12 June 2017

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

Full year results for the year ended 31 March 2017

Strong revenue growth and significant US progress drive increasing visibility

Eckoh plc (AIM: ECK), the global provider of secure payment products and customer contact solutions, is pleased to announce its final results for the year ended 31 March 2017.

Financial Highlights:

- Revenue increased by 30% to £29.1m (FY16: £22.5m)
  - US operations grew by 145% to £9.7m (FY16: £4.0m), representing 33% of Group revenues
  - Group recurring revenue[1] strengthened to 76% (FY16: 70%)
- Gross profit increased 21% to £20.3m (FY16: £16.8m)
- Adjusted EBITDA[2] increased to £5.8m (FY16: £5.4m)
- Adjusted operating profit[3] rose to £4.3m (FY16: £4.1m) despite a £0.7m loss made by a discontinued division of acquired subsidiary, Product Support Solutions Inc. ("PSS"), and the transition to a recurring revenue model in the US
- Profit from operating activities of £1.8m (FY16: £2.5m)
- Final dividend proposed of 0.48p per share (FY16: 0.45p)

Operational Highlights:

- Secured nine new US payment contracts with a combined value of $8.3m (FY16: $1.6m)
- Largest ever US support contract won with a contract value of $5.0m
- Completed the acquisition of Klick2Contact EU Limited ("K2C") in July 2016 strengthening Eckoh's Omni-channel service offering
- Fourth contract win with Capita to provide services to a leading UK mobile virtual network operator
- Strengthened existing UK client base from 66 to 87[4], and client retention remains almost 100%

Current Trading:

- Strong start to the new financial year with monthly recurring revenue of nearly £2m
- Post period end, won new three-year contract through Teleperformance to provide both Eckoh and K2C services to Her Majesty's Passport Office
- Five year contract win with Carters Inc for Secure Payments

1. 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 of the delivery of hardware.
2. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is stated after excluding expenses relating to share option schemes, non-recurring items and expenses relating to acquisitions.
3. Adjusted operating profit is stated after excluding expenses relating to share option schemes, non-recurring items and expenses relating to acquisitions.
4. Clients who generate more than £25,000 of revenue per annum.

Nik Philpot, Chief Executive Officer, commented today:

"We are delighted to report the fourth successive year of double digit revenue and gross profit growth for Eckoh, largely driven by a breakthrough year in the US. One third of the Group's revenue is now generated from this large and growing market.

The record levels of contract wins and pipeline growth, combined with an effective transition to recurring revenue pricing and a market-leading product portfolio, gives us a strong platform on which to further expand our presence in the US. Our UK business also continues to grow and has been enhanced by the addition of K2C. With over 75% of Group revenue already recurring, the Board believe Eckoh is well positioned for further significant growth over the coming years."

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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 Eckoh has made considerable progress in the year ended 31 March 2017 with growth delivered both in the UK and in the United States. In the US, there has been rapid adoption of SaaS-style pricing, delivering higher levels of revenue visibility and the Group has successfully tendered for and won increasingly large contracts. In the UK, we have maintained our excellent client retention rates and continued to actively cross-sell our secure payment products and customer contact solutions to our established client base. It is this continued success in winning new clients, the transition in the US to the SaaS model combined with renewal rates that are typically 100%, that has led to high levels of recurring revenue which increased to 76% in this period.

Two highly complementary products

Eckoh's go-to-market proposition encompasses two highly complementary areas: secure payments products and customer contact solutions.

The Group's patented Secure Payment products remove sensitive personal and payment data from IT environments and contact centres. This helps organisations to reduce the risk of fraud, secure sensitive data and become compliant with the Payment Card Industry Data Security Standards ("PCI DSS") and wider security regulations such as the General Data Protection Regulation ("GDPR"). Our Secure Payments products are generally straightforward to deploy, they enjoy extremely high renewal rates and provide an excellent platform from which to cross-sell other Eckoh solutions to our customer base.

The Group's Customer Contact solutions assist organisations to transform the way that they engage with their customers by enabling enquiries and transactions to be performed on whatever device the customer chooses, through whatever form of communication. Eckoh's proposition covers interactive voice, web, email, SMS, mobile, live webchat and social media, enabling our clients to increase efficiency, lower operational costs and provide a true Omni-channel experience.

Contracts for both propositions are typically multi-year in length and have a high proportion of recurring charges, usually underpinned by minimum commitments. Eckoh's two key markets are the UK and US, although the Group does also sell its payments services internationally. In the UK, almost all solutions are delivered from Eckoh's hosted managed service platform, whilst in the US customers are currently more predicated to deploy the solutions on site.

In the UK the Group sells its full portfolio of services and over the course of the last 15 years has built a client base of 87[1] customers, with many customers having been with the Group for more than a decade. In the US market, a territory that Eckoh entered only three years ago, the Group's focus is on products where it has the greatest differentiation and the least competition. These products comprise secure payments, contact centre infrastructure support and the Group's Omni-channel contact centre agent desktop product Coral.

1. Clients who generate more than £25,000 of revenue per annum.

A clear growth strategy

Our 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

A significant and largely untapped market opportunity

Our target market both in the UK and US is any sizeable organisation that either transacts or engages with its customers. This activity will usually be supported either by an in-house or outsourced contact centre provider. The greater the volume of transactions or customer engagement activity that organisation has, the more lucrative the account usually is, and the larger the contact centre supporting the organisation is likely to be.

The contact centre industry in the UK and US is so large that, in each case, it represents around 4% of the entire workforce, and the industry continues to grow. According to ContactBabel, there are currently over 6,000 contact centres in the UK with 766,000 agent seats employing nearly 1.3 million staff. We typically target organisations that utilise contact centres with more than 50 agent seats and this represents over 2,500 in number and over 500,000 agent seats. Our current client base of 87 means we have addressed just over 3% of the UK market.

The US market is five times larger than the UK with over 40,000 contact centres and over 3.5 million agent seats, employing 6 million staff. There are 14,000 US contact centres that have over 50 seats, representing 2.9 million agent seats in total. With a base of 41 clients[1] in the US today we have addressed less than 1% of the target market.

With regulation tightening and the financial impact of data breaches and fraud growing, organisations around the world are increasingly looking for ways to secure themselves and we see that trend only continuing. Information security budgets and remit is broadening and this can only benefit Eckoh with our payments proposition enabling companies to effectively remove the risk of data breach from some of the most challenging parts of their businesses. With so little of our target market currently addressed, and with very limited competition to our offering, this represents a huge opportunity for Eckoh in the coming years.

1. Clients who generate more than $35,000 of revenue per annum.

But mining this potentially huge opportunity requires a disciplined approach. As a consequence we are focusing our sales and R&D resources on segments where the volume or value of payments transacted, the sensitivity of the data handled or the level of engagement with the customer are most mission critical. Our priority sectors include companies in the insurance, retail and distribution, financial services, transport and travel, healthcare and utilities industries.

Operational Review

US Division (33% of Group revenue, 54% recurring revenue)

This has been a transformational year for the US division, with record levels of business being won in secure payments and key operational decisions having been made to support our ongoing development and success in the US market. In May 2016 Dan Arntz, who previously worked for our partner West Corporation, joined the Group to lead the sales team and was then subsequently promoted to head up the division.

Revenue from US operations in the year increased to £9.7m (FY16: £4.0m) and now represents 33% of Group revenues. Whilst some of this increase relates to a full twelve-month contribution from the acquired Product Support Solutions Inc ("PSS") business, Secure Payment revenues in the year increased from £0.7m to £2.0m.

During the year, we closed the Professional Services division of the acquired PSS business as its revenues were of a short-term, one-off nature, that did not fit well with Eckoh's chosen financial model. The division had a large loss-making contract, which led to a loss of £0.7m over the year. Following its closure the PSS and Eckoh businesses are now fully integrated.

Throughout the period we have made significant progress in adopting SaaS style pricing as our preferred model. When Eckoh entered the US payments market in April 2014, customers would typically pay a large initial fee for the implementation of their service followed by an annual support and maintenance contract representing 15-20% of the initial payment ("Capex pricing"). Under the SaaS-style model, most of the revenue is recognisable across the term of the agreement, which is typically three years ("Opex pricing"). Although this method of pricing leads to lower revenues in the year that the contract is signed, it provides greater visibility on future revenues and higher levels of recurring revenue in line with the UK financial model. Given the scale of the opportunity in the US, the Group has focused on the largest value opportunities due to the disproportionate level of effort and cost required for low value customers.

This change in strategy for payment clients has been extremely successful as shown in the table below;

	Contract wins	Total Contract Value	Average Contract Value	Capex Pricing	Opex Pricing
FY15	5	$0.3m	$53K	5	0
FY16	9	$1.6m	$173K	8	1
FY17	9	$8.3m	$918K	2	7

Whilst the number of contracts won in the year is identical to the previous year, the overall contract value secured is over five times higher. In addition, seven of the nine payment deals won in the year were based on the Opex pricing model. As a result, only $1.8m or 21% of the $8.3m contract value won this year has been recognised in the year with the remaining $6.5m to come through largely over the next three years.

The largest Secure Payments contract won in the year was a five-year contract worth $3.7m, which was won directly with the same client with whom we suffered the loss-making contract in the discontinued Professional Services division. The professional way that we concluded the implementation of that contract was a key factor in our ability to secure the later and more lucrative deal. The largest payments contract won to date through our partner West Corporation, to provide our tokenisation payments solution to an insurance company in the Fortune 100, is now fully live servicing payments made through over 5,000 live agents, as well as handling payments through their automated system. Lastly, since year end we have won a five-year contract with Carters Inc, North America’s largest supplier of clothing to young children with annual sales of over $3 billion, also to deploy our patented tokenisation solution.

The remaining US revenues have been delivered from Customer Contact Solutions, which have traditionally been provided by the acquired PSS business. The two key revenue streams are for Contact Centre Support and Product sales. The Support division provides third party support for infrastructure such as Avaya, Cisco, Genesys and Aspect within large Contact Centre operations. In June 2016 we were successful in securing our largest ever contract win for support, signing a three-year contract with a major US telecommunications company. The contract, which commenced in July, sees the customer pay a monthly fee for the support provided and is expected to be worth more than $5.0m over the three-year term.

The Product division sells and implements contact centre technology solutions owned by both Eckoh and third parties. The lead product is a browser-based agent desktop tool called Coral. The Coral desktop enables agents to handle customer queries in a more efficient manner by bringing all their communications into a single screen, rather than having to move between multiple screens, and also enables organisations to standardise their facilities that operate on different underlying technology. In the interim results, we disclosed that a three-year agreement had been secured with one of the largest US telecommunications providers to provide Coral to over 3,000 contact centre agents in a new facility. Since then we have seen a subsequent order from the same client for additional licenses and have a realistic opportunity to expand further into their considerable Contact Centre estate. There are other significant sized pipeline opportunities for the solution, and as we fully integrate the K2C product set into the desktop capability we believe the offering will become even more compelling.

The US division enters the new financial year with a solid base of contracted revenues and a monthly run rate of revenue from existing customers at the period end of $0.7m. Recurring revenues for the year in the US were strengthened to 54% (FY16: 34%) and this is anticipated to grow further in the coming year as the focus remains on securing long term Opex contracts and the proportion of revenue from secure payments increases.

UK Division (67% of Group revenue, 87% recurring revenue)

In the UK, revenue has increased by 5% to £19.4m (FY16: £18.5m). In FY16 there was £1.7m more revenue coming from one off fees than in FY17, particularly related to the implementation of the O2 solution for Capita, which led to recurring revenue in that year of 79%. These higher than normal fees have largely been replaced with recurring charges, which has increased recurring revenue to 87% and in March 2017 we had an exit monthly recurring run rate of £1.4m. Gross margins in the UK have remained high at 83% (FY16: 83%).

We now have 87 (FY16: 66) UK clients who generate more than £25k per annum of revenue, twice the level we had three years ago (FY14: 43). All but one of the 25 clients above this revenue threshold whose contracts were due to expire this year, renewed with Eckoh, the exception being a small customer who operated the legacy Veritape call recording solution, a product that we no longer actively sell. The largest contract to be renewed this year was with Whitbread plc for Premier Inn and this was renewed for a further three years running up to November 2019, which will take the life of our relationship to over a decade.

Looking at the split of UK revenue for these 87 clients above the £25k level, 23% came from those who only take Payment services, 33% from those who only take Customer Contact Solutions and the remaining 44% is from those who take a combination of both solutions. The average client contract value is £216K per annum, but of those who take the combined offering it is £590K, significantly higher than those who take services from one part of the portfolio. Cross-selling to existing clients in this way is a key part of the Eckoh strategy, not only to drive incremental revenue but to continue the trend of extremely high levels of client retention and to increase the lifetime value of the customer.

Partnership channels remain an important channel to market for the Group and in January we further demonstrated the value of the Capita partnership with the announcement of a four-year contract to provide our EckohROUTE solution to a leading Mobile Virtual Network Operator. This contract adds to the £15m of contract value that had been secured from three previous contracts that had come through the Capita partnership agreement since 2013, but was the first new agreement in nearly a year. We are working closely with Capita to bring fresh momentum to their sales pipeline. To broaden our channel partnerships in the UK, we have been working hard to develop the relationship with Teleperformance who are the main route to market for K2C. This month we were able to announce the first contract to be won through Teleperformance to deliver solutions from both the Eckoh and K2C portfolio into Her Majesty's Passport Office. This high quality contract illustrates the strength of Eckoh's combined offering since acquiring K2C.

In May 2016 we signed a 3-year contract with allpay, a provider of bill payment services to the public sector. The intention was to provide services to allpay directly, but also to set up a framework agreement to allow them to syndicate Eckoh's CallGuard payments solution to their 280 customers, predominantly housing associations. In the second half of the year we supported them in their promotion of the CallGuard solution to their customers, which has been received enthusiastically. We have concluded two syndications already and expect to see a steady flow of additional orders over the course of the three-year term. Whilst individually these orders are small they will over time represent a very significant collective annual value.

In July 2016 we completed the acquisition of Klick2Contact ("K2C") a provider of live web help and Omni-channel customer engagement solutions. The K2C acquisition has been swiftly added to our portfolio of services offered to customers and has generated significant cross selling activity from Eckoh's customer base. With the addition of K2C, Eckoh is now able to offer a complete Omni-channel suite of customer engagement solutions backed with a secure payment offering that covers voice, web, SMS, mobile and live webchat. Whilst there are competitors who can provide elements of this portfolio, we aren't aware of any competitor globally who has such a comprehensive product suite.

Innovation

During the year our development team have continued to look to innovate and bring new products to market. In October we announced that we were the first company anywhere in the world to process the world's first Apple Pay payment over a telephone voice call. This functionality allows Apple iPhone users to authenticate payments over the telephone by using their fingerprint to authenticate payments rather than having to provide a credit card number. Since this successful proof of concept we have been developing this solution to operate in a full production environment and this month we launched the first live service into a large water utility for trial.

In February, we announced that we had developed the capability to transact secure payments over live web chat by combining our secure payment expertise with the web chat facility provided by the K2C acquisition. It is these innovations, many of which we file patent applications for, that differentiate Eckoh in the payments market and ensure that our offering, supported by our customer engagement suite remains the market leader.

In Customer Contact, we are also continuing to bring to market new innovative offerings. The emergence of Chatbots is an area that has long interested Eckoh and we have been working on our initial designs in recent months. A Chatbot is a computer program that simulates a human conversation, and it is increasingly used for handling enquiries on websites as an alternative to a human agent. For Eckoh we have been able to combine the K2C knowledge base technology, where customers can ask rudimentary questions on a website and receive a pre-packaged response, with Eckoh's long standing expertise in managing natural language responses. Whilst Eckoh's experience in this area has traditionally been in speech recognition, the principles are very similar. We believe this relevant combination of skills and experience will enable us to create Chatbot technology which will perform extremely well in this exciting emerging market.

Board Changes

During the year we strengthened the Board with two new non-executive Directors. Peter Simmonds joined in July 2016, bringing with him over 35 years of experience at senior management and board level, principally in the areas of software, banking, insurance, finance and outsourcing. Guy Millward, who is currently Chief Financial Officer of Imagination Technologies Group plc, joined the Board in October. Guy has in-depth expertise in finance across both publicly listed and privately held technology companies. We are also very pleased that Chris Humphrey joined the Board as a non-executive Director in June and will become Chairman from the AGM in September. Chris has 30 years board experience working with a range of technology companies including SDL, Aveva, Vitec and Anite. He will be replacing Chris Batterham who is stepping down after eight years as Chairman, during which time Eckoh has seen uninterrupted growth and a substantial increase in shareholder value. We would like to thank Chris for his huge contribution during his tenure on the Board.

In May 2017, we were very pleased to welcome Chrissie Herbert to the role of Chief Financial Officer, replacing Adam Moloney who announced his intention to step down last July. Chrissie joined Eckoh from her role as UK and Ireland Finance Director at PayPoint plc, the FTSE 250 retail technology and multi-channel payment solutions business. Adam had been with Eckoh for 14 years and spent 13 years as Group Finance Director, and we would like to thank him for his very significant contribution to Eckoh's success in recent years and to wish him every success with his next endeavour.

Current Trading and Outlook

The strong period of trading seen in the second half of the financial year has continued into the start of the new financial year, with monthly recurring revenues from the existing client base approaching £2m, and this excludes a number of contracts which have been agreed but have yet to generate revenue. We have an excellent sales pipeline in both markets, extremely high revenue visibility from the contracted commitments of our recurring base and with the trend of high client retention rates the future prospects of the Group remain excellent.

Whilst we expect the strengthened revenue base of UK customers to lead to good organic growth in the year ahead, it is in the US where the greatest opportunity for growth exists. The US Contact Centre market is several times larger than that of the UK but the implementation of Secure Payment technologies remains a long way behind the UK and Europe. The pipeline of opportunity suggests that the US is beginning to catch up with the need to look after customer data and Eckoh is extremely well placed to execute on this opportunity.

Financial Review

Revenue

Revenue for the period was 30% higher than the prior financial year at £29.1m (FY16: £22.5m). The US operation represented 33% of total group revenues (FY17: 18%).

	FY17 (UK) £000	**FY17 (US) £000**	**FY17 Total £000**	FY16 (UK) £000	FY16 (US) £000	FY16 Total £000
Revenue	**19,371**	**9,707**	**29,078**	18,492	3,958	22,450
Gross Profit	**16,133**	**4,194**	**20,327**	15,266	1,577	16,843
Gross margin	**83%**	**43%**	**70%**	83%	40%	75%

Margins within the traditional PSS activity have typically been lower than those seen in the Eckoh business due to the service nature of its offering. Gross profit in the year increased by 21% to £20.3m (FY16: £16.8m), although Group gross margin reduced to 70% (FY16: 75%). Gross margin in the US increased to 43% in the period (FY16: 40%) and it is anticipated that we will see margins increase in the US as Secure Payments represent an increasing percentage of the whole and the impact of closing the Professional Services division takes effect. It is anticipated as a result of this increased proportion of high margin activity, that reported gross margins for the Group should increase.

Profitability Measures

Profitability in the period was impacted by the previously disclosed significant cost overruns in the Professional Services division of the newly acquired PSS business. These cost overruns resulted in a loss of £0.6m being made in that division in the first half of the financial year, which increased, as expected, to £0.7m for the full year. Despite the impact of this issue, adjusted EBITDA for the period increased by 8% to £5.8m (FY16: £5.4m).

	Year ended 31 March 2017 £'000	Year ended 31 March 2016 £'000
Profit before tax	**1,623**	**2,406**
Amortisation of intangible assets	**2,619**	2,008
Depreciation	**1,059**	799
Transactions relating to acquisitions	**319**	(500)
Expenses relating to share option schemes	**24**	585
Interest receivable	**(43)**	(11)
Finance expense	**205**	77
Adjusted EBITDA	**5,806**	**5,364**

Statement of financial position

Whilst Eckoh continue to seek to innovate new products such as those detailed above, little of this is capitalised on the balance sheet with only £0.2m (FY16: £0.5m) added in the year to the value of the intangible fixed assets of the Company. Whilst taking a prudent approach to capitalising salary cost reduces reported profit, management believes this approach gives an accurate reflection of the trading performance of the Company.

Finance expense

For the financial period ended 31 March 2017, finance expenses include a charge of £63k for the unwinding of the discount on the contingent consideration for the acquisition of K2C. No such charge was incurred in the prior period. In the financial period ended 31 March 2017 the net interest charge was £99k (FY16: 66k).

Cashflow and liquidity

The Company increased its loan from Barclays by £1.75m to £6.5m to assist the financing of the acquisition of K2C in the period. In the financial period ended 31 March 2017, £0.7m of the loan was repaid in accordance with the terms of the loan. During the year, working capital has been impacted with significant payables being settled in the early part of the financial year, which were included within trade and other payables as at 31 March 2016. In addition a dividend payment of £1.1m was made in November 2016; despite this net cash at 31 March 2017 was £0.2m.

Dividends

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2017 of 0.48 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 29 September 2017, with payment on 27 October 2017. The ex-dividend date will be 28 September 2017. This recommendation will be put to the shareholders at the Annual General Meeting. Based on the shares in issue at the year end, this payment would amount to £1.2m.

Consolidated statement of Profit and Loss and Other Comprehensive Income

for the year ended 31 March 2017

	Notes	**2017 £'000**	**2017 £'000**	2016 £'000	2016 £'000
Continuing operations					
Revenue	2		**29,078**		22,450
Cost of sales			**(8,751)**		(5,607)
Gross profit	2		**20,327**		16,843
Administrative expenses before expenses relating to share options schemes, acquisition costs and amortisation of acquired intangible assets		**(16,013)**		(12,702)	
Profit from operating activities before expenses relating to share option schemes, acquisition costs and amortisation of acquired intangible assets		**4,314**		4,141	
Amortisation of acquired intangible assets		**(2,186)**		(1,584)	
Transactions relating to acquisitions		**(319)**		500	
Expenses relating to share option schemes		**(24)**		(585)	
Total Administrative expenses	2		**(18,542)**		(14,371)
Profit from operating activities			**1,785**		2,472
Interest payable			**(205)**		(77)
Interest receivable			**43**		11
Profit before taxation			**1,623**		2,406
Taxation			**(184)**		(468)
Profit for the year			**1,439**		1,938
Other Comprehensive income					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences -foreign operations			**316**		101
Other Comprehensive income for the year, net of income tax			**316**		101
Total comprehensive income for the year attributable to the equity holders of the parent company			**1,755**		2,039
Profit per share (pence)					
Basic earnings per 0.25p share	3		**0.60**		0.86
Diluted earnings per 0.25p share	3		**0.56**		0.77

Consolidated statement of financial position
as at 31 March 2017

	Notes	**2017** £'000	2016 £'000
Assets			
Non-current assets			
Intangible assets		**9,991**	9,262
Tangible assets		**5,023**	5,376
Deferred tax asset		**3,578**	4,774
		18,592	19,412
Current assets			
Inventories		**713**	748
Trade and other receivables		**11,557**	9,127
Cash and cash equivalents		**6,083**	6,617
		18,353	16,492
Total assets		**36,945**	35,904
Liabilities			
Current liabilities			
Trade and other payables		**(9,155)**	(10,676)
Other interest-bearing loans and borrowings		**(1,300)**	(1,000)
		(10,455)	(11,676)
Non-current liabilities			
Other interest-bearing loans and borrowings		**(4,550)**	(3,750)
Contingent consideration		**(975)**	-
Deferred tax liability		**(1,238)**	(1,633)
		(6,763)	(5,383)
Net assets		**19,727**	18,845
Shareholders' equity			
Share capital		**611**	600
ESOP Reserve		**(83)**	(17)
Capital redemption reserve		**198**	198
Share premium		**2,660**	2,612
Merger reserve		**2,697**	2,353
Currency reserve		**472**	157
Retained earnings		**13,172**	12,942
Total shareholders' equity		**19,727**	18,845

Consolidated statement of changes in equity
as at 31 March 2017

	Share capital	ESOP reserve	Capital redemption reserve	Share premium	Merger reserve	Retained earnings	Currency reserve	Total shareholders' equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2015	558	(135)	198	2,561	1,081	12,581	56	16,900
Total comprehensive income								
Profit	-	-	-	-	-	1,938	-	1,938
Retranslation	-	-	-	-	-	-	101	101
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,938**	**101**	**2,039**
Transactions with owners of the Company								
Contributions and distributions								
Dividends paid in the year	-	-	-	-	-	(826)	-	(826)
Shares issued on acquisition of PSS Inc	7	-	-	-	1,272	-	-	1,279
Shares transacted through Employee Benefit Trust	-	118	-	29	-	(116)	-	31
Shares issued under the share option schemes	35	-	-	22	-	-	-	57
Share based payment charge	-	-	-	-	-	(1,078)	-	(1,078)
Deferred tax on share options	-	-	-	-	-	443	-	443
Total contributions and distributions	**42**	**118**	**-**	**51**	**1,272**	**(1,577)**	**-**	**(94)**
Total transactions with owners of the Company	**42**	**118**	**-**	**51**	**1,272**	**(1,577)**	**-**	**(94)**
Balance at 31 March 2016	600	(17)	198	2,612	2,353	12,942	157	18,845

Consolidated statement of changes in equity (continued)

as at 31 March 2017

	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 income								
Profit	-	-	-	-	-	1,439	-	1,439
Retranslation	-	-	-	-	-	-	316	316
Total comprehensive income	**-**	**-**	**-**	**-**	**-**	**1,439**	**316**	**1,755**
Transactions with owners of the Company								
Contributions and distributions								
Dividends paid in the year	-	-	-	-	-	(1,084)	-	(1,084)
Shares issued on acquisition of Klick2Contact EU Ltd	2	-	-	-	344	-	-	346
Shares transacted through Employee Benefit Trust	-	16	-	5	-	(14)	-	7
Purchase of own shares	-	(82)	-	-	-	-	-	(82)
Shares issued under the share option schemes	9	-	-	43	-	-	-	52
Share based payment charge	-	-	-	-	-	132	-	132
Deferred tax on share options	-	-	-	-	-	(243)	-	(243)
Total contributions and distributions	**11**	**(66)**	**-**	**48**	**344**	**(1,209)**	**-**	**(872)**
Total transactions with owners of the Company	**11**	**(66)**	**-**	**48**	**344**	**(1,209)**	**-**	**(872)**
Balance at 31 March 2017	**611**	**(83)**	**198**	**2,660**	**2,697**	**13,172**	**473**	**19,727**

Consolidated statement of cash flows
for the year ended 31 March 2017

	Notes	2017 £'000	2016 £'000
Cash flows from operating activities			
Cash generated in operations	4	**2,475**	5,227
Taxation		**(263)**	(53)
Net cash generated in operating activities		**2,212**	5,174
Cash flows from investing activities			
Purchase of property, plant and equipment		**(598)**	(927)
Purchases of intangible fixed assets		**(200)**	(537)
Proceeds from sale of intangible fixed assets		**18**	-
Interest paid		**(142)**	(77)
Interest received		**43**	11
Acquisition of subsidiary, net of cash acquired		**(1,860)**	(2,717)
Net cash utilised in investing activities		**(2,739)**	(4,247)
Cash flows from financing activities			
Dividends paid		**(1,084)**	(826)
Proceeds from new loan		**6,500**	5,000
Repayment of borrowings		**(5,400)**	(2,991)
Purchase of own shares		**(82)**	-
Issue of shares		**52**	57
Shares acquired/sold by Employee Benefit Trust		**7**	31
Net cash generated in financing activities		**(7)**	1,271
(Decrease)/ increase in cash and cash equivalents		**(534)**	2,198
Cash and cash equivalents at the start of the period		**6,617**	4,419
Cash and cash equivalents at the end of the period		**6,083**	6,617

1. Basis of preparation

The preliminary results of Eckoh plc have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") in issue as adopted by the European Union and effective at 31 March 2017. These statements do not constitute 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 2016 have been delivered to the Registrar of Companies but those for the year ended 31 March 2017 have not yet been delivered. The auditors have reported on the accounts for the year ended 31 March 2017; 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.

2. Segment analysis

The segmentation is based on analysing Eckoh UK including PSS UK, Eckoh US which includes PSS Inc, and K2C.

Information regarding the results of each operating segment is included below. Performance is measured based on segment profit or loss before taxation as included in the internal management reports provided to the Chief Executive Officer.

Current period segment analysis	**Eckoh UK**	**Eckoh US**	**K2C**	**Total 2017**	Total 2016
	£'000	**£'000**	**£'000**	**£'000**	£'000
Segment Revenue	**18,703**	**9,707**	**668**	**29,078**	22,450
Gross profit	**15,531**	**4,194**	**602**	**20,327**	16,843
Administrative expenses before expenses relating to share options schemes, acquisition costs and amortisation of acquired intangible assets	**(11,293)**	**(4,310)**	**(410)**	**(16,013)**	(12,702)
Profit from operating activities before expenses relating to share option schemes, acquisition costs and amortisation of acquired intangible assets	**4,238**	**(116)**	**192**	**4,314**	4,141
Expenses relating to share options schemes, acquisition costs and, amortisation of acquired intangible assets	**(2,450)**	**(79)**	**-**	**(2,529)**	(1,669)
Operating profit	**1,788**	**(195)**	**192**	**1,785**	2,472
Interest received	**43**	**-**	**-**	**43**	11
Finance charges	**(168)**	**(37)**	**-**	**(205)**	(77)
Profit before taxation	**1,663**	**(232)**	**192**	**1,623**	2,406
Taxation	**(140)**	**(19)**	**(25)**	**(184)**	(468)
Profit after taxation	**1,523**	**(251)**	**167**	**1,439**	1,938
Segment assets					
Trade receivables	**4,391**	**2,469**	**216**	**7,076**	5,456
Deferred tax asset	**3,519**	**15**	**44**	**3,578**	4,774
Segment liabilities					
Trade and other payables	**1,904**	**1,267**	**51**	**3,222**	1,373

Capital expenditure	Eckoh UK £'000	Eckoh US £'000	K2C £'000	Total 2017 £'000	Total 2016 £'000
Purchase of tangible assets	**529**	**56**	**13**	**598**	927
Purchase of intangible assets	**195**	**5**	**-**	**200**	6,371

Depreciation and amortisation					
Depreciation	**884**	**162**	**13**	**1,059**	799
Amortisation	**2,598**	**21**	**-**	**2,619**	2,008

In 2016/17, there was one customer that individually accounted for more than 10% of the total revenue of the continuing operations of the company (2015/16: no one customer). Revenue from the largest customer, who is a major US telecommunications company, totalled £3,354,000 which represents 11.5% of total revenue for the year.

The key segments reviewed at Board level are the UK, US and K2C operations.

	Eckoh UK £'000	Eckoh US £'000	K2C £'000	2017 £'000	2016 £'000
Revenue by geography					
UK	**18,441**	**56**	**650**	**19,147**	17,714
United States of America	**8**	**9,294**	**-**	**9,302**	3,838
Rest of the World	**254**	**357**	**18**	**629**	898
Total Revenue	**18,703**	**9,707**	**668**	**29,078**	22,450

Prior period segment analysis	Eckoh UK £'000	Eckoh US £'000	Total 2016 £'000
Segment Revenue	18,492	3,958	**22,450**
Gross profit	15,266	1,577	**16,843**
Administrative expenses before expenses relating to share options schemes, acquisition costs and amortisation of acquired intangible assets	(11,019)	(1,683)	**(12,702)**
Adjusted operating profit / (loss)	4,247	(106)	**4,141**
Amortisation, acquisition costs, expenses relating to share option schemes	(1,563)	(106)	**(1,669)**
Operating profit / (loss)	2,684	(212)	**2,472**
Interest received	11	-	**11**
Interest payable	(77)	-	**(77)**
Profit / (loss) before taxation	2,618	(212)	**2,406**
Taxation	(468)	-	**(468)**
Profit / (loss) after taxation	2,150	(212)	**1,938**
Segment assets			
Trade receivables	3,383	2,073	**5,456**
Deferred tax asset	4,622	152	**4,774**
Segment liabilities			
Trade and other payables	506	867	**1,373**
Capital expenditure			
Purchase of tangible assets	878	49	**927**
Purchase of intangible assets	6,371	-	**6,371**

	Eckoh UK	Eckoh US	Total 2016
	£'000	**£'000**	**£'000**
Depreciation and amortisation			
Depreciation	756	43	**799**
Amortisation	2,008	-	**2,008**

	Eckoh UK	Eckoh US	2016
	£'000	**£'000**	**£'000**
Revenue by geography			
UK	**17,714**	**-**	**17,714**
United States of America	**162**	**3,676**	**3,838**
Rest of the World	**616**	**282**	**898**
Total Revenue	**18,492**	**3,958**	**22,450**

3. Earnings per share

Basic earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares of 241,550,116 (2016: 224,936,496) in issue during the year ended 31 March 2017 after adjusting for shares held by the Employee Share Ownership Plan of 323,195 (2016: 9,156) and shares held in the Employee Benefit Trust of 2,392 (2016: 37,750) and the profit for the period attributable to equity holders of the parent of £1,439,000 (2016: £1,938,000).

In calculating diluted earnings per share, the weighted average number of ordinary shares in issue, after adjusting for shares held by the Employee Share Ownership Plan, the Employee Benefit Trust and the K2C contingent consideration on the shares, is further adjusted to include the dilutive effect of potential ordinary shares. The potential ordinary shares represent share options granted to employees where the exercise price is less than the average market price of ordinary shares in the period. The total number of options in issue is disclosed in note 20. The dilutive effect of dilutive potential shares and share options outstanding at the end of the year is 15,280,951 (2016: 27,997,386).

Denominator	**2017 '000**	2016 '000
Weighted average number of shares in issue in the period	**241,550**	224,936
Shares held by employee ownership plan	**(323)**	(9)
Shares held in Employee Benefit Trust	**(2)**	(38)
Number of shares used in calculating basic earnings per share	**241,225**	224,889
Dilutive effect of potential shares and share options	**15,281**	27,997
Number of shares used in calculating diluted earnings per share	**256,506**	252,886

4. Cash flow from operating activities

	2017	2016
	£'000	£'000
Profit after taxation	**1,439**	1,938
Interest income	**(43)**	(11)
Interest payable	**142**	77
Taxation	**184**	468
Depreciation of property, plant and equipment	**1,058**	799
Exchange differences	**226**	79
Amortisation of intangible assets	**2,619**	2,008
Share based payments	**132**	(1,078)
Operating profit before changes in working capital and provisions	**5,757**	4,280
Decrease in inventories	**35**	49
Increase in trade and other receivables	**(2,243)**	(218)
Increase in trade and other payables	**(1,074)**	1,116
Net cash generated in operating activities	**2,475**	5,227

5. Acquisition of Klick2Contact EU Ltd

On 20 July 2016, the Company acquired the entire issued share capital of Klick2Contact EU Ltd ("K2C"), a provider of live web help and omni-channel customer engagement services. The initial consideration comprised £2.2m of cash primarily funded by increasing the bank loan facility and £0.3m payable in ordinary shares of Eckoh plc. This has resulted in an increase in share capital and share premium of £0.3m during the period.

The Company incurred acquisition related costs of £219,000 relating to external legal fees, due diligence and valuation fees, which have been included in Administrative expenses in the Group's Consolidated Statement of Comprehensive Income.

£000's	Fair value on acquisition
Intangible assets	1,156
Tangible assets	22
Trade debtors	180
Prepayments and accrued income	7
Deferred tax asset	69
Deferred revenue	(11)
Trade creditors	(31)
Taxation & Social Security	(3)
Accruals & other creditors	(18)
Cash and cash equivalents	288
Deferred tax liability	(214)
Net assets acquired	**1,445**
Goodwill	2,025
Consideration paid	**3,470**
Satisfied by	
Cash	2,212
Shares	346
Cash – contingent consideration	456
Shares – contingent consideration	456
Total purchase consideration	**3,470**
Net cash outflow on acquisition	
Cash consideration paid	2,148
Cash acquired	(288)
Cash outflow on acquisition	**1,860**

On acquisition of K2C, all assets were fair valued and appropriate intangible assets recognised following the principles of IFRS 3. Management identified three intangible assets:

i. **Customer relationships**
K2C has relationships with customers that can be divided into two categories (i) Sales through reseller organisations which distribute to third party businesses; and (ii) Direct sales to business customers. These customer arrangements give rise to the requirement under IFRS 3 to recognise K2C's customer relationships as intangible assets. The fair value for this was £710,000.

ii. **Software**
K2C owns a suite of software products which form an 'Omni-channel' product offering, allowing companies to engage with their customers through a variety of channels. With the exception of the social media product (where K2C acts as a reseller), the IP to all software is held by the Company. The fair value of this was £372,000.

iii. **Brand**
The Company goes to market under the 'Klick2Contact' brand and we have therefore recognised a brand asset. The fair value of this was £74,000.

The acquired business contributed to revenues of £668,000 and net profit of £193,000 to the Group for the period 1 August to 31 March 2017.

If the acquisition had occurred on 1 April 2016, turnover would have been an estimated £918,000 and net profit would have been an estimated £290,000. In determining these amounts, management has assumed that the fair value adjustments that arose on the date of acquisition would have been the same if the acquisition occurred on 1 April 2016.

Contingent consideration
The company has agreed to pay additional consideration based on the performance of the K2C business against certain financial criteria in the first 24 months post-acquisition. The estimated range of the additional consideration payment is estimated to be between £1.425m and £5.65m. The Company has included £456k cash and £456k of shares as contingent consideration related to the additional consideration, which represents its fair value at the acquisition date. This has been classified as a non-current liability, on the basis that the payable date is greater than one year from the 31 March 2017. There are no ongoing service requirements relating to this contingent consideration.

Acquired debtors
The fair value of acquired debtors was £187k. The gross contractual amounts receivable are £218k and, at the acquisition date, £31k of contractual cash flows were not expected to be received.