underpin all of our US payments revenue creating a key differentiator and barrier to future competitors.

As we enter the second half, taking into account the contracts we have already won so far this year, and the strong near-term sales pipeline, we are anticipating a second half in line with current expectations.

Financial Review

Revenue

Revenue for the period was 10% higher than the prior financial year at £14.8m (H1 FY17: £13.5m). Movements in revenue between the US and UK divisions have been addressed in the Operational Review above.

	H1 FY18 (UK) £000	**H1 FY18 (US) £000**	**H1 FY18 Total £000**	H1 FY17 (UK) £000	H1 FY17 (US) £000	H1 FY17 Total £000
Revenue	**9,367**	**5,442**	**14,809**	9,459	4,001	13,460
Gross Profit	**7,824**	**3,178**	**11,002**	7,700	1,132	8,832
Gross margin	**84%**	**58%**	**74%**	81%	28%	66%

Gross profit margin increased from 66% for the first half 2017 to 70% for the year ended March 2017 and with continued improvement during the first half 2018, to 74%. Margins have increased in both the UK and US. In the UK margins have increased to 84%, by 1% from the full year results to March 2017. In the US the increase is as expected following the closure of the Professional Services division and the increase in the US Secure Payments business. We expect the gross profit margin to continue to grow as the Secure Payments business continues to grow in the US.

Profitability Measures

Adjusted EBITDA for the period rose by 34% to £2.6m (H1 FY17: £2.0m), in the previous year there were losses of £0.6m incurred for the now closed Professional Services division. In the first half 2018, the deferred consideration in relation to the K2C earn-out has been released.

	Six months ended 30 Sept 2017 £'000	Six months ended 30 Sept 2016 £'000	Year ended 31 March 2017 £'000
Profit / (loss) before tax	**1,538**	**(170)**	**1,623**
Amortisation of intangible assets	**1,219**	1,254	2,619
Depreciation	**485**	562	1,058
Transactions relating to acquisitions	**0**	243	319
Expenses relating to share option schemes	**315**	2	24
Interest receivable	**(3)**	(5)	(43)
Finance income	**(975)**	-	-
Finance expense	**47**	70	205
Adjusted EBITDA	**2,626**	**1,956**	**5,805**

Finance income

In the six months ended 30 September 2017 finance income includes a credit of £975k relating to the K2C contingent consideration.

Finance expense

For the financial period ended 30 September 2017, the net interest charge was £44k (H1 FY17: £65k). In the full year ended 31 March 2017, included within finance expenses was a charge of £63k relating to the unwinding of the discount on the contingent consideration for the acquisition of K2C. No such charges were incurred in for the financial period ended 30 September 2017.

Cashflow and liquidity

Net cash at 30 September 2017 was £1.7m, an improvement of £3.8m to the previous year and an improvement from 31 March 2017 of £1.5m. In the period the Company has repaid £0.7m of the loans outstanding to Barclays Bank in accordance with the terms of the loan. During the period, there has been a net cash outflow for trade debtors and trade creditors of £0.4m (H1 FY16: (£3.3m)).

Consolidated statement of comprehensive income

for the six months ended 30 September 2017

	Six months ended 30 September 2017 £'000 (unaudited)	Six months ended 30 September 2016 £'000 (unaudited)	Year ended 31 March 2017 £'000 (audited)
Continuing operations			
Revenue	**14,809**	13,460	29,078
Cost of sales	**(3,807)**	(4,628)	(8,751)
Gross profit	**11,002**	8,832	20,327
Administrative expenses	**(9,049)**	(7,655)	(16,013)
Adjusted Operating Profit	**1,953**	1,177	4,314
Amortisation of acquired intangible assets	**(1,031)**	(1,037)	(2,186)
Expenses relating to share option schemes	**(315)**	(2)	(24)
Transactions relating to acquisitions	**-**	(243)	(319)
Profit / (loss) from operating activities	**607**	(105)	1,785
Interest payable	**(47)**	(70)	(205)
Finance income	**975**	-	-
Interest receivable	**3**	5	43
Profit / (loss) before taxation	**1,538**	(170)	1,623
Taxation	**(177)**	(94)	(184)
Total comprehensive income / (loss) for the period	**1,361**	(264)	1,439

Profit / (loss) per share expressed in pence			
Basic	**0.55**	(0.11)	0.60
Diluted	**0.53**	(0.10)	0.56

Consolidated statement of financial position
as at 30 September 2017

	30 September 2017 £'000 (unaudited)	30 September 2016 £'000 (unaudited)	31 March 2017 £'000 (audited)
Assets			
Non-current assets			
Intangible assets	**8,811**	11,296	9,991
Tangible assets	**4,818**	5,122	5,023
Deferred tax asset	**3,139**	4,516	3,578
	16,768	20,934	18,592
Current assets			
Inventories	**622**	999	713
Trade and other receivables	**9,805**	9,809	11,557
Cash and cash equivalents	**6,909**	4,447	6,083
	17,336	15,255	18,353
Total assets	**34,104**	36,189	36,945
Liabilities			
Current liabilities			
Trade and other payables	**(6,975)**	(7,959)	(9,155)
Other interest-bearing loans and borrowings	**(1,300)**	(1,300)	(1,300)
	(8,275)	(9,259)	(10,455)
Non-current liabilities			
Other interest-bearing loans and borrowings	**(3,900)**	(5,200)	(4,550)
Contingent consideration	**-**	(912)	(975)
Deferred tax liability	**(976)**	(1,599)	(1,238)
	(4,876)	(7,711)	(6,763)
Net assets	**20,953**	19,219	19,727
Shareholders' equity			
Share capital	**630**	603	611
ESOP Reserve	**(158)**	(7)	(83)
Capital redemption reserve	**198**	198	198
Share premium	**2,641**	3,010	2,660
Merger reserve	**2,697**	2,353	2,697
Currency reserve	**263**	337	472
Retained earnings	**14,682**	12,725	13,172
Total shareholders' equity	**20,953**	19,219	19,727

Consolidated interim statement of changes in equity
as at 30 September 2017
(unaudited)

	Share capital £'000	ESOP Reserve £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Currency reserve £'000	Total shareholders' equity £'000
Balance at 1 April 2016	600	(17)	198	2,612	2,353	12,942	157	18,845
Total comprehensive expense for the period	-	-	-	-	-	(264)	-	(264)
Shares issued on acquisition of Klick2Contact (EU) Ltd	2	-	-	-	344	-	-	346
Shares transacted through Employee Benefit Trust	-	10	-	5	-	(8)	-	7
Shares issued under the share option schemes	1	-	-	49	-	-	-	50
Retranslation	-	-	-	-	-	-	180	180
Share based payment charge	-	-	-	-	-	55	-	55
Balance as at 30 September 2016	603	(7)	198	2,666	2,697	12,725	337	19,219
Balance as at 1 October 2016	603	(7)	198	2,666	2,697	12,725	337	19,219
Total comprehensive income for the period	-	-	-	-	-	1,703	-	1,703
Shares issued on acquisition of Klick2Contact (EU) Ltd	-	-	-	-	-	-	-	-
Shares transacted through Employee Benefit Trust	-	6	-	-	-	(6)	-	-
Purchase of own shares	-	(82)	-	-	-	-	-	(82)
Dividends paid in the year	-	-	-	-	-	(1,084)	-	(1,084)
Shares issued under the share option schemes	8	-	-	(6)	-	-	-	2
Retranslation	-	-	-	-	-	-	135	135
Share based payment charge	-	-	-	-	-	77	-	77
Deferred tax on share options	-	-	-	-	-	(243)	-	(243)
Balance at 31 March 2017	611	(83)	198	2,660	2,697	13,172	472	19,727
Balance at 1 April 2017	611	(83)	198	2,660	2,697	13,172	472	19,727
Total comprehensive income for the period	-	-	-	-	-	1,361	-	1,361
Shares transacted through Employee Benefit Trust	-	1	-		-	(8)	-	(7)
Purchase of own shares	-	(76)	-	-	-	-	-	(76)
Dividends paid in the year	-	-	-	-	-	-	-	-
Shares issued under the share option schemes	19	-	-	(19)	-	-	-	-
Retranslation	-	-	-	-	-	-	(209)	(209)
Share based payment charge	-	-	-	-	-	157	-	157
Balance at 30 September 2017	**630**	**(158)**	**198**	**2,641**	**2,697**	**14,682**	**263**	**20,953**

Consolidated statement of cash flows
for the six months ended 30 September 2017

	Six months ended 30 September 2017 £'000 (unaudited)	Six months ended 30 September 2016 £'000 (unaudited)	Year ended 31 March 2017 £'000 (audited)
Cash flows from operating activities			
Cash generated / (utilised) from operations	**1,922**	(1,580)	2,475
Taxation	**-**	(15)	(263)
Net cash generated / (utilised) from continuing operating activities	**1,922**	(1,595)	2,212
Cash flows from investing activities			
Purchase of property, plant and equipment	**(280)**	(286)	(598)
Purchase of intangible fixed assets	**(39)**	(107)	(200)
Proceeds from sale of intangible fixed assets	**-**	-	18
Interest paid	**(47)**	(70)	(142)
Interest received	**3**	5	43
Acquisition of subsidiary, net of cash acquired	**-**	(1,920)	(1,860)
Net cash utilised in continuing investing activities	**(363)**	(2,378)	(2,739)
Cash flows from financing activities			
Dividends paid	**-**	-	(1,084)
Proceeds from new loan	**-**	2,000	6,500
Repayment of borrowings	**(650)**	(250)	(5,400)
Purchase of own shares	**(76)**	-	(82)
Issue of shares	**-**	51	52
Shares acquired by Employee Benefit Trust	**(7)**	2	7
Net cash (utilised) / generated in continuing investing activities	**(733)**	1,803	(7)
Increase / (decrease) in cash and cash equivalents	**826**	(2,170)	(534)
Cash and cash equivalents at the start of the period	**6,083**	6,617	6,617
Cash and cash equivalents at the end of the period	**6,909**	4,447	6,083

Notes to the interim financial statements
For the six months ended 30 September 2017

1. Basis of preparation

These consolidated interim financial statements have been prepared in accordance with international Financial Reporting Standards ("IFRS") as adopted by the European Union and on a historical basis, using the accounting policies which are consistent with those set out in the Group's annual report and accounts for the year ended 31 March 2017.

The unaudited interim financial information for the period ended 30 September 2017 does not constitute statutory accounts within the meaning of Section 435 of the Companies Act 2066. The comparative figures for the year ended 31 March 2017 are extracted from the statutory financial statements which have been filed with the Registrar of Companies and contain an unqualified audit report and did not contain statements under Section 498 to 502 of the Companies Act 2006.

The statutory financial statements for the year ended 31 March 2017 detail the IFRSs which will be effective in the financial year's ending 31 March 2018, 31 March 2019 and 31 March 2020. The statutory financial statements for the year ending 31 March 2017 included a description of the impact on the Group of IFRS 15 Revenue from Contracts with Customers. The Group has continued to analyse the impact of IFRS15. In the UK business, where recurring revenues are high as a proportion of total revenue and the business is mature, it is anticipated that there will be minimal impact of deferring revenue and costs to future periods. In the US business where the Secure Payments business is less mature and there are lower recurring revenues as a proportion of total revenue, it is anticipated that there will be a more material impact with the deferral of revenue and costs into future periods. As the business continues to grow and secure more Secure Payments contracts the impact will continue to be monitored. In both the UK and US business it is unlikely that there will be an impact on cashflow from the implementation of IFRS 15 from 1st April 2018.

The directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future, a period of not less than 12 months from the date of this report. The Group's liquidity and going concern review can be found in the Management Report on page 7.

2. Significant Accounting Policies

The accounting polices applied are consistent with those of the annual financial statements for the year ended 31 March 2017, as described in those financial statements.

In the six months ended 30 September 2017 Finance income includes a credit of £975k relating to the K2C contingent consideration.

3. Dividends

The proposed dividend of £1.2m for the year ended 31 March 2017 of 0.48p per share was paid on 27 October 2017.

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.

	Six months ended 30 September 2017 £000	Six months ended 30 September 2016 £000	Year ended 31 March 2017 £000
Earnings for the purposes of basic and diluted earnings per share	**1,361**	264	1,439

Denominator	Six months ended 30 September 2017 '000	Six months ended 30 September 2016 '000	Year ended 31 March 2017 '000
Weighted average number of shares in issue in the period	**245,641**	238,660	241,550
Shares held by employee ownership plan	**(550)**	(9)	(323)
Shares held in Employee Benefit Trust	**-**	(2)	(2)
Number of shares used in calculating basic earnings per share	**245,091**	238,649	241,225
Dilutive effect of potential shares and share options	**10,902**	13,648	15,281
Number of shares used in calculating diluted earnings per share	**255,993**	252,297	256,506

5. Cash flow from operating activities

	Six months ended 30 September 2017 £'000	Six months ended 30 September 2016 £'000	Year ended 31 March 2017 £'000
Profit after taxation	**1,361**	(264)	1,439
Interest income	**(3)**	(5)	(43)
Finance income	**(975)**	-	-
Interest payable	**47**	70	142
Taxation	**177**	94	184
Depreciation of property, plant and equipment	**485**	562	1,058
Exchange differences	**(209)**	180	226
Amortisation of intangible assets	**1,219**	1,254	2,619
Share based payments	**157**	55	132
Operating profit before changes in working capital and provisions	**2,259**	1,946	5,757
Decrease/ (increase) in inventories	**91**	(251)	35
Increase in trade and other receivables	**1,752**	(495)	(2,243)
Increase in trade and other payables	**(2,180)**	(2,780)	(1,074)
Net cash generated in operating activities	**1,922**	(1,580)	2,475

6. Contingent liabilities

In the statutory financial statements for the year ended 31 March 2017, there were details of a claim that had been lodged against the Group which relates to a project that has been discontinued. The Group do not believe the claim is valid and continues to vigorously defend the claim and as such no liability has been recognised in the interim financial statements for the period ended 30 September 2017.

7. Subsequent events to 30 September 2017

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