14 June 2016

Eckoh plc

("Eckoh" or "the Company" or "the Group")

Full year results for the year ended 31 March 2016

Significant US progress supports third year of double digit revenue and margin growth

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 2016.

Financial Highlights:

- Revenue increased 31% to £22.5m (2014/5 £17.2m)
    - Revenue from the US increased from £0.2m to £4.0m
- UK Recurring revenue now 79% of total revenue (2014/5: 76%)
- Gross profit increased 29% to £16.8m (2014/5: £13.1m)
- Adjusted* operating profit increased 22% to £4.1m (2014/5: £3.4m)
- Adjusted** EBITDA increased 20% to £5.4m (2014/5: £4.5m)
- Profit from operating activities of £2.5m (2014/5: £0.9m loss***)
- The Board is recommending a 20% increase in full year dividend to 0.45 pence per share (FY15: 0.375 pence per share)

Operational Highlights:

- Completed the acquisition of Product Support Solutions, Inc ("PSS") in November 2015 to further establish presence in US and support future growth
- Nine contracts won in US Secure Payments operation (FY15: four) including the first West contract
- Thirteen new UK contracts secured including Thames Water, the Co-operative Group, Ecotricity and a global on-line retailer
- Two largest UK clients renewed for a minimum of four years and all other significant clients renewed
- Patents awarded for new tokenisation payments solution Haloh in the UK and core Secure Payments solution CallGuard in the US

Current Trading:

- US distributor agreement with West updated for three-year period
- Three-year US secure payments contract worth $2m won with global insurance company via West
- Three-year contract worth an estimated $5m won with US telecommunications provider

*excludes expenses relating to share option schemes, acquired intangible amortisation and expenses relating to acquisitions
** EBITDA is the profit before tax adjusted for depreciation, amortisation, finance income, finance expense, and expenses relating to share option schemes and acquisitions
*** Restated as set out in note 1

Nik Philpot, Chief Executive Officer, commented today:

"For the third successive year Eckoh is delighted to report double digit revenue and margin growth, reflecting in particular a year of tremendous progress in the US market. Not only have we seen the first major contracts coming through from our partnership with West but the acquisition of PSS in November 2015 has really accelerated our growth.

The addition of PSS has meant that we now are able to offer both Secure Payments and Customer Contact solutions in the US as we do in the UK. The benefit of having an end-to-end and comprehensive solution set that allows us to both support and advise organisations as they transition and secure their contact centre *infrastructure has been self-evident in the progress we have made in recent months, including winning significant contracts in both product areas in each of our key markets.*

The contracts secured recently, which will deliver significant benefit once live in the second half of the new financial year, give us the confidence that the strong growth we have consistently delivered in the past few years will continue. The Board remains excited by the prospects for the Company and continues to evaluate opportunities for scaling the business even further alongside our organic growth."

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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, US and Australia.

Our Haloh Suite of secure payments products, which can be hosted in the Cloud or deployed on the client's site, removes sensitive personal and payment data from contact centres and IT environments. The 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 $1 billion 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.
For more information go to www.eckoh.com

Introduction

We are pleased to report on the eighth successive year of revenue and margin growth for the Group and the third with growth exceeding 20%. As we entered the 2015/6 financial year our primary strategic goal was to consolidate and expand our newly established US operation. The acquisition of Product Support Solutions Inc ("PSS") in November 2015, for consideration of £5.0m (£4.0m after adjusting for £1.0m of cash acquired), has enabled us to accelerate our growth in the US market as well as broaden our proposition. Coupled with ongoing organic growth, the Company is well positioned to execute on the exceptional market opportunity available to it in the UK, US and other global markets.

In view of the strong performance in the year, and reflecting the Board's confidence in the Group's prospects, we are also pleased to propose a full year dividend of 0.45p per share.

Operational Review

UK Division

In the UK, we have seen a further year of good growth with revenue increasing 9% from £17.0m to £18.5m. During the year the Company has secured contracts with 13 new clients, taking the overall client count to 66 in the UK for clients which generate more than £25,000 per annum. Equally importantly, churn remains virtually zero with all significant clients (those who generate more than £25,000 per annum) renewing for a further period when their existing contracts expired. This included the contracts for our two largest UK clients where we have been able to successfully negotiate a four-year renewal with the first, a global financial services company, which was won through a global procurement process working alongside our US partner West Corporation ("West"). The second was a five-year renewal with home shopping company Ideal Shopping Direct which has been a client since 2005 and is now owned by Blackstone. This new contract saw us not only renew the existing business but broaden the solution to include the future addition of web chat and social media.

During the year there have also been a number of contract wins and as has been the case in recent years, the majority have come from the Secure Payments side of the business. These include contracts with Thames Water, the Co-operative Group, Ecotricity and a global on-line retailer. The level of cross-selling between Secure Payments and Customer Contact remains high and the split between clients only taking Secure Payments services compared to clients taking Customer Contact solutions (which may also include payments) is currently 23%/77%.

The Company's R&D activity remains predominantly in the UK and the grant of the UK patent for the Haloh tokenisation payments solution was the culmination of several years of development effort. Eckoh's other patented payments solution, CallGuard, enables Contact Centre agents to process credit card payments without being exposed to the card details, also preventing them from being recorded by the call recording solution. The newly patented solution also works to stop sensitive data from being exposed to IT systems and staff members. It substitutes sensitive data which passes through the merchant's environment, such as credit card numbers, with a token. The token is worthless to a criminal if stolen during a data breach but can be used for the merchant's payments, which are processed via Eckoh's data centres. This process can also be applied to web and mobile payments, enabling Eckoh to provide a patented solution that caters for payments made through any digital channel.

Since its launch in May 2015 the tokenisation solution has rapidly become the leading sales proposition in the Group's Secure Payments portfolio and the patent grant will ensure that Eckoh can protect the unique nature of the solution and our market-leading position. It is anticipated that sales interest will grow significantly as appreciation of the EU General Data Protection Regulation becomes more widespread. This legislation will have the power to impose severe financial penalties when it takes effect in 2018 and the ability for our solution to tokenise and secure not only card data but other forms of personal data such as email addresses, bank details, social security numbers and names and addresses provides an effective and elegant way for companies to mitigate risk.

US Division

The partial contribution from PSS alongside the organic growth of the Secure Payments business saw US revenue in 2015/6 grow to £4.0m (2014/5: £0.2m).

In only the second full year of trading for our US subsidiary we were successful in closing nine new contracts for Secure Payments in the US and to date we have secured 15 in total. These included our first win through our distributor agreement with West in January to provide CallGuard to a major global media and entertainment group. This contract has been followed by the announcement earlier this month of a second contract worth $2m over the three-year term for Eckoh to provide our patented tokenisation payments solution to over 5,000 US-based agents employed by a leading global insurance company. These contracts both illustrate that, whilst the sales cycle with the target market of large, Fortune 500 corporations has proved lengthy, contracts are now emerging from the West pipeline which remains substantial. Alongside this latest contract we have successfully renegotiated the West distributor agreement on a non-exclusive basis for a new three-year period. This follows the recent successes on both sides in winning new Secure Payments contracts, with West continuing to focus on the largest enterprise market and Eckoh more on the mid-market opportunity, which we believe to be significant. A key strategy for the year ahead is to evaluate additional reseller arrangements that will give us access to established relationships and a larger sales resource to gain even greater traction in this fast growing market.

When we entered the US market the expectation was originally that the bulk of the Secure Payments contracts would be for hosted solutions, as they are in the UK. However, it became clear that US corporations had a greater predilection for owning infrastructure than we see in the UK, requiring a shift in how we addressed the market. The subsequent acquisition of PSS meant that we would be able to successfully implement and support secure payment on-site installations across the vast US continent, without incurring unsustainable levels of operational expenditure. Its employee base of over fifty US nationals spread across twenty US states incorporates highly experienced field engineers and professional services resource that will enable Eckoh to have expertise on-site anywhere in the country within a matter of hours.

Whilst the primary rationale for acquiring PSS was to support the anticipated growth of the Secure Payments business in the US, its established and profitable Contact Centre support business has also enabled us to create a sustainable and attractive US Customer Contact operation alongside that of Secure Payments. We see huge benefit in the UK from having both business lines with significant cross-selling activity and we would anticipate the same to be true in the US.

As part of the integration process a single US trading entity has been created, combining PSS with Eckoh's secure payment business. Cross-training has been completed by the PSS operations team to enable them to fully support the Secure Payment product suite. The combined US sales team is now led by a seasoned Senior Executive Vice President who joined in May to support and accelerate the anticipated growth, as well as join the US Board.

PSS had a long history of working with blue chip US corporations with large Contact Centre operations and since the acquisition the newly integrated and enlarged US business has secured a number of profitable Customer Contact contracts including a $2m contract with a global communications company and most recently a three-year contract with a US telecommunications corporation that is expected to generate in excess of $5m in revenue over the contract term. These large contract wins have been supported by a number of more typical smaller ones including a three-year deal with Con-Edison, one of the largest investor-owned US energy firms, and a support contract with Integra, one of the largest facilities-based providers of communication and networking services in the western United States. We are also seeing encouraging progress introducing the Secure Payments proposition into the historic PSS customer base.

In March 2016 we announced that a contract had been won with Children's Healthcare of Atlanta for our tokenisation payments solution; the first in the US for this technology. It has been followed by the West contract in early June and the solution now represents a significant proportion of our pipeline. We anticipate that the US patent will follow the UK patent for our tokenisation payments solution in due course, as it did for the CallGuard patent that was awarded in the US in November 2015, some 17 months after the UK award.

With the focus on tightening credit card and data security increasing in the US over recent months, Eckoh is well placed to capitalise on the opportunity in a market estimated to be at least seven times larger than the UK.

Board Change
After serving as a Non-executive Director of Eckoh for seven years, Clive Ansell has decided to step down from the Board at the forthcoming Annual General Meeting in September. The Board would like to take this opportunity to thank Clive for his considerable contribution to Eckoh over the past seven years and wish him all the best for the future. We have already begun the search for his replacement whom we would expect to be in place by the time of the AGM and furthermore, in view of the continued growth of the business, we intend to strengthen the Board further with the appointment of a third Non-executive Director. We are looking forward to providing an update on both appointments in due course.

Current Trading and Outlook
The early months of the year have indicated that this could be a breakthrough year in the US with the closure of two multi-million dollar deals in June. These will contribute significantly to the second half financial performance of the Company in 2016/7, which we expect to result in a more pronounced second half weighting than we have historically seen. Over and above these successfully concluded contracts, there is a large pipeline of opportunity with particular interest in the payment tokenisation products that have recently launched.

The Company has made two acquisitions since 2013 and these acquisitions have integrated within the wider business very successfully, contributing to the ongoing growth of the Group. The Board continues to look for other opportunities in line with its acquisition strategy and in particular, profitable and growing businesses which would bring Eckoh complementary technologies or enhanced reach and scale.

In view of the opportunities for growth, both organic and via acquisition, the Board therefore looks forward to 2016/7, and the years beyond that, with great optimism and excitement.

Financial Review

Revenue
Revenue in the year increased by 31% to £22.5m (2014/5: £17.2m) while margin increased by 29% to £16.8m (2014/5: £13.1m). Excluding the contribution from the acquisition of PSS, organic revenue growth increased by 7% to £18.5m. Much of this organic revenue growth came from the strong inflow of high margin payment customers with organic gross margin increasing by 17% to £15.3m. The organic growth in the Company continues to see high levels of recurring revenue with 79% of revenue in the UK being of a recurring nature.

Profitability Measures
The Operational gearing inherent in the business continues to result in a large proportion of revenue and margin growth flowing through to the profitability of the Company.

Adjusting for the impact of amortising acquired intangible assets, share option schemes and non-recurring items operating profit has increased by 22% to £4.1m (2014/5: £3.4m). Similarly, adjusted EBITDA (calculated in the table below) has increased from £4.5m to £5.4m, an increase of 20%.

	Year ended 31 March 2016 £'000	Year ended 31 March 2015 (restated)* £'000
Profit / (loss) before tax	**2,406**	(871)
Amortisation of intangible assets	**2,008**	1,710
Depreciation	**799**	690
Transactions relating to acquisitions	**(500)**	1,474
Legal fees and settlement costs	**-**	527
Expenses relating to share option schemes	**585**	939
Interest receivable	**(11)**	(20)
Finance expense	**77**	19
Adjusted EBITDA	**5,366**	4,468

*see note 1 in the notes to the financial statements

Statement of financial position
Cash flow from operations was strong in the period at £5.2m (2014/5: £0.7m) leading to cash increasing from £4.4m at the end of the last financial year to £6.6m at 31 March 2016.

The loan outstanding at the end of the previous financial year was repaid following the agreement for a new £5m loan that also part funded the acquisition of PSS. The total consideration for PSS was $7.6m (approximately £5.0m) in a mix of cash and shares. After accounting for $1.4m (approximately £0.9m) of cash in PSS, the net consideration comprises $6.2m (approximately £4.0m).

Consolidated statement of Profit and Loss and Other Comprehensive Income

for the year ended 31 March 2016

	Notes	**2016 £'000**	**2016 £'000**	2015 £'000 (restated – see note 1)	2015 £'000 (restated – see note 1)
Continuing operations					
Revenue			**22,450**		17,158
Cost of sales			**(5,607)**		(4,055)
Gross profit			**16,843**		13,103
Administrative expenses before expenses relating to share options schemes, acquisition costs, amortisation of acquired intangible assets and legal fees and settlement costs		**(12,702)**		(9,715)	
Profit from operating activities before expenses relating to share option schemes, acquisition costs, amortisation of acquired intangible assets and legal fees and settlement costs		**4,141**		3,388	
Amortisation of acquired intangible assets		**(1,584)**		(1,320)	
Legal fees and settlement costs		**-**		(527)	
Transactions relating to acquisitions		**500**		(1,474)	
Expenses relating to share option schemes		**(585)**		(939)	
Total Administrative expenses			**(14,371)**		(13,975)
Profit / (loss) from operating activities			**2,472**		(872)
Interest payable			**(77)**		(19)
Interest receivable			**11**		20
Profit / (loss) before taxation			**2,406**		(871)
Taxation			**(468)**		(16)
Profit / (loss) for the year			**1,938**		(887)
Other Comprehensive income					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences -foreign operations			**101**		97
Other Comprehensive income for the year, net of income tax			**101**		97
Total comprehensive income for the year attributable to the equity holders of the parent company			**2,039**		(790)
Profit per share (pence)					
Basic earnings per 0.25p share	3		**0.86**		(0.40)
Diluted earnings per 0.25p share	3		**0.77**		(0.40)

Consolidated statement of financial position

as at 31 March 2016

	2016 £'000	2015 £'000 (restated – see note 1)	2014 £'000 (restated – see note 1)
Assets			
Non-current assets			
Intangible assets	**9,262**	4,899	6,218
Tangible assets	**5,376**	5,191	862
Deferred tax asset	**4,774**	4,938	4,267
	19,412	15,028	11,347
Current assets			
Inventories	**748**	224	104
Trade and other receivables	**9,127**	7,049	3,576
Cash and cash equivalents	**6,617**	4,419	7,341
	16,492	11,692	11,021
Total assets	**35,904**	26,720	22,368
Liabilities			
Current liabilities			
Trade and other payables	**(10,676)**	(6,217)	(5,996)
Other interest-bearing loans and borrowings	**(1,000)**	(636)	-
	(11,676)	(6,853)	(5,996)
Non-current liabilities			
Other interest-bearing loans and borrowings	**(3,750)**	(2,105)	-
Other payables	**-**	-	(212)
Deferred tax liability	**(1,633)**	(862)	(1,123)
Provisions	**-**	-	(43)
	(5,383)	(2,967)	(1,378)
Net assets	**18,845**	16,900	14,994
Shareholders' equity			
Share capital	**600**	558	540
ESOP Reserve	**(17)**	(135)	(22)
Capital redemption reserve	**198**	198	198
Share premium	**2,612**	2,561	1,330
Merger reserve	**2,353**	1,081	1,081
Currency reserve	**157**	56	(41)
Retained earnings	**12,942**	12,581	11,908
Total shareholders' equity	**18,845**	16,900	14,994

Consolidated statement of changes in equity

as at 31 March 2016

	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 2014	540	(22)	198	2,411	-	11,197	(41)	14,283
Restatement (note 1)	-	-	-	(1,081)	1,081	711	-	711
Balance at 1 April 2014 (restated)	540	(22)	198	1,330	1,081	11,908	(41)	14,994
Loss	-	-	-	-	-	(887)	-	(887)
Retranslation							97	97
Total comprehensive income (restated)	**-**	**-**	**-**	**-**	**-**	**(887)**	**97**	**(790)**
Transactions with owners of the Company								
Contributions and distributions								
Dividends paid in the year	-	-	-	-	-	(695)	-	(695)
Shares to be issued relating to the acquisition of Veritape Limited	16	-	-	1,189	-	-	-	1,205
Shares transacted through Employee Benefit Trust	-	(113)	-	-	-	(25)	-	(138)
Shares issued under the share option schemes	2	-	-	42	-	-	-	44
Share based payment charge	-	-	-	-	-	1,370	-	1,370
Deferred tax on share options	-	-	-	-	-	910	-	910
Total contributions and distributions (restated)	**18**	**(113)**	**-**	**1,231**	**-**	**1,560**	**-**	**2,696**
Total transactions with owners of the Company (restated)	**18**	**(113)**	**-**	**1,231**	**-**	**1,560**	**-**	**2,696**
Balance at 31 March 2015 (restated)	558	(135)	198	2,561	1,081	12,581	56	16,900

Consolidated statement of changes in equity (continued)

as at 31 March 2016

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 cash flows
for the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated in operations	2	**5,227**	680
Taxation		**(53)**	(101)
Net cash generated in operating activities		**5,174**	579
Cash flows from investing activities			
Purchase of property, plant and equipment		**(927)**	(5,019)
Purchases of intangible fixed assets		**(537)**	(391)
Interest paid		**(77)**	(19)
Interest received		**11**	20
Acquisition of subsidiary, net of cash acquired		**(2,717)**	-
Net cash utilised in investing activities		**(4,247)**	(5,409)
Cash flows from financing activities			
Dividends paid		**(826)**	(695)
Proceeds from new loan		**5,000**	2,900
Repayment of borrowings		**(2,991)**	(159)
Issue of shares		**57**	-
Shares acquired/sold by Employee Benefit Trust		**31**	(138)
Net cash generated in financing activities		**1,271**	1,908
Increase / (Decrease) in cash and cash equivalents		**2,198**	(2,922)
Cash and cash equivalents at the start of the period		**4,419**	7,341
Cash and cash equivalents at the end of the period		**6,617**	4,419

Notes to financial statements

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 2016. 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 2015 have been delivered to the Registrar of Companies but those for the year ended 31 March 2016 have not yet been delivered. The auditors have reported on the accounts for the year ended 31 March 2016; 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.

Prior Year Restatement

The Company has reviewed the way the contingent consideration for the acquisition of Veritape Limited in the year ended 31 March 2014 has been accounted for. On further analysis the contingent consideration arrangement has a continuing employment clause which means that it should have been accounted for in accordance with IAS 19 Employee Benefits and IFRS 2 Share Based Payments and not as contingent consideration under IFRS 3.

As a result, contingent consideration payable recognised on acquisition of £3,680,000 has been reversed resulting in the reversal of goodwill originally recognised on the Veritape Limited acquisition of £3,418,000 and the recognition of negative goodwill, which is recognised immediately in the income statement of £262,000. In addition, employee remuneration charges of £1.9 million and £1.5 million for years ended 31 March 2014 and 31 March 2015 respectively, should have been charged to administration expenses with associated entries in equity £1.1 million (2015:£1.1 million) and creditors £0.8 million (2015:£0.4 million), rather than the fair value changes recorded for the changes in the contingent consideration of a charge of £1.2 million in interest payable in the year ended 31 March 2014 and a credit of £1.5 million in interest receivable in the year ended 31 March 2015.

The above adjustments change the profit after tax for the year ended 31 March 2014 of £298,000 to a loss after tax of £150,000 and the profit after tax in the year ended 31 March 2015 of £2,105,000 to a loss of £887,000.

In the year ended 31 March 2016 there is a credit of £1,240,000 relating to the employee benefit expenses as no further payment is expected.

The excess of the nominal value over the fair value of the shares issued to acquire Veritape Limited have been moved from share premium to a merger reserve.

There have been a number of adjustments to the balance sheet and income statement to reflect the above which are set out below:

	2014 £'000 (as previously reported)	Impact of Prior Period Adjustment £'000	2014 £'000 (restated)
Intangible assets	9,636	(3,418)	6,218
Current liabilities – contingent consideration	(1,952)	1,400	(552)
Non-current liabilities - contingent consideration	(2,941)	2,728	(212)
Other assets/liabilities not impacted	9,540	-	9,540
Net assets	14,283	711	14,994

Shareholders' equity			
Share premium	2,411	(1,081)	1,330
Merger reserve	-	1,081	1,081
Retained earnings	11,197	711	11,908
Other equity entries not impacted	675	-	675
Total shareholders' equity	14,283	711	14,994

	2015 £'000 (as previously reported)	Impact of Prior Period Adjustment £'000	2015 £'000 (restated)
Intangible assets	8,317	(3,418)	4,899
Trade and other receivables	7,033	16	7,049
Non-current liabilities - contingent consideration	(636)	636	-
Other assets/liabilities not impacted	4,952	-	4,952
Net assets	19,666	(2,766)	16,900
Shareholders' equity			
Share premium	5,175	(2,614)	2,561
Merger reserve	-	1,081	1,081
Retained earnings	13,814	(1,233)	12,581
Other equity entries not impacted	677	-	677
Total shareholders' equity	19,666	(2,766)	16,900
Admin expenses	12,501	1,474	13,975
Finance income	(1,518)	1,518	-
Impact on income statement for the year ended 31 March 2015		2,992	

2. Cash flow from operating activities

	2016 **£'000**	2015 (restated) £'000
Profit after taxation	**1,938**	(887)
Interest income	**(11)**	(20)
Interest payable	**77**	19
Taxation	**468**	278
Deferred tax	**-**	(262)
Depreciation of property, plant and equipment	**799**	690
Exchange differences	**79**	-
Amortisation of intangible assets	**2,008**	1,710
Share based payments	**(1,078)**	1,796
Operating profit before changes in working capital and provisions	**4,280**	3,324
Decrease in inventories	**49**	(120)
Increase in trade and other receivables	**(218)**	(3,457)
Increase in trade and other payables	**1,116**	976
Decrease in provisions	**-**	(43)
Net cash generated in operating activities	**5,227**	680

3. Earnings per share

Basic earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares of 224,889,590 (2015: 220,333,985) in issue during the year ended 31 March 2016 after adjusting for shares held by the Employee Share Ownership Plan of 9,156 (2015: 9,156) and shares held in the Employee Benefit Trust of 37,750 (2015: 344,750) and the profit for the period attributable to equity holders of the parent of £1,938,000 (2015: loss of £887,000).

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 and Employee Benefit Trust, 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 potential ordinary shares outstanding at the end of the year is 27,997,386 (2015: 28,847,335).

Denominator	**2016** **'000**	2015 '000
Weighted average number of shares in issue in the period	**224,936**	220,334
Shares held by employee ownership plan	**(9)**	(9)
Shares held in Employee Benefit Trust	**(38)**	(345)
Number of shares used in calculating basic earnings per share	**224,889**	219,980
Dilutive effect of share options	**27,997**	28,847
Number of shares used in calculating diluted earnings per share	**252,886**	248,827

4. Segment analysis

The segmentation is based on analysing Eckoh UK including PSS UK and Eckoh Inc (US) which also includes PSS Inc.

Information regarding the results of each operating segment is included below. Performance is measured based on segment profit or loss before taxation as included in the internal management reports provided to the Group's chief operating decision maker.

Current period segment analysis	**Eckoh UK**	**Eckoh US**	**Total 2016**	Total (restated) 2015
	£'000	**£'000**	**£'000**	£'000
Segment Revenue	**18,492**	**3,958**	**22,450**	17,158
Gross profit	**15,266**	**1,577**	**16,843**	13,103
Administrative expenses	**(11,019)**	**(1,683)**	**(12,702)**	(9,715)
Adjusted operating profit	**4,247**	**(106)**	**4,141**	3,388
Amortisation, acquisition costs, expenses relating to share option schemes	**(1,563)**	**(106)**	**(1,669)**	(4,260)
Operating profit/ (loss)	**2,684**	**(212)**	**2,472**	(872)
Interest received	**11**	**-**	**11**	20
Interest payable	**(77)**	**-**	**(77)**	(19)
Profit /(loss) before taxation	**2,618**	**(212)**	**2,406**	(871)
Taxation	**(468)**	**-**	**(468)**	(16)
Profit/(loss) after taxation	**2,150**	**(212)**	**1,938**	(887)
Segment assets				
Trade receivables	**3,383**	**2,073**	**5,456**	3,558
Deferred tax asset	**4,622**	**152**	**4,774**	4,938
Segment liabilities				
Trade and other payables	**506**	**867**	**1,373**	3,020
Capital expenditure				
Purchase of tangible assets	**878**	**49**	**927**	5,019
Purchase of intangible assets	**6,371**	**-**	**6,371**	391
Depreciation	**756**	**43**	**799**	690
Amortisation	**2,008**	**-**	**2,008**	1,710

	Eckoh UK	**Eckoh US**	**2016**	2015
	£'000	**£'000**	**£'000**	£'000
Revenue by geography				
UK	**17,714**	**-**	**17,714**	16,770
United States of America	**162**	**3,676**	**3,838**	361
Rest of the World	**616**	**282**	**898**	27
Total Revenue	**18,492**	**3,958**	**22,450**	17,158

5. Acquisition of PSS Inc

On 17 November 2015, the Company acquired the entire issued share capital of PSS Inc, a provider of service and support for Interactive Voice Response systems and other infrastructure in contact centers of large enterprises. The initial consideration comprised £3.7m of cash funded by taking out a £5m loan and £1.3m payable in ordinary shares of Eckoh Plc. This has resulted in an increase in share capital and share premium of £1.3m during the period.

The Company incurred acquisition related costs of £474,000 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	3,221
Tangible assets	45
Inventory (parts)	573
Deposits	7
Trade debtors	1,501
Prepayments and accrued income	299
Other current assets	53
Deferred revenue	(2,094)
Trade creditors	(372)
Taxation & Social Security	(68)
Inventory for resale	(99)
Accruals & other creditors	(533)
Cash and cash equivalents	940
Deferred tax liability	(1,095)
Net assets acquired	**2,378**
Goodwill	2,613
Consideration paid	**4,991**
Satisfied by	
Cash	3,657
Shares	1,334
Total purchase consideration	**4,991**
Net cash flow on acquisition	
Cash consideration paid	3,657
Cash acquired	(940)
Cash flow on acquisition	**2,717**

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

i. **Customer relationships**
With regards to sales, PSS has long standing customer relationships, with c.22% of the FY 16 sales forecast being from a single customer (Telstra) which Management advise are of five years' standing since 2011. The overall customer base has a low level of churn as advised by Management. These customer arrangements give rise to the requirement under IFRS 3 to recognise PSS's customer relationships as intangible assets. The fair value for this was £2,565,000.

ii. **Trade name**
PSS had developed distinct branded maintenance services, which are recognised by customers and which are likely to have some influence in purchasing. Hence we consider there is value in the trade name and as such it is necessary to recognise the trade name as an intangible asset. The fair value of this was £271,000.

iii. Intellectual property

Approximately 10% of non-Telstra sales are generated from PSS's own intellectual property and therefore we consider there is value in the Intellectual Property. The fair value of this was £385,000.

The acquired business contributed to revenues of £4m and net profit of £0.5m to the Group for the period 17 November 2015 to 31 March 2016.