Annual Report

2020

ECKOH plc

ANNUAL REPORT AND FINANCIAL STATEMENTS 2020

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ECKOH PLC STRATEGIC REPORT

HIGHLIGHTS OF THE YEAR

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 2020.

£m unless otherwise stated	FY20 [1]	FY19	*Change*
Revenue	**33.2**	28.7	*16%*
Gross profit	**26.3**	24.1	*9%*
Adjusted operating profit [2]	**4.7**	3.1	*53%*
Profit before taxation	**3.3**	1.2	*171%*
Diluted earnings per share	**1.20p**	0.36p	*233%*
Adjusted diluted earnings pence per share [3]	**1.75p**	1.08p	*62%*
Net cash	**11.6m**	8.3m	*+3.3m*
Total business contracted [4]	**35.9**	32.7	10%
New business contracted [5]	**18.6**	22.6	*(18%)*

Financial highlights

- Results in line with market expectations
- Double-digit growth overall, with revenue growth in both the US and UK divisions
  - Group revenues up 16% (14% at constant exchange rates[6])
  - UK up 6% to £20.5m: driven by new business deployed and clients' transactional volume
  - US up 32% to $16.1m: growth in Secure Payments and Coral offset the expected decline in Support.
- Recurring revenue[7] up 4% to £24.8m (FY19 £23.8m), representing 79% of total revenues excluding the $3.8m Coral license contract won in H1 (FY19: 83%)
- Profit before taxation increasing by 171% to £3.3m.
- Adjusted operating profit increased strongly by 53% to £4.7m (FY19: £3.1m)
- Adjusted diluted earnings per share [3] up 62%
- Strong cash generation and robust balance sheet: net cash £11.6m (FY19: £8.3m)

Strategic highlights

- Record total business contracted, up 10% to £35.9m, with growth in orders both the UK and US
- Strong total business contracted for the UK; new business and renewals stronger in second half
- Increasing focus on US Secure Payments growth opportunity with a managed transition away from hardware-based support
- US Secure Payments driven by large deployments, increased regulation and fines for non-compliance
  - Revenue increased by 63% to $8.1m (FY19: $5.0m)
  - New contracts $10.7m (FY19: $13.7m, which included our largest single contract to date of $7.4m)
  - Order book up 14% to $25.9m (FY19: $22.8m).
  - Clients from the Fortune 250 increased to ten
- Significant progress in growing our patent portfolio, adding a record number of new granted patents

1. *2020 results have been prepared under IFRS 16: Leases. Prior period comparatives have not been restated.*
2. *Adjusted operating profit is the profit before tax adjusted for expenses relating to share option schemes and acquired intangibles amortisation.*
3. *Adjusted diluted earnings per share (eps) is the diluted eps adjusted for expenses relating to share option schemes and acquired intangibles amortisation*
4. *Total business contracted includes new business from new clients, new business from existing clients as well as renewals with existing clients.*
5. *New business contracted excluding renewals with existing customers.*
6. *Constant currency (using last year exchange rates).*
7. *Recurring revenue is defined as on-going revenue on a transactional basis, rather than revenue derived from the set-up and delivery of a new service or hardware.*

COVID-19 update

- Eckoh's business model, with high levels of recurring revenue, a record order book, blue chip enterprise clients and a strong balance sheet, means we are well placed to manage the impact of COVID-19
- A strong cash position and compliance with bank covenants where required
- Precautionary measures, including a salary and hiring freeze, already taken to maintain financial strength during the COVID-19 pandemic
- Maintenance of headcount ensures we are well-placed to meet recovery in demand when conditions stabilise.
- US revenue 100% underpinned by fixed fees. UK transactional volumes were impacted in March to May, but revenue not proportionately impacted due to contractual commitments
- Strong new demand for CallGuard Remote to enable business continuity by facilitating secure payments in remote working environments
- Guidance remains withdrawn and dividend will be reviewed by the Board when market conditions stabilise.

Outlook

- New financial year trading is encouraging with Group revenue and profit comparable to the previous year
- Notwithstanding the disruption relating to COVID-19, the Board remains confident of the future prospects for the Group, underpinned by balance sheet resilience, high recurring revenues, excellent sales pipelines and the long-term market opportunity

CHAIRMAN'S STATEMENT

The outbreak of the COVID-19 pandemic overshadows what were an excellent set of results for FY 2020 with revenue and profit growth in both the UK and US operation. Whilst we continue to operate in a challenging and uncertain macro economy, Eckoh's business model and market position means we are well placed to manage the impact of COVID-19 on our clients' businesses, with high levels of recurring revenue (79% excluding our Coral contract from the first half), a record order book, blue chip enterprise clients and a strong balance sheet. In addition, Eckoh's security and engagement products can assist businesses to respond to the demands the coming months are likely to bring.

Results

In the year total business contracted[1] in both the UK and US was strong at £35.9 million (FY19: £32.7m), an increase year on year of 10%.

In the US we have seen continued success in the new business contracted[2] for Secure Payments, during the year the US team secured $10.7 million new orders (FY19: $13.7m, which included our largest single contract to date of $7.4 million) and we now have 10 customers from the Fortune 250. This continued and strong progress in Secure Payments underpins the decision to manage the transition away from the US hardware Support contracts other than those that are purely software based.

In the UK we grew total business contracted, revenue and gross profit. New business contracted was £6.6 million (FY19: £10.1m), which was impacted by the uncertain business climate in the first half of the year with respect to Brexit.

Adjusted operating profit[3] was £4.7 million (FY19: £3.1 million), an increase of 53%, included in the first half of the year were Coral licences of £0.8 million and for the year there was a foreign currency gain of £0.3 million. The Group has adopted IFRS 16: Leases from 1st April 2019, the adjustment to adjusted EBITDA[4] and depreciation was £0.5 million, with nil impact to adjusted operating profit.

During the year the Group has continued to have strong cash generation and the year-end net cash balance grew to £11.6 million (FY19: £8.3m).

As a result of the swift and fundamental impact of COVID-19 on global economic conditions, and the current impact to some of Eckoh's clients, the Board considers it prudent not to propose a year-end dividend, this will be reviewed by the Board when market conditions stabilise.

Going concern and COVID-19

The Board has carried out a going concern review and concluded that the Group has adequate cash to continue in operational existence for the foreseeable future.

Despite the short-term disruption to market conditions relating to COVID-19, the Board remains confident of the future prospects for the Group, underpinned by balance sheet resilience, high recurring revenues, excellent sales pipelines and the long-term market opportunity. We have also maintained headcount at current levels to manage ongoing demand, sustain our high service levels, and ensure we are well-placed for a recovery in demand.

The Directors have prepared cash flow forecasts for a period in excess of 12 months from the date of signing the financial statements. In all scenarios tested, the Directors were able to conclude that the Group has adequate cash to continue in operational existence for the foreseeable future.

Board

In the financial year ended 31 March 2020, there were no significant changes to the Board.

Full details of the current Directors are on page 18.

Corporate Governance

As a Board of Directors, we feel the Quoted Companies Alliance Corporate Governance Code (QCA Code) is the most appropriate code for Eckoh plc to apply, given the Group's size, risk, complexity and stage of maturity. In the governance section of this report on page 19, we outline the Company's approach to Corporate Governance and how we have complied with the QCA code. The Board considers that it does not depart from any principles of the QCA code.

Full details of the Company's Principal Risks and Uncertainties are on page 11 to 12.

People

Our strong progress in the last year and future success is down to the hard work and dedication of all our employees across the Group. The entire Eckoh team have been working remotely since March and I would like to thank them on behalf of the Board, not only for their dedication and hard work over the last 12 months but particularly during the recent pandemic.

I, and all my Board colleagues, plan to attend the AGM on 16 September 20120 and we look forward to the opportunity to meet with as many Shareholders as possible on the day.

Christopher Humphrey
Chairman
16 June 2020

1. *Total business contracted includes new business from new clients, new business from existing clients as well as renewals with existing clients*
2. *New business contracted excluding renewals with existing customers.*
3. *Adjusted operating profit is operating profit adjusted for expenses relating to share option schemes and amortisation on acquired intangible assets.*
4. *Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is the profit before tax adjusted for depreciation, amortisation on acquired intangible assets and expenses relating to share option schemes*

Chief Executive Review

Introduction

Eckoh delivered a strong performance in the 2020 financial year, with double digit revenue growth for the Group, a significant increase in profit, and record levels of total business contracted. Both the UK and US operations grew, with the UK up 6% and the US up 36%.

This growth reflects our progress against our core strategic objectives. We continue to see excellent momentum in our US Secure Payments business, with revenue and new business growth driven by our continued success in deploying into the largest enterprises. This reflects increasing regulation governing payments and data security, with the prospect of significant fines and brand damage for corporates who do not comply.

Total revenue for the year was £33.2 million, an increase year on year of 16% (FY19: £28.7 million) or 14% adjusting for constant exchange rates.

Total business contracted [1] for the financial year in the Group was a record £35.9 million compared to £32.7 million in the prior year, an increase of 10%. New business in the year was £18.6 million (FY19: £22.6 million), against particularly strong prior year comparators for both the UK and US divisions including our largest single US contract of $7.4 million. The UK saw strong renewals with a number of large clients renewing contracts earlier than scheduled in the second half as signalled at the interim results.

Gross profit grew by 9% to £26.3 million (FY19 £24.1 million). US gross profit grew 22% to £9.3 million (FY19: £7.6 million), with gross profit margin decreasing to 73% (FY19: 81%) due to the impact of the lower margin Coral contract. Excluding the Coral Licences, gross profit margin would have been 76%. UK gross profit grew by 3% to £17.1 million (FY19: £16.5 million), where gross profit margin decreased marginally by 2% to 83%.

Adjusted operating profit[2] increased significantly by 53% to £4.7 million (FY19: £3.1 million) and adjusted diluted earnings per share[3] increased 62% to 1.75p (FY19: £1.08p).

Cash and cash generation remain strong with a net cash position of £11.6 million, an increase of £3.3 million compared to the previous year end (FY19: £8.3 million). This comprises a cash balance of £13.6 million, less an outstanding loan of £2.0 million, taken out in 2015 in part to purchase the Group's UK head office.

IFRS 16: Leases has been implemented from 1st April 2019, but prior year comparators have not been restated. The impact of the implementation is £0.5m of costs are now included in depreciation. After the accounting change for IFRS 16: Leases, costs have been held, as expected, at the run-rate at the end of the last financial year following the investments made in headcount, Sales, IT and marketing.

Impact of COVID-19 and Current Trading

Eckoh's business model and market position, with high levels of recurring revenue, a record order book, blue chip enterprise clients and a strong balance sheet, means we are well placed to manage the impact that COVID-19 has had on many of our clients' businesses.

Our US revenues are entirely underpinned by fixed fee contracts. The UK also delivers a high level of guaranteed revenue, in aggregate, from a combination of fixed fees and transactional commitments, albeit from a wide range of different commercial structures.

In addition, we have taken a number of precautionary measures to sustain our position of financial strength, including limiting discretionary spend, freezing new hires, postponing salary increases for 2021 and deferring the quarterly loan repayments in April 2020 and July 2020.

The significant disruption to businesses that has arisen from the pandemic will, we believe, lead to a long-term adjustment in the way that organisations approach their customer engagement strategy. In particular, we foresee a proportion of remote working agents becoming a permanent feature of large contact centre operations, that will force a greater number of organisations to adopt a more rigorous approach to data and payment security. Furthermore, we expect an even faster adoption of emerging engagement technologies such as conversational bots working in tandem with human agents. Eckoh will be able to assist new and existing clients in responding to these changes and the increased levels of interest in CallGuard Remote, which facilitates the taking pf payments securely in remote working environments.

In the first two months of the new financial year our trading has been encouraging with both revenue and profits comparable to the previous year, illustrating the resilience of our model. As a measure of prudence, the Board has agreed that guidance will remain withdrawn until there is greater certainty. As announced previously, the Board does not currently intend to propose a year-end dividend, but that decision will be kept under consideration if conditions stabilise.

1. *Total business contracted includes new business from new clients, new business from existing clients as well as renewals with existing clients*
2. *Adjusted operating profit is the operating profit adjusted for expenses relating to share option schemes and the amortisation on acquired intangible assets.*
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A clear growth strategy

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

Our strategic objectives include:

- Being the market leader for Contact Centre payment security in premised, hosted and Cloud delivery
- Capitalise on the fast-growing US market for Contact Centre payment security
- Maximise client value through cross-selling to generate higher levels of recurring income
- Continue to enhance the Eckoh Experience Portal to enable faster and more flexible delivery of our solutions
- Use Cloud Native technologies to develop next-generation products and enhance our proprietary technologies
- Identify and evaluate acquisition opportunities that can support our growth strategy in Contact Centre security and customer engagement

A significant and largely untapped market opportunity

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

The contact centre industry in both the UK and US is extremely large, representing around 4% of the entire workforce in both markets, and the industry continues to grow. We target organisations that utilise contact centres with more than 50 agent seats and this represents over 2,500 in the UK and 14,000 in the US. With so little of our target market currently addressed, patented technology and with very limited competition to our offering, this represents a huge opportunity for Eckoh in the coming years.

With regulation tightening and the financial impact of data breaches and fraud growing, organisations are increasingly looking for ways to secure themselves and consequently Information security budgets and remit are broadening, and we see that trend only continuing. Moreover, the current crisis and the ensuring reliance on greater numbers of remote working agents are only likely to accentuate these security concerns. This can only benefit Eckoh as our payments proposition enabling companies to effectively remove the risk of data breach from some of the most challenging parts of their businesses.

Highly complementary products and attractive proposition

Eckoh's go-to-market proposition encompasses two highly complementary areas: Secure Payment products and Customer Contact solutions.

- The Group's patented Secure Payment products help organisations to reduce the risk of fraud; secure sensitive data; comply with the Payment Card Industry Data Security Standard ("PCI DSS") and wider security regulations such as the General Data Protection Regulation ("GDPR") or the California Consumer Privacy Act. Eckoh prevents sensitive personal and payment data from entering IT and contact centre environments when customers make payments for goods and services. Eckoh can secure all engagement channels including payments made over the phone through a live agent or an automated IVR system ('CallGuard'), on the web or a mobile ('DataGuard'), or through a web chat or chatbot ('ChatGuard'). Our Secure Payments products are straightforward to deploy as they require no change to our client's existing processes or systems; 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 help organisations transform the way they engage with their customers. Eckoh's proposition, which is delivered through the Eckoh Experience Portal ("EXP"), enables enquiries and transactions to be performed on whatever device the customer chooses, through any inbound communication channel and allows customers to self-serve or to engage with a customer service advisor. It enables our clients to increase efficiency, lower operational costs and increase customer satisfaction by providing a true Omnichannel experience.

The UK has the entire product portfolio, but in the US, a territory that Eckoh entered just over five years ago, the focus has been on products where we have the greatest differentiation and the least competition – Secure Payments, Contact Centre infrastructure support and our browser-based agent desktop tool, Coral. The introduction of Web Chat and ChatGuard at the beginning of this financial year was the first step in opening up our Customer Contact proposition in the US, focusing on the newer customer engagement channels. With the continued progress in Secure Payments, which is our primary objective in the US, we have also taken the strategic decision to focus more of our resource on this activity and have a managed transition away from hardware-based Support.

Contracts for both propositions are typically multi-year in length and have a high proportion of recurring charges, usually underpinned by minimum commitments. In the UK, almost all solutions are currently delivered from Eckoh's hosted managed service platform, whilst in the US customers are still more predicated to deploy our solutions on-site. However, with Eckoh's Cloud platform now fully covered by our level 1 PCI DSS accreditation, we expect this to be a growing destination, particularly for our smaller customers.

Operational Review

<u>US Division (38% of group revenues)</u>

In the US revenue grew to $16.1 million, an increase of 32% (FY19: $12.2 million). There was strong growth in Secure Payments and Coral. This included $2.1 million for Coral licences that were part of the $3.8 million contract win we secured in the first half. As indicated previously, the third-party Support business declined in the second half of the year and will continue to decline into the new financial year as we focus resource on the growth opportunity of Secure Payments and target Support contracts that are purely software based.

Total business contracted was up 4% to a record $19.9 million (FY19 $19.1 million). New business contracted was $15.3 million, a decrease of 6% (FY19: $16.3 million) against a strong comparator which included our largest single contract to date of $7.4m.

The Group's US focus remains on three sales activities where it has the greatest differentiation and the least competition. The performance of these activities in the US is summarised below.

- **Secure Payments** revenue grew 63% to $8.1 million (FY20: $5.0 million), and now represents 51% of US revenue (FY19: 41%). During the year we successfully deployed our largest contract won to date.

- **Coral** had revenues of $3.5 million in the year (FY19: $1.8 million), reflecting the $2.1 million revenues for Coral licences, and accounted for 22% of US revenue (FY19: 14%). The timing of large Coral orders remains hard to forecast and we would not expect a further deal of this size in FY21.

- **Support** revenue was $4.4 million, a decrease year on year of 20% (FY19: $5.4 million) and now accounts for a much lower share of US revenues, 27% compared to 45% in FY19. With Secure Payments now our largest revenue stream a strategic decision was taken to focus our staff and resources on this growth opportunity and manage a transition away from hardware-based Support and only continue with software-based activity, which represented $1.4 million in the period.

Secure Payments, where we deliver a patented solution that enables enterprises to take card payments securely within their contact centre operations, continued to have excellent momentum, with $10.7 million won, compared to $13.7 million in FY19, which included our largest contract to date valued at $7.4 million. A number of contracts that we anticipated would close before year end were put on hold as a consequence of the pandemic crisis and this prevented us from exceeding the previous year's total. The largest contracts remain on hold or have been delayed to a specified date, but none have been cancelled.

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

Financial Year	FY15 $m	FY16 $m	FY17 $m	FY18 $m	FY19 $m	FY20 $m
New Business Contracted	0.3	1.6	8.3	9.3	13.7	10.7

The Company continues to successfully focus on large enterprise contracts, and consequently in the period the average contract value was again greater than the $750k size we initially indicated we would expect to see. We now have ten customers from the Fortune 250 list. Most contracts won continue to be for deployment into the customer's environment. However, we won a three-year cloud contract with a Healthcare provider, which was substantial and our largest cloud deal to date by some margin. We also won our first deal in the Gaming sector and contracts with two of the five largest retailers, continuing our success with the largest US corporates. In addition, we secured the first significant contract for our patented ChatGuard product that allows payments to be made securely within a live web chat session.

The average length of contracts for Secure Payments is three years, and as indicated previously the first large contract was due for renewal in the second half. This contract was renewed successfully, mirroring the successful trend of strong contract renewal in the UK.

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

Coral is a browser-based agent desktop that increases efficiency by bringing all the contact centre agent's communication tools into a single screen. It also enables organisations, particularly those who have grown by acquisition, to standardise their contact centre facilities, as Coral can be implemented in environments that operate on entirely different underlying technology. In the period and as previously announced, we secured a contract extension with a Fortune 100 telecommunications company for our agent desktop tool Coral. The contract is worth a minimum of $3.8 million, and of this, $2.1 million relating to the purchase of licences has been recognised in the year. We would not expect a further deal of additional licences of this size in FY21.

In **Support**, we provide third party support within large Contact Centre operations for software and hardware from vendors such as Avaya, Cisco, Genesys and Aspect. Our largest contract, which commenced in July 2016 for a major US telecommunications company, started to reduce in scope and value from September 2017, and came to an end as expected in the second half of the year. The majority of the employees servicing the Support channel have been switched to increasingly service the more lucrative Secure Payments opportunities, and this will continue.

As stated, we will transition away from hardware-based Support but continue to target Support business tactically where we see cross-selling opportunities for Secure Payments, particularly the software-based Support contracts such as Aspect. We also see good opportunities from our partnership with Ribbon Communications. Eckoh already uses Ribbon's session border controllers (a device that protects and regulates IP communications flows) for some of our on-site Secure Payments solutions, and this partnership will allow us to derive greater margin from these installations as well as target new Support contracts.

Recurring revenues in the US, after adjusting for the one-off $2.1 million of Coral licences, were 61%, lower than the 68% a year ago because of the disproportionately large value of non-recurring revenue relating to hardware and set-up fees from our largest Secure Payment contract that went live in the period. We would expect recurring revenue to increase in the new year as more clients have solutions deployed.

The US operation has seen a temporary slowing of new business closing since the outbreak of COVID-19. However, for the clients contracted and deployed, revenues are based on fixed contractual fees giving us continued resilience in the current situation. A number of recent deployments were delayed due to not being able to physically access customer's data centres, but workarounds were implemented and these clients are now live.

UK Division (62% of group revenues)

The UK division has delivered revenue and gross profit growth in the financial year, as new business contracted in the prior year is deployed and with high levels of transactional revenue coming through from some of our largest clients.

Revenue in the period was £20.5 million, an increase on last year of 6% (FY19: £19.4 million), and gross profit increased 3% to £17.1 million (FY19: £16.5 million). Gross margins in the UK decreased in the period by 2% to 83% (FY19: 85%) and recurring revenue decreased slightly as expected, to 88% from 90% in FY19. As indicated previously, we expect recurring revenue to return to pre-IFRS 15 levels and a steady state of approximately 86% - 88%.

The UK had a strong year with total business contracted up 11% to £20.2 million (FY19: £18.2 million). In the year there were significant contract renewals, and as anticipated in our interim statement some larger renewals were confirmed earlier than scheduled in the second half of the year. Last year was our strongest period for new business for the last five years. Against this strong prior year comparator, new business improved in the second half compared to the first half and finished the year at £6.6 million (FY19: £10.1 million). The decrease in new business year on year was largely due to the uncertain business climate in the UK due to the Brexit negotiations, which resulted in delays to buying decisions, and latterly projects being put on hold because of COVID-19. This weakness was mirrored in the sales performance of some of our major partners, who have experienced similar challenges. Despite the current situation, we are seeing activity levels increase in the UK and the pipeline continues to be strong.

Looking at the segmentation of UK revenue, 23% came from Secure Payment services (FY19: 23%), 38% from Customer Contact Solutions (FY19: 31%) and the remaining 39% from clients where we provide a combination of both solutions (FY19: 46%). The increase in the Customer Contact only services is largely due to Omnichannel clients going live, particularly the large client won through our Capita framework. We would expect some of these clients to also adopt our Secure Payments technology which would move this revenue into the combined solution segment, meaning that the split of revenue is likely to readjust this year.

New business in the UK is increasingly coming from sales delivered through our recently launched Eckoh Experience Portal ("EXP"), which enables organisations to buy and deploy our Customer Contact and Secure Payment solutions in a modular fashion. The increase in Customer Contact solutions has largely come from the focus of the sales team on larger, more complex opportunities, typically known as 'digital transformations', where Eckoh's breadth of portfolio and proven expertise delivers more value to the client and differentiates us. A digital transformation is where Eckoh provides a fully integrated solution in which newer digital channels for customer engagement such as web chat, chatbots and social media messaging sit alongside more conventional ones such as voice and email. This can then be overlaid with our Secure Payment proposition encompassing CallGuard, ChatGuard and our alternative payment capability. New clients in the period included Vanquis Bank, the Department of Education and Bosch.

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 increasing the lifetime value of the Group's customers. Of the new business secured in the year of £6.6 million, £3.9 million (FY19: £2.4 million) was contracted with existing customers for delivery of new solutions or modifications. At 60% this was a much higher percentage of total new business than we would normally see, and points to organisations being more willing to invest in the uncertain business climate with existing suppliers than seek new ones.

During the year, that strong track record with existing clients has continued to be demonstrated through the levels of renewal business contracted, which were £13.6 million in the period. There were a number of larger clients who renewed their contracts, notably Premier Inn which was the largest to arise, but also some of whom renewed earlier than required. These included allpay, who renewed for a five-year term, Transport for London and a global financial services company.

The new business and consistent renewals of existing clients gives us, in normal circumstances, high revenue visibility and our UK clients are underpinned by contractual fees or minimum transaction levels. However, the UK business does have some exposure to consumer-facing clients and due to the impact of COVID-19 we saw volumes in March initially dropping for these clients before stabilising at the end of April. As the country takes the first steps to come out of lockdown, it is pleasing to see that from the end of May overall volumes have been rising and in some cases individual client's transactional volumes have reverted largely to normal levels. There are some clients where there has been a positive impact on volumes during this period, however, there still remains much uncertainty during these times and it is difficult to predict the future transactional volume of our clients and therefore revenue visibility.

Innovation

Eckoh has partnered with global payments technology provider Mastercard to offer the Pay by Bank app ("PbBa") as an alternative payment capability for contact centres over the phone. PbPa, which was created by Vocalink, a Mastercard company, is an easy and secure way for customers to pay from their current bank account, using their trusted mobile banking app. It is designed to simplify the checkout experience, giving customers more control and visibility of their finances when they make a payment

Eckoh has already broadened our CallGuard solution to encompass alternative payment methods such as eWallet services like Apple Pay, Google Pay and Paypal. PbPa is yet another example of Eckoh leading the market by being a payments enabler for our clients, as well as ensuring every transaction is secure.

Our ongoing compliance with PCI DSS reached a milestone in the period with our 10-year anniversary of being a PCI DSS level 1 Service Provider, the longest of any company operating in our target market. With onerous changes in the Data Security Standard expected in version 4 of the code, we anticipate this will be a further driver for businesses to look to de-scope entirely their environments of card data using Eckoh's services.

Project Leapfrog

We have previously highlighted our intent to embrace Cloud Native practices and capabilities which we named Project Leapfrog. As the name implies, leveraging our existing best-of-breed solutions, Cloud Native offers technologies and practices with nearly limitless computing power, alongside cutting-edge data and application services for product development.

Working alongside a third-party specialist in Cloud Native practices over several months, to accelerate our learning and help to upskill our team, we have made very significant progress to the point where Leapfrog as a project is largely complete. Any net new development of any significance will now be done following the Cloud Native process, and whilst it will be a long transition, we do expect over time to have replaced our whole technology stack with Cloud Native technology.

When companies build and operate applications in a Cloud Native fashion, they bring new ideas to market faster and respond sooner to client demands. This is at the core of Eckoh's client-focused delivery model. We are pursuing this methodology so that we can stay ahead of our competitors across the technical landscape, enhance our product portfolio even faster, at higher margins, and with a focus on assured quality, and win the ongoing talent war for attracting and retaining high quality developers.

Patent Update

Eckoh continues to invest engineering and financial resources into developing its products and services. As a result, Eckoh takes intellectual property (IP) policy very seriously. IP includes patent rights, trademarks and service marks, domain names, copyright (including copyright in software), design rights, database rights, rights in know-how or other confidential information (including trade secrets) and rights under IP-related agreements. Eckoh's IP provides significant market and technological advantages. The company is committed to preserving and enhancing its competitive position through strategic capture and, where necessary, enforcement of IP. Unauthorised use of Eckoh's IP damages our business and our partners. Eckoh expects others to respect its IP and would not knowingly infringe third party IP.

During the period we made significant progress in growing our portfolio and added a record number of new patents. Our granted patents have now reached twelve, seven of which were granted in this year.

For our core Secure Payments technology our two key patents of CallGuard and Secure Proxy (our tokenisation solution) now cover the jurisdictions of the UK, US, Belgium, France, Germany, Italy, Netherlands and Spain.

We also have three further patents comprising 'Authenticating users for data exchange', 'Session handoff' and 'Contact Centre authentication' which have all been granted in the US, as well as partially in the UK and Canada.

Since period end Eckoh and Syntec Limited have reached a confidential settlement of their dispute over alleged infringement of Eckoh's Secure Proxy patent (UK No. GB2497940). Syntec has agreed to pay Eckoh an undisclosed sum in settlement of the claim.

Outlook

Despite the short-term disruption to market conditions relating to COVID-19, the Board remains confident of the future prospects for the Group, underpinned by balance sheet resilience, high recurring revenues, excellent sales pipelines and the long-term market opportunity. We have also maintained headcount at current levels to manage ongoing demand, sustain our high service levels, and ensure we are well-placed for a recovery in demand.

Although the outlook still remains uncertain, with a highly relevant product portfolio, resilient business model and strong balance sheet, Eckoh is well prepared to successfully manage the current challenges and assist our clients to do the same.

Nik Philpot
Chief Executive Officer
16 June 2020

Principal Risks and Uncertainties

Eckoh is exposed to a number of risk factors which may affect its performance. The Group has a framework for reviewing and assessing these risks on a regular basis and has put in place appropriate processes and procedures to mitigate against them. However, no system of control or mitigation can completely eliminate all risks. The Board has determined that the following are the principal risks facing the Group.

Specific risk	Mitigation
Pandemic risk	
The outbreak of COVID-19 could cause shortage of staff if they become ill or die. The UK business has exposure to consumer-facing customers where contact volumes during social distancing are impacted. Our US operation is underpinned by fixed contractual fees. The supply of components for our on-site Secure Payment solution for the US operation could become impacted.	All employees in the US and UK are able to work remotely from home during the pandemic. Due to the digital and physically remote nature of our technology and solutions we are able to maintain high service levels during these periods. We continually monitor our suppliers to ensure the components we require for our on-site solution in the US are available.

Cyber, technology & processes

Loss or inappropriate usage of data	
The Group's business requires the appropriate and secure usage of client, consumer and other sensitive information. Fraudulent activity, cyber-crime or security breaches in connection with maintaining data and the delivery of our products and services could harm our reputation, business and operating results.	The Group has established physical and logical security controls at its data centres with rigorous cyber security controls, monitoring procedures, recruitment and training schemes, which are embedded throughout the business operations. The Group also screens new employees carefully. Continued investments are made in cyber security; infrastructure, monitoring and services, improvements in email and web filtering as well as the introduction of enhanced data loss prevention tools. Eckoh has concluded its program of ISO 27001:2017 certification to further audit these measures.
Interruptions in business processes or systems	
The Group's ability to provide reliable services largely depends on the efficient and uninterrupted operation of our telecoms platform, network systems, data and contact centres as well as maintaining sufficient staffing levels. System or network interruptions, recovery from fraud or security incidents or the unavailability of key staff or management resulting from a pandemic outbreak could delay and disrupt our ability to develop, deliver or maintain our products and services. This could cause harm to our business and reputation, resulting in loss of customers or revenue.	Comprehensive business continuity plans and incident management programmes are maintained to minimise business and operational disruptions, including system or platform failure. Testing and confirmation of plans is performed to ensure business continuity relevance and training is maintained.

Legal, regulatory and industry standards

Risk of non-compliance with legal and industry standards	
The Group's operations require it to be compliant with certain standards including Payment Card Industry Data Security Standard (PCI DSS) and General Data Protection Regulation (GDPR). Failure to comply with such regulations and standards could significantly impact the Group's reputation and could expose the Group to fines and penalties.	We continually audit, review and enhance our controls, processes and employee knowledge to maintain good governance and to comply with legal requirements and industry standards. Our new employees are carefully screened.
Loss or infringement of intellectual property rights	
The Group's success depends, in part, upon proprietary technology and related intellectual property rights. Some protection can be achieved but, in many cases little protection can be secured. Third parties may claim that the Group is infringing their intellectual property rights or our intellectual property rights could be infringed by third parties. If we do not enforce or defend the Group's intellectual property rights successfully, our competitive position may suffer, which could harm our operating results. We may also incur cost from any legal action that is required to protect our intellectual property.	The Group, where appropriate and feasible, relies upon a combination of patent and trademark laws to protect our intellectual property. The Group also continues to monitor competitors in the market to identify potential infringements of our intellectual property rights. The Group would vigorously defend all third-party infringement claims.

Specific risk	Mitigation
HR & personnel	
Dependence on recruitment and retention of highly skilled personnel	
The ability of the Group to meet the demands of the market and compete effectively is, to a large extent, dependent on the skills, experience and performance of its personnel. Demand is high for individuals with appropriate knowledge and experience in payment security, telecoms, IT development and support services. The inability to attract, motivate or retain key talent could have a serious consequence on the Group's ability to service client commitments and grow our business.	Effective recruitment programmes are on-going across all business areas, as well as personal and career development initiatives. The Management team reviews key individuals on a quarterly basis and retention plans are put in place for individuals identified at risk of leaving. Compensation and benefits programmes are competitive and are reviewed regularly. Employee feedback is encouraged and an employee engagement survey has been undertaken in the year.
Products & clients	
Technological & product development	
The Group provides technical solutions for clients and their end customers. As customer preferences and technology solutions develop, competitors may develop products and services that are superior to ours, which could result in the loss of clients or a reduction in revenue.	The Group is committed to continued research and investment in products and technology to support its strategic plan. Product development roadmaps for Secure Payment and Customer Contact solutions are managed centrally in the UK.
Dependence on key clients	
While the Group has a wide customer base, the loss of a key customer, or a significant worsening in their success or financial performance, could result in a material impact on the Group's results. Eckoh's largest customer accounted for 9.1% (2019: 5.9%) of total revenue.	We mitigate this risk by monitoring closely our contract performance, churn and renewal success with all customers by maintaining strong relationships. We continue to expand our customer base, particularly in the US business.
Economic growth	
Executing the US opportunity	
The Group has a low market share in the US, where there is significant market opportunity for its Secure Payments products. The inability to execute in the US, winning new clients and implementing Secure Payment solutions for clients, could have a material impact on the Group's results.	The Group sets clear targets for growth expectations for the US business. We continually assess our performance and adapt our approach, taking into account our actual and anticipated performance. Product offerings are being extended to expand the reach of the services offered in the US. Cloud based solutions have been adopted to ensure Eckoh offer all potential solutions that clients may demand.
Exchange rate & Brexit	
The Group is exposed to the US dollar and the translation of net assets and income statements of its US division. There is an on-going uncertainty of how the UK would trade with the EU after the end of 2020 and this may increase Sterling volatility in the next few years, which in turn may have a material impact on the Group's translated results.	We regularly review and assess our exposure to changes in exchange rates. The Group does not hedge the translation effect of exchange rate movements on the Income Statement or Balance Sheet of the US division.
Reputation of the Eckoh Group	
Damage to our reputation and our brand name can arise from a range of events such as poor solution design or product performance, unsatisfactory client services and other events either within, or outside, our control.	We address this risk by recognising the importance of our reputation and attempting to identify any potential issues quickly and address them appropriately. We recognise the importance of providing high quality solutions, good client services and managing our business in a safe and professional manner. Eckoh has concluded its program of ISO 9001:2015 certification to further audit these measures.

Financial Review

The Group has adopted IFRS 16: Leases with effect from 1st April 2019. Right-of-use assets were measured on transition as if the new rules had always applied. The Group has taken advantage of the practical expedients available for transition under the standard. Note 13 sets out the new accounting policy and summarises the impact of the implementation of IFRS16: 'Leases', the impact to adjusted EBITDA and depreciation being £0.5 million for the full year. Interest charged in the year was £18k. There is no impact to profit after tax.

Revenue for the year increased by 15.5% to £33.2 million (FY19: £28.7m) and at constant exchange[3] rates by 14.0%. Adjusted operating profit[1] was £4.7 million compared to £3.1 million last year. Profit after tax for the year was £3.1 million (FY19: £0.9m).

Basic earnings per share for the year ended 31 March 2020 was 1.22 pence per share (FY19: 0.37 pence per share).

Divisional performance

Revenue in the UK, which represents 62% (FY19: 68%) of total group revenues, increased by 5.5% to £20.5 million (FY19: £19.4m). The US represented 38% (FY19: 32%) of total group revenues and revenues increased in the period by 36% to £12.7 million (FY19: £9.3m), revenues in local currency grew by 32% year on year.

	FY20 (UK) £000	**FY20 (US) £000**	**FY20 Total £000**	FY19 (UK) £000	FY19 (US) £000	FY19 Total £000
Revenue	**20,468**	**12,710**	**33,178**	19,399	9,320	28,719
Gross Profit	**17,074**	**9,250**	**26,324**	16,527	7,578	24,105
Gross Profit %	**83%**	**73%**	**79%**	85%	81%	84%

Gross profit

The Group's gross profit increased to £26.3m (FY19: £24.1m). Gross profit margin was 79% for the year compared to 84% for the full year 2019. The UK gross profit margin decreased to 83% and is expected to remain at this level. In the US the full year margin decreased from 81% to 73% due in principle to the Coral licences. Excluding the Coral licences, gross profit margin was 76%.

In the UK, as the service is hosted on an Eckoh platform, there is typically no hardware provided to clients and the gross profit margin is expected to remain level at 83-84%. In the US, due to the impact of IFRS 15, and the growth of the Secure Payments activities, we would expect gross profit margin to gradually decrease to approximately 70% - 75% in the next two years. This is because currently our Secure Payment activities are typically deployed into the client's environment and require hardware to be provided. When clients renew their contracts without additional significant hardware the gross profit margin should gradually start to increase marginally.

Administrative expenses

Total administrative expenses for the year were £23.0m (FY19: £22.9m). Adjusted administrative expenses[4] for the year were £21.6m (FY19: £21.0m), the last year comparator has not been restated for IFRS16: 'Leases', an impact of £0.5 million. The adjusted administrative expenses of £21.6 million are in line with the run-rate exiting the second half last year following investment in headcount, IT, Sales and Marketing. Included in administrative expenses is a trading foreign currency gain of £0.3 million.

Profitability measures

Adjusted operating profit was £4.7 million (FY19: £3.1 million), an increase year on year of 53.4%. Included in the first half of FY20 were Coral licences of £0.9 million and for the year there was a foreign currency gain of £0.3 million. Adjusted EBITDA[2] for the year was £6.4m, an increase year on year of 47.8% (FY19: £4.3 million).

	Year ended 31 March 2020 £000	Year ended 31 March 2019 £000
Profit from operating activities	**3,286**	1,194
Amortisation of acquired intangible assets	**979**	1,325
Expenses relating to share option schemes	**468**	567
Adjusted operating profit[1]	**4,733**	3,086
Amortisation of intangible assets	**314**	275
Depreciation of owned assets	**848**	960
Depreciation of leased assets	**491**	-
Adjusted EBITDA[2]	**6,386**	4,321

1. Adjusted operating profit is the profit before adjustments for expenses relating to share option schemes and amortisation of acquired intangible assets.
2. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is the profit before tax adjusted for depreciation of owned assets and leased assets, amortisation of acquired intangible assets and expenses relating to share option schemes.
3. At constant exchange rates (using last year exchange rates)
4. Adjusted administrative expenses are administrative expenses excluding legal fees and settlement costs and expenses relating to share option schemes and amortisation of acquired intangible assets.

Statement of financial position
Whilst Eckoh continue to innovate by developing new products and features such as those detailed in the Chief Executive Officer's review, little of this is capitalised on the balance sheet with only £0.4m (FY19: £0.3m) added in the year to the value of the intangible assets of the Company. Included in the £0.4 million is £0.2 million related to the Cloud-Native project. In addition to the internal costs capitalised, a further £0.5 million was capitalised relating to a third-party vendor. 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 charges
For the financial year ended 31 March 2020, the interest payable charge was £68k (FY19: £77k). The interest charge is made up of bank interest of £50k and interest on leased assets of £18k following the implementation of IFRS 16.

Taxation
For the financial year ended 31 March 2020, there was a tax charge of £166k (FY19: £209k charge). Further details are included in note 9.

Earnings per share
Basic earnings per share was 1.23 pence per share (FY19: 0.37 pence per share). Diluted earnings per share was 1.19 pence per share (FY19: 0.36 pence per share).

Contract liabilities and contract assets
Contract liabilities and contract assets relating to IFRS 15 Revenue from Contracts with Customers have both increased as new business contracted continues to increase more than the amounts of revenue and costs being released to the profit and loss account under IFRS 15 Revenue from Contracts with Customers, where revenue and costs for our hosted products are deferred until the solution is accepted by the client. Total contract liabilities were £14.4 million (FY19: £14.6m), included in this balance are £13.2 million of contract liabilities relating to the Secure Payments product or hosted platform product, an increase from £11.7 million at the same time in the previous year, a year on year increase of 13%. Contract assets as at 31 March were £5.6 million (FY19: £4.2m)

Cashflow and liquidity
Gross cash at 31 March 2020 was £13.6 million, this is offset by a loan to Barclays bank of £2.0 million, giving net cash at 31 March 2020 of £11.6 million, an improvement of £3.3 million from net cash of £8.3 million as at 31 March 2019. In the period the Company has repaid £1.3 million of the loans outstanding to Barclays Bank in accordance with the terms of the loan. During the year, there has been a net cash inflow from working capital of £1.1 million (FY19: £3.1 million cash inflow). In addition, a dividend payment of £1.6 million was made in October 2019.

As a result of the current COVID-19 pandemic, the Board of Directors took advantage of the ability to defer the repayment of capital under the loan as a precautionary measure. The Bank has approved a delay to the April 2020 and July 2020 quarterly repayment of £325,000. The remaining balance on the loan of £1,950,000 will be repaid evenly over the remaining life of the loan. There will be four quarterly repayments of £487,500 commencing October 2020.

Dividends
As a result of the swift and fundamental impact of COVID-19 on global economic conditions, and the current impact to some of Eckoh's clients, the Board considers it prudent not to propose a year-end dividend and this will be reviewed by the Board when market conditions stabilise.

Chrissie Herbert
Chief Financial Officer
16 June 2020

CORPORATE RESPONSIBILITY

Eckoh is committed to running the business in an ethical and responsible manner, and we focus our efforts on business ethics, employee engagement, our local community and the environment.

Business ethics

Eckoh has the following policies in place with respect to business ethics:

Whistle-blowing – we are committed to ensuring that practices and procedures in respect of all employees, business partners and clients are of the highest quality. Employees are encouraged to raise any instances of irregular conduct in the workplace.

Health and safety – we take all necessary steps to ensure the health and safety of all employees, contractors and visitors, through the provision and maintenance of a safe working environment.

Dignity at work policy – all employees of Eckoh have an important part to play in the overall success of the business and everyone is respected and valued for their contribution at every level. At Eckoh, we foster and promote a healthy, collaborative and supportive environment, which is encapsulated in our value called *'humanity'*. We encourage all our employees to work together in a harmonious manner that encourages self-development, team success and knowledge sharing. Eckoh is committed to protecting the dignity and wellbeing of everyone and encourages practices that take into account the rights of all individuals and seeks to eliminate all forms of unacceptable behaviour. It is in our best interests to promote a safe, healthy and fair environment where people are given every opportunity to excel and thrive in their workplace.

Equality and diversity – we are committed to an active equal opportunity policy, from recruitment and selection through to training and development, performance reviews and promotion. It is our policy to promote an environment free from discrimination, harassment and victimisation, where everyone will receive equal treatment regardless of age, disability, gender, gender reassignment, pregnancy and maternity, sexual orientation, race, ethnic origin, or hours of work.

Anti-bribery – we set out clear standards for ethical relationships and conduct to be maintained by employees and contractors and conduct our business in accordance with the highest ethical standards. We do not offer or accept bribes.

Disciplinary and grievance procedures – we provide a fair and consistent method of dealing with disciplinary problems and treat misconduct with appropriate action. We ensure we treat any grievance an employee may have relating to their employment in a fair and reasonable manner.

Employee engagement

Eckoh believes that its employees are the source of our competitive advantage and a valuable asset to the business. We recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain talented people of the highest calibre.

Throughout the year employees in both the UK and US business unit are kept informed of the business performance, this is through six-monthly presentations following the announcement of results to the markets. In addition, trading statements, are circulated and explained to the teams once publicly available.

We actively encourage two-way communication and we encourage our employees to share their views and preferences – positive and negative - so that we can address these to deliver the most vibrant, dynamic and enjoyable workplace. In March 2019, we invited all employees in the UK and US divisions to take part in an employee survey. The results of the survey were shared with employees and action plans were formulated at a team and business level to address the identified opportunities for improvement.

One of the business-wide actions was to redefine our Company values and these were relaunched in the summer.

Our values sit at the heart of the culture at Eckoh and are summarised below.

*We **Encourage** and support everyone to grow with Eckoh*

*We **Challenge**, listen, and are open minded to change and suggestions from others*

*As trusted advisors, we use our **Knowledge** to solve challenges and deliver the best for our clients*

*We take personal **Ownership** to strive for excellence in whatever we do*

*We are welcoming, embrace diversity and respect each other in a spirit of true **Humanity***

A second action was to improve the communication and collaboration across the teams. In the UK, a team of employees representing each of the departments across the business formed the 'Escape' committee. The Committee is responsible for the Eckoh events calendar, this involves planning and organising the social and team building events and organising charity activities. In addition, they co-ordinate the teams across the business, who are responsible for organising one event annually for the wider business. The focus of the events is about bringing the teams together across the business in a fun way and, where possible, linked to the Humanity value. Events have included a Halloween quiz, a gaming competition, a Christmas fayre in the office and an opportunity for employees to give blood locally.

In the US, where a large number of employees work remotely, it is more difficult for them to engage in the social events on a monthly basis, so, they formed a charity committee with employees representing the teams across the business. In the Omaha office, where there are approximately 14 employees, there are regular social events. On an annual basis, the whole of the US team is brought together for an annual conference. There is also a bi-annual Sales team conference, which is led by the US management team and focuses on the new business sales targets for the current financial year and includes product training for the Sales team. The CEO and CFO also attend the bi-annual Sales Conference and the Annual US Conference.

As a business we embrace technology to enable remote working, teleconferencing and effective collaboration across the UK and US divisions. With the impact of COVID-19, all employees are currently working remotely both in the UK and US. In these unusual circumstances communication is key so, for both the UK and US businesses, there is a weekly call with all employees to start the week. Whilst these calls are focussed on updating all employees on the business, they also involve recognition and celebrating success.

Under normal circumstances, in the UK there are also more informal communications that take place, such as the CEO and CFO lunch, to which a number of employees are invited every two months. This is an informal environment for employees to share feedback. In addition, our regular social and team building events give us all a chance to relax together.

At Eckoh, we strive to create a really positive working environment to help our employees enjoy their work, be successful in their role and deliver on business goals.

Employee recognition

Our employees deserve recognition and we do this through our 'RAVE' programme (Reward and Value Everyone), which encourages employees, both in the UK and US, to nominate their peers to receive an award. We also run a twice-yearly Employee Award and have an annual Long Service Award recognising loyalty and commitment to us.

Benefits

We employ around 224 employees in total, with approximately 175 employees in the UK and 49 employees in the US. The benefits package is managed separately in each country to ensure that we attract the talent we need in each of the divisions.

In the US, our employees participate in a Health Benefits Plan that provides a valued level of healthcare.

Employees are also given the option to join pension plans appropriate to the UK and the US. In the UK this involves a Company approved pension plan with minimum employer and employee contributions and in the US a 401(k) plan. Since April 2014 in the UK all employees, except those that have expressly opted out, are auto-enrolled into a qualifying pension plan.

In September 2016, we introduced the Eckoh plc Share Incentive Plan ("the Plan"). The Scheme provides employees based in the UK with the opportunity to acquire shares in Eckoh plc. Shares are purchased on behalf of the employee from amounts sacrificed from their salary on a monthly basis and matched on a two for one basis by the Company. Any shares acquired will be held in a trust in accordance with the terms of the Plan. In order to maximise the tax benefits available, the employee must remain employed with the Company and hold the shares within the Trust for a minimum of five years. Currently, 51 employees participate in the scheme out of approx. 163 eligible in the UK.

Following feedback from our US employees, a Sharesave scheme for US employees, a 423 plan was approved by Shareholders at the AGM last year and launched in December 2019. Currently 22 employees participate in the scheme out of approx. 28 eligible in the US.

Training & development

Eckoh's strength lies in the expert knowledge of our people. It is vital that our employees understand, and are passionate about, our products and technologies. Every new employee to Eckoh undergoes a detailed and thorough induction plan over a three-month period. The induction not only welcomes them to the business, but it provides them with a comprehensive overview of Eckoh, insight into our market proposition, our range of products, the security requirements of the Payment Card Industry Data Security Standard (PCI DSS), the organisational structure and our commercial model. Every induction plan is tailored to the individual's role, setting them up to be successful in their new role. In the UK, after three months, every new employee will have the opportunity to meet with the CEO and CFO to give feedback on their experiences of Eckoh.

We encourage our people to continue to develop their skills and keep up-to-date with new technology, standards and processes. Training needs are identified through the regular check-in that team members have with their line managers.

We encourage young school leavers, who may have been working in our UK contact centre, to progress from their roles as agents to junior roles in the organisation. We have a number of success stories where employees have progressed from these junior roles into more senior positions over a period of time. We have introduced an Apprenticeship Programme that has identified and introduced appropriate roles for apprentices across the organisation. We have worked with local training providers to ensure the apprentices are supported in their roles with good quality training programmes.

Our investment in our employees helps to retain and motivate our people, as well as enabling high achieving employees to progress and flourish in their role.

Health, safety, security, wellbeing and accessibility

Our employees' health matters to us and so the Company continues to prioritise the provision of healthy working environments for our employees and the health, safety, security and wellbeing of the people on our premises are our highest priority.

For employees or guests with reduced mobility, our UK and US offices are fully accessible with elevators to each floor and disabled parking spaces.

In the UK, for those who choose to cycle, or run, as part of their daily commute we have provided showers for their use and convenience. We actively encourage a healthy lifestyle providing fresh fruit in the office, reflexology, Pilates, meditation classes, sports massage services as well as discounted gym memberships and cycle to work schemes. Our health assessments for blood pressure and flu jabs also encourage employees to keep tabs on their health.

Communities

At Eckoh, our employees are encouraged and supported to give something back to our local community. We do this through supporting local and national causes, raising money for charity and offering employees the opportunity to attend a volunteering day where they can really make a difference.

Waterways Experience and the Canal and River Trust

Eckoh encourages employees based in their office in Hemel Hempstead to support the local community. A group of employees spent a day clearing up the local Bulbourne River, close to the office in Hemel Hempstead for the Canal and River Trust, they were provided with a working narrow barge by the Waterways Experience to help clear the foliage over the canal. The Canal and River Trust look after, and bring life to, 2,000 miles of waterways and encourage people to spend time on the waterways to improve the wellbeing of millions of people. The canals and rivers run through some of the most heavily populated communities in England and Wales, providing accessible green and blue space where it is needed the most.

Herts Youth Homeless

Each Christmas, Eckoh employees raise money through various activities in the office in Hemel Hempstead. Each year a charity is nominated by employees and this year the Herts Youth Homeless charity was chosen. Herts Youth Homeless is a local charity in Hertfordshire and provides services to support vulnerable people. Its focus is to prevent homelessness and provide services to empower young people to be able to deal with the difficult situations in their lives. In total the money donated through money raised by employees and a Company contribution was £2,078.

Personal charities

The Company actively encourages and supports our employees to raise money for charities. During the year employees collected food and warm clothing for the local DENS charity and organised an event to raise money for Breast Cancer.

In the environment

Although operationally we do not manufacture products, Eckoh understands the impact our business can have on the environment. From the efficient lighting in our offices to the fair-trade coffee in our kitchen areas, we carefully consider the purchases we make and encourage our suppliers to be equally considerate in the way they conduct their business.

Eckoh has taken the following steps to ensure that we are doing all we can for the environment and to set a good example to those who we come into contact with:

- All our office and communal working areas lights are LED, thus reducing the electricity the Company uses on an on-going basis.
- Reduced business travel through the use of web and phone-based conferencing systems
- Energy efficient and motion sensor lighting installed in our offices
- Comprehensive recycling programs established in all possible locations
- Photocopiers set to double-sided, black and white printing to reduce paper/ink use
- Encouraged working habits to, where possible, move away from paper to digitalisation of documents.
- Provided reusable cups and glasses to reduce waste associated with disposable cups
- Encouraged alternative methods of transport to travel to and from work e.g. cycle to work scheme.

BOARD OF DIRECTORS

Independent Directors

Christopher Humphrey BA MBA FCIMA

Non-Executive Chairman
Appointed to the Board – 21 June 2017
Appointed Chairman – 21 September 2017

Committee Membership:
Nominations (Chair), Audit, Remuneration

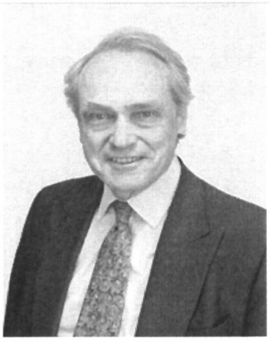
Skills & Experience:
Christopher is currently a Non-Executive Director, Senior Independent Director and Audit Chairman of AVEVA Group plc and The Vitec Group plc and a Non-Executive Director of SDL plc. Christopher was formerly Group Chief Executive Officer of Anite plc from 2008 until August 2015, having joined Anite in 2003 as Group Finance Director. He has held senior positions in finance at Conoco, Eurotherm International plc and Critchley Group plc. He was previously a non-executive director at Alterian plc.

Guy Millward

Non-Executive Director
Appointed to the Board – 1 October 2016

Committee Membership:
Audit (Chair), Nominations, Remuneration

Skills & Experience:
Guy is currently Chief Financial Officer at Quixant plc. He has extensive experience as Finance Director of several public and privately held companies in the electronics, software and IT sectors. His previous roles include that of CFO at Imagination Technologies Group plc, Advanced Computer Software Group plc, Metapack Limited and Bighand Limited, Group Finance Director at Alterian plc, Morse plc and Kewill plc. He qualified as a Chartered Accountant at Ernst & Young in 1989.
Guy has an honours degree in Economics from the University of Sheffield and is a Fellow of the Institute of Chartered Accountants in England and Wales (ICAEW).



David Coghlan

Non-Executive Director
Appointed to the Board – 1 December 2017

Committee Membership:
Remuneration (Chair), Audit, Nominations

Skills & Experience:
David is currently Chairman of Synectics plc, an AIM-quoted provider of high-end electronic security systems and Chairman of Quadrant Group Limited, a supplier of aviation simulation and training software and services, with subsidiaries in the UK and US. Until its takeover in December 2019, David was also a non-Executive Director, and Chairman of the Audit Committee, of SCISYS plc, a software company quoted on AIM. He has extensive experience with technology companies in the business-to-business field. David was previously a partner at Bain & Company, a leading strategy consulting firm.

Executive Directors

Nik Philpot

Executive Director - Chief Executive Officer

Appointed to the Board – 2 February 1999

Appointed to Chief Executive Officer – September 2006

Skills & Experience
Nik is a founder of Eckoh with more than 30 years' experience in the voice services industry; he was originally at British Telecom before establishing a number of start-up businesses in the telecoms and technology sectors. As CEO of Eckoh, he has created a leading provider of Secure Payment solutions and Customer Contact services for the contact centre industry.

Chrissie Herbert

Executive Director - Chief Financial Officer & Company Secretary

Appointed to the Board – 2 May 2017

Skills & Experience
Chrissie has held a number of senior finance positions with both publicly listed and privately held businesses. She gained payments experience from PayPoint plc, where she was UK & Ireland Finance Director. In addition, having qualified as a Chartered Accountant at KPMG, Chrissie gained considerable executive experience at a number of high growth, consumer facing businesses including Collect+ and Travelodge Hotels Ltd.
Chrissie has an honours degree in European Finance and Accounting from Leeds Beckett University, a Betriebs-Wirtin from Bremen Hochschule and is a Fellow of the ICAEW

CORPORATE GOVERNANCE

Chairman's Statement on Corporate Governance

Dear Shareholder,

On 30 March 2018 the AIM Rules were amended to require all companies quoted on AIM to implement a recognised corporate governance code and comply with that code from 28 September 2018. As a Board of Directors, we felt the Quoted Companies Alliance Corporate Governance Code (QCA Code) is the most appropriate code for Eckoh plc to apply, given the Group's size, risk, complexity and stage of maturity.

The QCA Code follows 10 basic principles that requires companies to provide an explanation of how they consider that they are meeting those principles through a set of disclosures on their website and in their Annual Report.

As Chairman of Eckoh plc, I am ultimately responsible for the Corporate Governance of the Group but the Board as a whole considers that good corporate governance is a key driver in the success of the business and accountability to the Company's stakeholders, including Shareholders, customers, suppliers and employees is a vital element in that governance.

In this governance section we outline the Company's approach to Corporate Governance and how we have complied with the QCA Code. The Board considers that it does not depart from any principles of the QCA code. It is the intention that the information contained within the report will be updated annually alongside the publication of the Group's Annual Report or more frequently for any fundamental changes.

Christopher Humphrey
Chairman
16 June 2020

Quoted Companies Alliance Code Compliance

The following paragraphs set out the 10 QCA Code principles and how Eckoh has complied with those principles.

1. Establish a strategy and business model which promotes long-term value for Shareholders

The strategy and business model which explains the strategic objectives of the Group and how the Company generates and preserves value over the longer term are set out in the Strategic Report on pages 3 to 10 of this Annual Report.

The Board is collectively responsible for the long-term success of the Company and provides effective leadership by setting the strategic aim of the Company and overseeing the efficient implementation of these aims in order to achieve a successful and sustainable business. In practice the Executive Directors prepare and present the strategic plan to the Board which the Board challenges in order to determine the strategic priorities. On an ongoing basis the Board ensures that the strategic plan is taken into consideration in its decision-making process.

2. Seek to understand and meet Shareholders' needs and expectations

The Directors consider that the Annual Report and Financial Statements play an important role in providing Shareholders with an evaluation of the Company's position and prospects. The Board aims to achieve clear reporting of financial performance to all Shareholders. The Board acknowledges the importance of an open dialogue with its institutional Shareholders and welcomes correspondence from private investors.

The Executive Directors have an ongoing programme of meetings with institutional investors and analysts twice a year for up to two weeks at a time. Feedback from these meetings is reported to the Board. In addition, the Non-Executive Chairman has held meetings with the major Shareholders, independently of the Executive Directors.

In addition to the Annual Report and the Company's website, the Annual General Meeting (AGM) is an ideal forum at which to communicate with investors, and the Board encourages Shareholder participation. All Board members are present at the AGM and are available to answer questions from Shareholders.

The articles of association require that at the AGM one third or as near as possible, of the Directors will retire by rotation. David Coghlan, and Guy Millward will retire by rotation and put themselves forward for re-election at the AGM.

3. Take into account wider stakeholder and social responsibilities and their implications for long-term success

Eckoh's Corporate Responsibility statement, which focuses on our business ethics, employee engagement, our local community and the environment is found on pages 15 to 17.

In addition to the stakeholders covered in the Corporate Responsibility statement, our customers are also important stakeholders, whose opinions and voice Eckoh values highly. We have various channels for customers and prospects to communicate with the Group, through regular business reviews, that are conducted by our Client Services team, to post project reviews. In the UK there is an annual Customer Satisfaction survey which we are also planning to launch in the US in the next financial year.

4. **Embed effective risk management, considering both opportunities and threats, throughout the organisation**

The Board has overall responsibility for establishing and maintaining sound risk management and internal control systems, and for the monitoring of these systems to ensure that they are effective and fit for purpose. The Audit Committee provides support to the Board in this regard and overseas the monitoring process. Further information on the risk management and internal control system is set out in the Audit Committee report on page 23.

The Directors have carried out a robust assessment of the principal risks facing the Group and how these risks could affect the business, financial condition or operations of the Group. The explanation of these principal risks including how they are being mitigated can be found on pages 11 to 12.

5. **Maintain the Board as a well-functioning, balanced team led by the Chair**

The Board, led by the Chairman, has a collective responsibility and legal obligation to promote the interests of the Group. The Chairman is ultimately responsible for Corporate Governance. However, the Board is responsible for defining the corporate governance policies.

The Board is made up of three Non-Executive Directors and two Executive Directors and has delegated certain roles and responsibilities to its Audit, Nomination and Remuneration Committees whilst retaining overall responsibility.

Non-Executive Directors are all independent and are expected to devote sufficient time to the Company to meet their responsibilities.

The Board and its Committees met regularly throughout the year with the meetings scheduled around key dates in the Company's corporate calendar. There were twelve scheduled meetings during the year and two meetings at short notice. Directors in principle attend all meetings either in person or by video or telephone conference arrangements. The table below shows Directors' attendance of Board and Committee meetings.

Directors' meeting attendance 2019/20

	Board		Audit		Remuneration		Nomination	
	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice	Scheduled	Short notice
Executive Directors								
Chrissie Herbert	12	1	3[1]	-	3[1]	-	1[1]	-
Nik Philpot	12	1	3[1]	-	3[1]	-	1[1]	-
Non-Executive Directors								
Christopher Humphrey	12	1	3	-	3	-	1	-
David Coghlan	11[2]	1	3	-	3	-	1	-
Guy Millward	12	1	3	-	3	-	1	-

1. By invitation. The Executive Directors are not members of any of the Board Committees and they attended only the committee meetings to which they were specifically invited.
2. David Coghlan was unable to join the March 2020 Board meeting due to illness

At Board meetings the Chairman ensures that effective decisions are reached by facilitating debate and consultations with management and external advisors as necessary. The work undertaken by the Board during the year is set out in the table below:

The agenda for each Board meeting includes the following as standing items:

- Risk analysis, including by risk, the risk factor and the monitoring mechanism
- Management report which is prepared and presented by the Chief Executive Officer
- Finance report, which is prepared and presented by the Chief Financial Officer and includes the management accounts and business performance, including forecast as appropriate.

Other matters which are covered by the Board routinely during the year include:

- Review of annual report and preliminary announcement
- Review of Executive Director's presentation of the full year results to analysts and investors
- One-day strategy session at which the Board considers management's presentation of the Strategic Plan and gives its approval.
- Review and approval of the interim management statements for release to the market
- Recommendation of the final dividend
- Company secretarial & legal
- Setting of the Board calendar for the year.

Divisions of roles and responsibilities

The Chairman is responsible for the leadership of the Board and ensuring the effectiveness on all aspects of its role. There is a clear division of responsibility between the Chairman and the Chief Executive, which is as follows:

Chairman

Christopher Humphrey is the Non-Executive Chairman and he is responsible for managing the Board and ensuring it works effectively. The below are the roles and responsibilities of the Chairman for the financial year ended 31 March 2020.

- Setting the Board's agenda and ensuring the Board receives accurate, timely and clear information on all

	matters reserved to its decision and the Group's performance and operations
-	Ensuring compliance with the Board's approved procedures
-	Chairing the Nomination Committee and facilitating the appointment of effective and suitable members and Chairman of Board Committees.
-	Ensuring that there is effective communication by the Group with its Shareholders, including by the Chief Executive and Chief Financial Officer ensuring that members of the Board develop an understanding of the views of the major investors in the Group.
-	Promoting the highest standards of integrity, probity and corporate governance throughout the Group and particularly at Board level.

Chief Executive
Nik Philpot is the Chief Executive and he is responsible for running the Group's business by proposing and developing the Group's strategy and overall commercial objectives, which he does in close consultation with the Chairman and the Board.

-	Providing input to the Board's agenda and ensuring that reports provided to the Board are accurate, timely and include accurate information
-	Ensuring, in consultation with the Chairman and the Company Secretary as appropriate, compliance with the Board's approved procedures
-	Ensuring that the Chairman is alerted to forthcoming complex, contentious or sensitive issues affecting the Group of which he might not otherwise be aware
-	Providing information and advice on succession planning to the Chairman, the Nomination Committee, and other members of the Board, particularly in respect of Executive Directors
-	Leading the communication programme with Shareholders
-	Promoting and conducting the affairs of the Group with the highest standards of integrity and corporate governance.

6. Ensure that between them, the Directors have the necessary up-to-date experience, skills and capabilities

All members bring different experiences and knowledge to the Board and between them they provide a blend of business understanding, technical knowhow, experience of public markets and financial expertise. The Board consider that this is appropriate to enable it to successfully execute its long-term strategy.

All members of the Board attend seminars and regulatory events to ensure that their knowledge is up to date and relevant. Where the Board considers it does not possess the necessary expertise or experience it will engage the services of professional advisors. The Board considers that the three non-Executive Directors, including the Chairman, are independent.

The biographies of each of the Directors can be found on page 18.

7. Evaluate Board performance based on clear and relevant objectives, seeking continuous improvement.

During the financial year ended 31 March 2019, the Chairman led a formal review of the Board, its Committees and each Director. The performance evaluation of the Chairman was undertaken by the Chair of the Remuneration Committee, David Coghlan. The review centred on the following areas

- the Board's role and scope of its authority, how it is led by the Chairman, the frequency and time allotted to the Board meetings and their agendas
- the Committees' terms of reference, leadership, the frequency and time allotted to the Committee meetings and their agendas
- the Directors' feedback was free-ranging and unstructured with guidance on areas to consider.

A Board evaluation process will be carried out in the current financial year.

8. Promote a corporate culture that is based on ethical values and behaviours.

Our Corporate Responsibility section on pages 15 to 17 set out the importance of business ethics to Eckoh and the way we do business. The employee engagement section on pages 15 to 16 demonstrates the value we place on our employees and the culture we drive in the UK and US business.

9. Maintain governance structures and processes that are fit for purpose and support good decision-making by the Board

The Board provides the strategic leadership for the Company and ensures that the business operates within the Corporate Governance framework that has been adopted. Its prime purpose is to ensure the delivery of Shareholder value in the long term by setting the business model and defining the strategic goals to achieve this.

The Board is supported by a Remuneration Committee, Audit Committee and Nomination Committee. Each Committee has formally delegated duties and responsibilities and the terms of reference for the Committees are reviewed annually. The Committee Chair is responsible for reporting, throughout the year, to the Board any recommendations or issues which require further consideration by the Board. The Board reviews annually the list of matters that are reserved for the Board.

The report on the Nomination Committee is set out below and the reports of the Audit Committee and the Remuneration Committee are set out on page 23 and page 25 respectively.

The role and responsibilities of the Chairman, Chief Executive and other Directors have been set out under principle 5 on pages 20 to 21 of the Annual Report.

10. **Communicate how the Group is governed and is performing by maintaining a dialogue with Shareholders and other relevant stakeholders**

The Company is committed to open communication with all its Shareholders. Communications with Shareholders is predominantly through the Annual Report and AGM. The last AGM results can be found on the Group's website. Other communications are in the form of full-year and half-year announcements, periodic market announcements (as appropriate) one-to-one meetings and investor roadshows. The Remuneration Committee report is included on pages 25 to 29.

The Group's website www.eckoh.com is regularly updated. Annual Reports and Notices of Meetings can be found on the Group website.

Committees of the Board

Nomination Committee

The Nomination Committee currently comprises David Coghlan, Guy Millward and Christopher Humphrey, who is the Committee Chairman. It met once during the period and the details of meeting attendance are set out on page 20.

The Committee is responsible for considering and making recommendations on the appointment of additional Directors, the retirement of existing Directors and for reviewing the size, structure and composition of the Board and membership of Board Committees, which are considered against objective criteria.

Section 172(1) Statement – Board engagement with our stakeholders

Section 172 of the Companies Act 2006 requires a Director of a Company to act in the way he or she considers, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole. In doing this, section 172 requires a Director to have regard, among other matters, to: the likely consequences of any decision in the long-term; the interests of the Company's employees; the need to foster the Company's business relationships with suppliers, customer and others; the impact of the Company's operations on the community and the environment; the desirability of the Company maintaining a reputation for high standards of business conduct; and the need to act fairly with members of the Company. The Directors give careful consideration to the factors set out above in discharging their duties under section 172. The stakeholders we consider in this regard are the people who work for us, buy from us, supply to us, own us, regulate us, and live in the societies we serve and the planet we all inhabit. The Board recognises that building strong relationships with our stakeholders will help us deliver our strategy in line with our long-term values and operate the business in a sustainable way. The Board is committed to effective engagement with all its stakeholders.

For further details of how the Board operates and the way in which it makes decisions, including key activities during the financial year ended 31 March 2020 and Board governance, see pages 19 to 22 and the Board Committee reports thereafter. The Board regularly receives reports from Management on issues concerning customers, the environment, communities, suppliers, employees, regulators, governments and investors, which it takes into account in its decision-making process under section 172. In addition to this, the Board seeks to understand the interests and views of the Group's stakeholders by engaging with them directly as appropriate. The Board receives updates from Executive Management on various metrics and feedback tools in relation to employees, including an annual employee survey. Engagement with employees is two-way to ensure that employees are kept well-informed about the business and valuable feedback is received to ensure continuation of being a trusted employer.

The Board regularly receives updates on feedback from investors from the Executive Management. In addition, the Chairman, CEO and CFO meet frequently with institutional investors to discuss and provide updates about – and seek feedback on – the business, strategy, long-term financial performance, Directors' remuneration policy and dividend policy to the extent appropriate. Members of the Board also met Shareholders at the 2019 AGM. Considering the capital growth aims of Shareholders, the Directors are focussed on growing the US Secure Payments business and enhancing our market leader position for contact centre security into the cloud. The Directors will continue to evaluate acquisition opportunities that can support the growth strategy in contact centre security and customer engagement.

Relationships with customers are fostered and we listen to feedback through customer surveys. We also develop the relationships with clients through cross-selling appropriate additional product and services, which maximises client value and also ensures high retention of clients.

It is the Group's policy to manage and operate worldwide business activities in conformity with applicable laws and regulations as well as with the highest ethical standards. Both the Group's Board of Directors and Executive Management are determined to comply fully with the applicable law and regulations, and to maintain the Company's reputation for integrity and fairness in business dealings with third parties.

AUDIT COMMITTEE REPORT

Dear Shareholder,

On behalf of the Audit Committee, I am pleased to present our report for the year ended 31st March 2020. The Committee has considered the integrity of the Group's financial reporting and provided advice to the Board that the 2020 Annual Report and Financial Statements, taken as a whole, is fair, balanced and understandable, providing Shareholders with the necessary information to assess the Company's position, performance, business model and strategy. The activities of the Committee are kept under review in line with regulatory and market developments.

The Audit Committee currently comprises myself, David Coghlan and Christopher Humphrey. The Board considers that I have recent and relevant financial experience in accordance with the Code. Full biographical details of each of the current Committee members, including relevant financial experience are set out on page 18.

The key responsibilities of the Audit Committee are as follows:

- monitoring the financial reporting process, including the integrity of the financial statements of the Company and any formal announcements relating to the Company's financial performance including reviewing significant financial reporting judgements contained therein
- reporting to the Board on the appropriateness of the significant accounting policies and practices of the Group
- risk management and the effectiveness of the Group's system of internal financial control
- overseeing the external auditor including its scope and cost effectiveness and monitoring and reviewing the independence of our external auditors and the provision of non-audit services to the Group
- overseeing the quality of the external audit process.

The Committee has met three times during the year inviting the external auditors, the Chief Financial Officer and the Chief Executive Officer to each of these meetings. During one of the Audit Committee Meetings, the auditors were present, without the Chief Financial Officer or the Chief Executive Officer being present. The details of meeting attendance are set out on page 20.

Guy Millward
Chairman Audit Committee
16 June 2020

In the year under review the Audit Committee's activities were as follows:

Topic:	Actions:
Financial reporting	Review of the preliminary and interim results announcement and the Annual Report Review of significant accounting issues (as reported below) Review of the impact of the implementation of IFRS 16: Leases Consideration of the going concern basis for preparation of the financial statements. Review of internal forecasts as a result of COVID-19, focusing on the risk to revenue, costs and profit and the recoverability of debtors and cash collection. Advising the Board on whether the Annual Report and accounts taken as a whole, is fair balanced and understandable Recommendation of the going concern statement to the Board Review of the external auditor reports and the outcomes of the audit process
Audit plans	Consideration and approval of the internal and external audit plans
Risk management and internal controls	Review of the principal risks and the mitigation of these risks as set out on page 11 to 12. Review and monitor the effectiveness and robustness of the Company's internal financial controls and processes and determine whether an internal audit function is required.
Committee governance	Review and update of the Audit Committee terms of reference.

The significant issues considered by the Committee in relation to the 2020 Financial statements, and how these were addressed, were:

- **Risk of fraud in revenue recognition (including contract accounting)**
  Following the implementation of IFRS 15: Revenue from Contracts with Customers the revenue recognition is more complex and involves calculation schedules and can be judgemental. Controls are in place to ensure revenue is only recognised for product solutions such as the hosted Customer Contact solutions and Secure Payment solutions, which are in effect a hosted solution, when the client accepts the service. The provision of the solution is deemed to be one single performance obligation, which includes the hardware revenue, the implementation fees and ongoing support and maintenance revenue which are spread evenly over the term of the contract once the solution has been delivered to the client. The costs directly attributable to the delivery of the hardware and the implementation fees will be capitalised as 'costs to fulfil a contract' and released over the contract term, thereby also deferring costs to later periods.

- **Management override of controls**
  We are satisfied adequate controls are in place and use the monthly management reporting and the results of the external audit to assess this on an on-going basis.

Impact of IFRS 16: Leases

The Group has adopted IFRS 16: Leases using the modified retrospective approach from 1 April 2019 and has not restated comparatives for the reporting period to 31 March 2019 as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in retained earnings as at 1 April 2019. In adopting IFRS 16: Leases, the Group has taken advantage of practical expedients permitted by the standard, namely the accounting of operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases. A number of the leases have implicit interest rates, where the lease does not have an implicit interest rate management have used average incremental rates obtained from their UK and US bank as the discount rates used to calculate the lease liabilities for each of the leases. In addition, a number of the leases include some element of variable lease payments and some leases have options for the extension of the lease period. Each lease has been reviewed and management has made a decision on the likely term of the lease taking into account leases that will be extended. On adoption of IFRS 16: Leases, the Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 April 2019.

External audit

An annual review of the effectiveness of the external audit is undertaken by the Committee.

The effectiveness of the audit process is underpinned by the appropriate audit planning and risk identification at the outset of the audit cycle. The auditor provides a detailed audit plan, which includes the level of materiality and its assessment of the risks and other key matters for review. For the year ended 31 March 2020, the primary risks identified were: risk of fraud in revenue recognition (including contract accounting) and management override of controls. The Committee reviews and challenges the work undertaken by the auditor to test management's assumptions on these matters. An assessment of the effectiveness of the audit process in addressing these items is performed through the reporting received from the auditors at the year end. The Committee seeks feedback from management on the effectiveness of the audit process. No significant issues were raised with respect to the audit process for the financial year ended 31 March 2020 and the quality of the audit process was assessed to be good.

Based on the Committee's assessment, the Committee has provided the Board with its recommendation to the Shareholders on the re-appointment of PricewaterhouseCoopers LLP as external auditors for the year ending 31 March 2021. There are no contractual obligations restricting the Committee's choice of auditors. A resolution for appointment of the auditors will be proposed at the forthcoming Annual General Meeting and is included in the Notice of Meeting which accompanies this report.

Non-audit services

The Committee reviews the level of non-audit fees for services provided by the auditors in order to satisfy itself that the auditors' independence is safeguarded. There were no non-audit fees paid to PricewaterhouseCoopers LLP in the year ended 31 March 2020.

In determining the most appropriate provider of non-audit services, the Committee will consider the knowledge and expertise of the potential providers and the proposed costs. Non-audit services will only be undertaken by the auditor where it is deemed to be the preferred provider and the provision of services poses no threat to its independence.

Details of the remuneration paid to the auditors for the statutory audit are set out in note 7.

Risk management and internal control

The review of risks facing the Group is shown on pages 11 to 12. The Group has clearly defined lines of accountability and delegation of authority which are closely adhered to and include policies and procedures that cover financial planning and reporting, accounts preparation, information security, project governance and operational management. The reporting and review processes provide regular assurance to the Board as to the adequacy and effectiveness on internal controls.

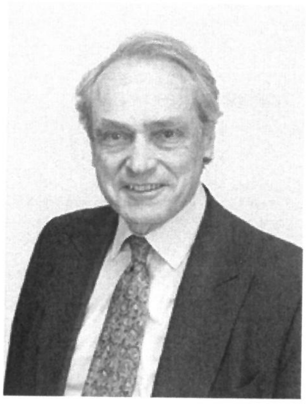
There are ongoing processes for identifying, evaluating and managing the Company's significant risks and related internal controls that are integrated into the Company's operations. Such processes are reported to, and reviewed by, the Board at each meeting. These processes have identified the risks most important to the Company (business, operational, financial, security and compliance), determined the financial implications, and assessed the adequacy and effectiveness of their control. The reporting and review process provide routine assurance to the Board as to the adequacy and effectiveness of the internal controls.

Internal audit

The Audit Committee annually reviews the requirement for an internal audit function. During the year ended 31 March 2020 the Committee has decided that as the Group continues to grow, particularly in the US, Grant Thornton UK LLP be engaged to review the internal controls of the US Finance function during the financial year ending 31 March 2021.

Guy Millward
Chairman Audit Committee
16 June 2020

REMUNERATION COMMITTEE REPORT



Dear Shareholder,

On behalf of the Remuneration Committee I am pleased to present our Remuneration Report for the financial year ended 31 March 2020, which has been approved by the Board.

This report is divided into two sections:

- The annual statement setting out the work of the Remuneration Committee in the financial year ended 31 March 2020; and

- The Remuneration Report, which sets out the Company's Remuneration Policy for Executive Directors and the Annual Remuneration Report detailing remuneration paid to Directors in the year ended 31 March 2020.

The membership and responsibilities of the Remuneration Committee are set out on page 27 of this report. Amongst its objectives, the Committee strives to ensure the Executive Directors' remuneration is aligned with the interests of Shareholders. The Remuneration Committee believes that Shareholders' interests are best served by linking a significant proportion of total potential remuneration to long-term performance.

Short and long-term incentives are structured to reward Executives for enhancing Shareholder value. The value received by Executive Directors under the current long-term share incentive arrangements depends on the degree to which the associated performance conditions are satisfied at the end of the five-year performance period. This ensures that substantial rewards will be received only if substantial value has been created for Shareholders.

In respect of the year under review the Remuneration Committee's activities were as follows:

- Due to COVID-19, the Executive Directors recommended to the Committee that no pay rises be awarded from 1 April 2020 to any employee in the organisation, including the Executive Directors. The Committee agrees with this approach and will review the position throughout the financial year ending 31 March 2021 as the impact of COVID-19 continues to be monitored.

- A review of the Annual Bonus Plan for the financial year ended 31 March 2020 and for the financial year ending 31 March 2021. The Remuneration Committee sought advice from FIT Remuneration Consultants LLP ("FIT") given the current situation with COVID-19. After deliberation, the following was proposed to the Board:

    - Due to the strong business performance in the financial year ending 31 March 2020 and the fact that the bonus criteria had been achieved, it was recommended that under the Annual Bonus Plan for FY20 the Bonus payments were made for the Executive Directors and Senior Management for the financial year ended 31 March 2020. For the Executive Directors these are set out on page 27. Bonus payments for staff members were accrued at an average of 5% (FY19: 5%) of salary

    - The Remuneration Committee considered that it was inappropriate at that point to define an Annual Bonus Plan for the financial year ending 31 March 2021. It was agreed to revisit this decision in the summer of 2020 when the situation and the impact of COVID-19 is more fully understood. If an Annual Bonus Plan were deemed appropriate at this time, it would be more modest in its nature and likely to cover only the remaining part of the financial year.

- US Sharesave scheme was approved at the 2019 AGM and launched to the US employees in December 2019. Of the 28 eligible employees in the US, 22 employees enrolled int he first year of the scheme.

- During the financial year ended 31 March 2020, the Committee reviewed the succession plans for Senior Management, who report to the Executive Directors. There will be continued focus on this area in the financial year ending 31 March 2021.

The Remuneration Report in respect of last year, which includes the Remuneration Policy as set out below, will be put to the Company's Shareholders for an advisory vote at the AGM to be held on Wednesday 16 September 2020. I encourage all Shareholders to vote in favour of this resolution and, subject to government restrictions, I look forward to the opportunity to meet with Shareholders at the 2020 AGM.

David Coghlan
Chairman Remuneration Committee
16 June 2020

REMUNERATION REPORT

REMUNERATION POLICY REPORT

The following is a summary of the Policy that covers remuneration for Executive Directors of the Company.

	Purpose and link to strategy	Operation	Performance measures
Base salary	Base salary is set at a level to secure the service of talented Executive Directors with the ability to develop and deliver a growth strategy	Fixed contractual cash amount usually paid monthly in arrears Reviewed annually, with any increases taking effect from 1 April each year This review is dependent on continued satisfactory performance in the role of an Executive Director. It also includes a number of other factors, including experience, development and delivery of Group strategy and Group profitability, as well as external market conditions and pay awards across the Company.	Not applicable
Benefits	To provide Executive Directors with ancillary benefits to assist them in carrying out their duties effectively.	Executive Directors are entitled to a range of benefits including car allowance, private health insurance and life assurance Executive Directors are entitled to participate on the same terms as all UK employees in the UK Share Incentive Plan, the maximum contribution being £1,800 pa.	Not applicable
Annual Bonus	To provide a material incentive to drive Executive Directors to deliver stretching strategic and financial performance and to grow long-term sustainable Shareholder value.	Paid annually and based on performance in the relevant financial year Award levels for Executive Directors are up to 50% of the Executive's base salary. The performance measures are reviewed annually and the Committee ensures that performance measures remain aligned to the Company's business objectives and strategic priorities for the year.	Measurement criteria and targets for the annual bonus are set annually by the Committee Currently, up to 50% of the annual bonus is based on the achievement of annual targets set against the Group's adjusted earnings before interest, tax, depreciation and amortisation. The remainder are based on the new business target in the year and the achievement of annual personal objectives The Committee reserves the right to vary the measurement criteria and targets annually to ensure the annual bonus remains appropriate and challenging Targets are measured over a one-year period. Payments range between 0% and 50% of base salary for threshold and maximum performance.
Performance Share Plan ("PSP")	To provide a long-term performance and retention incentive for the Executive Directors involving the Company's shares. To link long-term rewards to the creation of long-term sustainable Shareholder value by way of delivering on the Group's agreed strategic objectives.	Under the PSP, awards are made over a fixed number of shares, which will vest based on the achievement of performance conditions over a performance period of approximately 5 years from the 2017 AGM, ending 30 days after the announcement of the 2022 Full Year Financial Results.	- 25% vesting for compound growth in Total Shareholder Return ("TSR") of 10% pa - 100% vesting for compound growth in TSR of 25% pa or greater - Straight line vesting for intermediate performance between threshold and maximum performance. Below threshold none of the award will vest.
Pension contribution	To provide a benefit comparable with market rates, helping with the	Usually paid monthly in arrears	Not applicable

	Purpose and link to strategy	Operation	Performance measures
	recruitment and retention of talented Executive Directors able to deliver a long-term growth strategy.	Executive Directors receive a contribution of 10% of base salary into the Company's Defined Contribution Plan, a personal pension arrangement and/or a payment as a cash allowance.	

ANNUAL REPORT ON REMUNERATION

The following section provides details of how Eckoh's Remuneration Policy was implemented during the financial year ended 31 March 2020. The following pages contain information that is required to be audited in compliance with the Directors' Remuneration requirements of the Companies Act 2006. All narrative and quantitative tables are unaudited unless otherwise stated.

Remuneration Committee membership in 2019/20

The Remuneration Committee currently comprises myself, Christopher Humphrey and Guy Millward. The Committee members are all independent Directors and are responsible for developing policy on remuneration for the Executive Directors.

The Remuneration Committee is formally constituted with written terms of reference which set out the full remit of the Committee. The Remuneration Committee met three times during the year. The details of meeting attendance are set out on page 20.

During the year, the Committee sought internal support from the Chief Executive Officer and Chief Financial Officer, who attended Committee meetings by invitation from the Chairman, to advise on specific questions raised by the Committee. The Chief Executive Officer and the Chief Financial Officer were not present for any discussions that related directly to their own remuneration.

In undertaking its responsibilities, the Committee seeks independent external advice as necessary. To this end, for the year under review the Committee has received advice from FIT Remuneration Consultants LLP.

Summary of Shareholder voting at the 2019 AGM

The following table shows the results of the Shareholder advisory vote on Annual Remuneration Report:

	Total number of votes	% of votes cast
For (including discretionary)	131,263,136	99.99%
Against	13,400	0.01%
Total votes cast (excluding withheld votes)	131,276,536	
Total votes withheld	1,330	
Total votes cast (including withheld votes)	131,277,866	

Directors' single figure of total remuneration (audited)

The following table sets out the single figure of total remuneration for Directors for the financial year ended 31 March 2020 and 2019:

	Base salary/fees		Benefits[1]		Pension		Annual bonus		Total	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Executive Directors										
Chrissie Herbert	**186**	180	**13**	12	**18**	18	**75**	78	**292**	288
Nik Philpot[2]	**320**	289	**16**	16	**-**	29	**118**	125	**454**	459
Non-Executive Directors										
David Coghlan	**36**	35	**-**	-	**-**	-	**-**	-	**36**	35
Christopher Humphrey	**62**	61	**-**	-	**-**	-	**-**	-	**62**	61
Guy Millward	**36**	35	**-**	-	**-**	-	**-**	-	**36**	35
Total	**640**	600	**29**	28	**18**	47	**193**	203	**880**	878

1. Benefits includes car allowance, healthcare cover & death in service
2. N Philpot has elected to have all his Company pension contribution added to his salary. The pension contribution has been reduced by the employer's national insurance that is payable by the Company for the amount added to his base salary.

Incentive outcomes for the year ended 31 March 2020

Annual bonus in respect of 2019/20 performance

The annual bonus for the Executive Directors and Senior Management for the year ended 31 March 2020 was based on the achievement of Adjusted Earnings before interest, tax, depreciation and amortisation, new business targets and personal objectives. Bonus payments were accrued for the Executive Directors at 40% of their base salary (FY19: 45%). Bonus payments for staff members were accrued at an average of 5% (FY19: 5%) of salary.

Scheme interests awarded in the year ended 31 March 2020

Performance Share Plan ("PSP") (audited)

In line with the PSP rules, no further awards were made to any recipients of the Initial Awards. The table below provides details of the Initial awards made under the PSP on 23 November 2017 to Nik Philpot and Chrissie Herbert in the financial year ended 31 March 2018. Performance for these awards is measured over approximately five years from the 2017 AGM and will end 30 days after the announcement of the 2022 Full Year Financial Results.

Executive Director	Face value (% of salary)	Number of shares awarded	Face value[1] £	Potential award for minimum performance	Performance measures
Nik Philpot	140%	3,750,000	1,921,875	25% of face value	- 25% vesting for compound growth in TSR of 10% pa - 100% vesting for compound growth in TSR of 25% pa - Straight line vesting for intermediate performance between threshold and maximum performance
Chrissie Herbert	112%	2,250,000	1,153,125		

1. Face value has been calculated using the Company's share price at the end of the date of the award of £0.5125.

No further awards will be made to any recipients of the Initial Awards until 2022 (when the Initial Awards are expected to vest).

In the ten-year period from the 2017 AGM, the Company may not issue, under the PSP and any other employees' Share plan adopted by the Company, interests in shares comprising in aggregate more than 10% of the issued Ordinary Share Capital of the Company.

Except for the Initial Awards, awards will normally vest on the later of the expiry of the third anniversary of the date of grant of the award and the date that the Committee determines the extent to which the applicable performance criteria have been satisfied, and provided in normal circumstances that the participant is still a Director or employee of the Company's Group.

During the financial year ended 31 March 2020, no awards were made to any employee in the UK and US. Details of awards made in previous years can be found in note 22.

Payments to past Directors (audited)

In the financial year ended 31 March 2020 and 2019, there were no payments made to past Directors.

Chairman and Non-Executive Director fees

The Chairman and Non-Executive Directors were paid the following fees in the financial year ending 31 March 2020:

Role	2020 Annual fee £k
Chairman	62
Non-Executive Director	31
Chairman of a Committee	5

Fees for the Chairman, Non-Executive Directors and Committee Chairmen are reviewed annually. As a result of the pay-freeze in light of COVID-1 9, the fees for the Chairman and Non-Executive Directors base salaries will remain at their current levels and an increase will not be applied from 1 June 2019. In addition, a Committee Chairman fee for the Audit Committee and Remuneration Committee of £5,100 per annum will not be increased from 1 June 2020.

Directors' shareholdings (audited)

The shareholdings of the Directors and their connected persons in the Ordinary Shares of the Company against their respective shareholding requirement as at 31 March 2020:

	31 March 2020 Ordinary Shares of 0.25 pence each	1 April 2019 Ordinary Shares of 0.25 pence each
Nik Philpot[1]	6,976,285	6,976,285
Chrissie Herbert	20,000	20,000
Christopher Humphrey	500,000	400,000

1. Nik Philpot's spouse is the beneficial owner of 80,000 shares that are included above.

Directors' interests in shares in Eckoh's long-term incentive plans and all-employee plans

Directors' share options (audited)

The Directors' interests in share options are shown in the following table:

	Note	At 1 April 2019 (number)	Granted in year (number)	Forfeited in year (number)	Exercised in year (number)	At 31 March 2020 (number)	Exercise price (pence)	Earliest date for exercise	Latest date for exercise
Nik Philpot	1	3,750,000	-	-	-	3,750,000	0.00	15.07.22	22.11.27
Chrissie Herbert	2	500,000	-	-	-	500,000	47.50	21.06.20	21.06.27
Chrissie Herbert	1	2,250,000	-	-	-	2,250,000	0.00	15.07.22	22.11.27

1. Granted under the 2017 Eckoh plc Performance Share Plan ("PSP"), as approved at the 2017 AGM.
2. Granted under the 2016 LTIP (see below).

Long-Term Incentive arrangements for Directors

In addition to the PSP described above, the Company operates an additional long-term share incentive scheme for Directors and Senior Managers ("the 2016 LTIP"). The 2016 LTIP was implemented following prior discussions with major Shareholders of the Company. Under this scheme, the Company may issue a maximum of 2% of the share capital each year for the 3 years ending 31 March 2019 to the Senior Managers of the business. All options granted under this scheme carry an exercise price equal to the market price at the date of grant and are subject to vesting based on achievement of performance criteria. Grants of options under this arrangement were made in March 2016 and March 2017 to a total of 34 Senior Management employees. The Chief Executive Officer was not awarded any share options in the years ended 31 March 2016 and 31 March 2017.

Share options of 500,000 were awarded under the 2016 LTIP to Chrissie Herbert, Chief Financial Officer following her appointment on 2 May 2017. These are disclosed in the above and below tables. Total grants under the 2016 LTIP have been as follows:

Date of issue	Number of Senior Management	Granted in year (number)	Exercise price (pence)	Earliest date for exercise	Latest date for exercise
23 March 2016	28	4,100,000	43.5	23.03.19	23.03.26
2 May 2016	1	500,000	43.5	02.05.19	02.05.26
13 October 2016	2	500,000	38.875	13.10.19	13.10.26
31 March 2017	21	4,000,000	39.5	31.03.20	31.03.27
21 June 2017	1	500,000	47.5	21.06.20	21.06.27

The Company does not intend to grant any further awards under the 2016 LTIP.

Share Incentive Plan (audited)

The Group operates a Share Incentive Plan (SIP) in the UK. The scheme and plan are open to all UK employees, including the Executive Directors. As at 31 March 2019, Chrissie Herbert participates in the UK scheme and the details are shown below:

	Number of Partnership Shares purchased at 31 March 2019	Number of Matching Shares purchased at 31 March 2019	Dividend Shares[1] acquired at 31 March 2019	Total Shares at 31 March 2019	Number of Partnership Shares[2] purchased during the year	Matching Shares[3] awarded during the year	Dividend Shares acquired during the year	Dates of release of Matching Shares[4]	**Total Shares at 31 March 2020**
Chrissie Herbert	6,714	13,428	189	20,331	4,465	8,930	276	Nov 20	34,002

1. Dividend Shares are Ordinary Shares of the Company purchased with the value of dividends paid in respect of all other shares held in the plan.
2. Partnership Shares are Ordinary Shares of the Company purchased, every six months by the Company with the monthly contributions made by the employee, during the period (at prices from £0.3738 to £0.4375).
3. Matching Shares are Ordinary Shares of the Company awarded conditionally in line with the purchase of the matching shares every six months, during the period.
4. The dates used are based on the earliest allocation of the Matching Shares. Matching Shares will be released as each six-month Partnership Agreement matures, 3.5 years after commencing.

Executive Directors' service contracts

Nik Philpot has a service contract that is terminable on twelve months' notice by either party while Chrissie Herbert has a service contract that is terminable on nine months' notice by either party.

Chairman and Non-Executive Directors

The Chairman and Non-Executive Directors do not have service contracts but serve under letters of appointment terminable by six months' notice on either side.

External advisors

The Committee receives independent advice from FIT Remuneration Consultants LLP as the Committee's appointed remuneration advisor during the financial year ended 31 March 2020. During the year the level of fees paid to remuneration advisors totalled £nil (2019: £6k).

David Coghlan
Chairman Remuneration Committee
16 June 2020

DIRECTORS' REPORT

The Directors present the Directors' Report, together with the audited Financial statements for the year ended 31 March 2020.

Principal activities, results and likely future developments

The principal activities of the Group are:

- Secure Payment products, which help organisations reduce the risk of fraud; secure sensitive data, comply with the Payment Card Industry Data Security Standard ("PCI DSS") and wider security regulations such as the General Data Protection Regulation ("GDPR").
- Customer Contact solutions, which help organisations transform the way they engage with their customers.

The profits for the year after taxation amounted to £3.1 million (2019: £0.9 million). Further comments on the development of the business are included in the Chairman's Statement, Chief Executive's Report and Financial Review on pages 6 to 14.

Statutory information

Eckoh plc (The Company) is a Public Limited Company incorporated in the United Kingdom (Registration number 03435822). The Company's Ordinary Shares are traded on the Alternative Investment Market of the London Stock Exchange (AIM).

The Company has a trading subsidiary, located in the USA, whose operations and results are included in the financial statements of the Company.

The subsidiary undertakings are listed in note 15.

Share capital

The Company has only Ordinary Shares of 0.25 pence nominal value in issue along with 1,466,670 of shares held in treasury. Note 20 to the consolidated financial statements summarises the rights of the Ordinary Shares as well as the number issued during the year ended 31 March 2020.

Substantial shareholdings

As at 31 March 2020, the Company had been advised under the Disclosure Guidance and Transparency Rules, or had ascertained from its own analysis, that the following held more than 3% of the issued capital:

Name of holder	No. of Ordinary Shares/ voting rights	% of issued capital/ voting rights
Hargreave Hale	41,222,484	16.16
Kestral Partners	33,025,524	12.95
Blackrock Investment Management	24,984,269	9.80
Herald Investment Management	16,192,890	6.35
Close Brothers	9,467,984	3.71
Cavendish Asset Management	9,434,061	3.70
Chelverton Asset Management	8,500,000	3.33
AXA Investment Mangers UK	7,815,024	3.06

Annual General Meeting (AGM)

The 2020 AGM will be held at 11:00 on 16 September 2020.

The notice of the AGM and an explanation of the resolutions to be put to the meeting are set out in the Notice of Meeting accompanying this Annual Report. The Board fully supports all the resolutions and encourages Shareholders to vote in favour of each of them as they intend to in respect of their own shareholdings.

Directors' and Officers' liability insurance and indemnification of Directors

The Group has purchased and maintained throughout the year Directors' and Officers' liability insurance in respect of itself and its Directors and these remain in force at the date of this report.

Financial instruments

The financial risk management objectives and policies of the Group and the exposure of the Group to foreign currency risk, interest rate risk, and liquidity risk are outlined in note 3 to the consolidated financial statements.

Political contributions

Neither the Company nor any of its subsidiaries made any political donations or incurred any political expenditure during the year (2019: nil).

Going concern

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

In the early months of 2020, a global pandemic had broken out causing governments around the world to impose various restrictions on economies and human populations.

The Board has carried out a going concern review and concluded that the Group has adequate cash to continue in operational existence for the foreseeable future.

The Directors have prepared cash flow forecasts for a period in excess of 12 months from the date of signing the financial statements.

Our US operation is underpinned completely by fixed contractual fees. In the UK, clients have a variety of commercial models including fixed fees and transactional arrangements, with varying levels of commitment. Volumes were impacted significantly from mid-March, but this was not reflected proportionately in revenue. Volumes have been steadily increasing since mid-May and we anticipate this continued improvement into July. We are continually monitoring our clients' ability to pay invoices and for the year ended 31 March 2020 we have provided against a small number of smaller clients' debts and this information can be found in Note 17.

A key business indicator is our total orders and new business orders. We anticipate the new business wins for the current year to be impacted, particularly in the US as we are experiencing smaller deals continuing to progress but larger deals being put on hold in the short term. We anticipate the renewal rate for the UK and US businesses to remain unchanged during this period. When preparing the cash flow forecasts the Directors have reviewed a number of scenarios with respect to levels of new business. In all scenarios the Directors were able to conclude that the Group has adequate cash to continue in operational existence for the foreseeable future.

Subsequent events
There were no events after the balance sheet date.

Disclosure of information to the auditors
The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Dividends
No interim dividend was paid during the year (2019: nil).

As a result of the swift and fundamental impact of COVID-19 on global economic conditions, and the current impact to some of Eckoh's clients, the Board considers it prudent not to propose a year-end dividend unless conditions change, such that the outlook is clearer, which would support us doing so. Final dividend for 2019 was 0.61p per ordinary share amounting to £1.6 million and was paid in October 2019

Independent Auditors
PricewaterhouseCoopers LLP have expressed their willingness to continue as the Company's auditors. As outlined in the Audit Committee report on page 24, resolutions proposing their appointment and to authorise their remuneration will be proposed at the 2020 AGM.

Statement of Directors' responsibilities
The Directors are responsible for preparing the Annual Report financial statements in accordance with applicable law and regulation.

Company law requires the Directors to prepare Financial statements for each financial year. Under that law the Directors have prepared the Group Financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and Company Financial Statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company and of the profit or loss of the Group and Company for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable IFRSs as adopted by the European Union have been followed for the Group financial statements and United Kingdom Accounting Standards, comprising FRS 101, have been followed for the Company financial statements, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006.

The Directors are responsible for the maintenance and integrity of the of the Company's financial statements published on the ultimate parent Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Chrissie Herbert
Company Secretary
16 June 2020

Independent auditors' report to the members of Eckoh plc

Report on the audit of the financial statements

Opinion

In our opinion:

- Eckoh plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the group's and of the company's affairs as at 31 March 2020 and of the group's profit and cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the consolidated and company statements of financial position as at 31 March 2020; the consolidated statement of total comprehensive income, the consolidated statement of cash flows, and the consolidated and company statements of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to listed entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Our audit approach

Overview

- Overall group materiality: £331,000 (2019: £214,700), based on 1% of total revenue.
- Overall company materiality: £332,000 (2019: £321,000) – based on 1% of total assets, restricted for group reporting.

- We conducted full scope audit work over the operations of Eckoh UK and Eckoh US due to their financial significance to the group.
- In addition, we performed full scope audit of Eckoh plc ("the company").
- The reporting entities subject to audit procedures accounted for 100% of both group's revenue and profit for 2020 and 100% of net assets as at 31 March 2020.

- Revenue from contracts with customers
- Impact of Covid-19

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits we also addressed the risk of management override of internal controls, including evaluating whether there was evidence of bias by the directors that represented a risk of material misstatement due to fraud.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. This is not a complete list of all risks identified by our audit.

Key audit matter	***How our audit addressed the key audit matter***
Revenue from contracts with customers - Group The approach to revenue recognition as set out under IFRS 15 is complex and can be judgemental especially where contracts with customers have variable considerations and include multi-element arrangements. For the year ended 31 March 2020 the group had revenues of £33,178k (FY19: £28,719k). See Note 2 of the group's financial statements. Due to its expected impact on the group, we deem contract revenue recognition to be a key audit matter.	Our procedures included the following: • For a sample of customer contracts, determined whether the correct judgement was exercised in recognising revenue according to the five-step revenue recognition approach set out by IFRS 15 • Recalculated revenue recognition schedules to confirm their accuracy. • For a sample of customer contracts with deferred revenue and costs at the year-end, we assessed management's judgements used in estimating the amounts deferred. • Performed testing on unusual revenue journal entries. Based on the procedures performed, we noted no material uncorrected issues.
Impact of Covid-19 – Group and Company Management and the board have considered the potential impact caused by the global pandemic of Covid-19 on the current and future operations of the group. In doing so, management has focused on the group's ability to continue as a going concern and comply with banking covenants. In order to conclude that it is appropriate for the financial statements to be prepared on a going concern basis, management has performed detailed analysis of the impact of Covid-19 on revenue, profit and cashflows. In doing so, management had made estimates and judgements that are critical to the outcome of these considerations. See "Going concern" within Note 1 of the group's financial statements. Given the magnitude of the potential implications of the Covid-19 on the group's performance and economy as a whole, we deem this as a key audit matter.	Our procedures included the following: • Agreeing key inputs and assumptions used in the forecasts prepared by management to appropriate audit evidence (such as actual performance since 1 April 2020, communications with customers regarding contract renewals etc.). • Considering the historical accuracy of the budgeting process to gain assurance over the reliability of the forecasted numbers. • Discussing underlying assumptions such as considerations of significant contracts, potential renewals and recoverability of trade receivables with management and using our understanding of the industry to confirm reasonableness of these assumptions. • Reviewing management's stress testing of the group's cash flow forecast model to assess cash burn out after accounting for various sensitivities (such as reduced revenue and no new contracted business scenarios). • Obtaining and auditing management's forward-looking banking covenant calculations to confirm no potential covenant breaches where appropriate. • Reviewing the disclosures included within the Annual Report. On the basis of the procedures performed we found the assumptions used and disclosures provided to be appropriate.

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group and the company, the accounting processes and controls, and the industry in which they operate.

Eckoh plc has both its corporate and operating headquarters in Hemel Hempstead, United Kingdom. The audit engagement team is aligned to Eckoh plc's geographical organisation and largely reflects the management structure. As Eckoh plc's corporate headquarters are based in the UK, the group audit engagement team is also based in the UK with no support required from any auditors from other territories.

The largest trading entity is Eckoh UK. This entity, along with Eckoh US and the company were the only components requiring an audit of its complete financial information for the purposes of the consolidated Group audit.

In total the audit work performed accounted for 100% of both consolidated revenue and profit and 100% of consolidated net assets.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

	Group financial statements	***Company financial statements***
Overall materiality	£331,000 (2019: £214,700).	£332,000 (2019: £321,000) - restricted for group reporting.
How we determined it	1% of total revenue.	1% of total assets
Rationale for benchmark applied	We have applied this benchmark as a generally accepted auditing practice for group's at the growth stage and based on what management deems to be a key performance indicator.	We have used 1% of total assets as the benchmark which is a generally accepted auditing practice for non-profit oriented holding entities.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The range of materiality allocated across components was between £240,000 and £300,000.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £16,000 (group audit) (2019: £10,700) and £12,000 (company audit) (2019: £7,500) as well as misstatements below those amounts that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's and company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the group's and company's ability to continue as a going concern.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

Strategic Report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 March 2020 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the group and company and their environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic Report and Directors' Report.

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Directors' responsibilities set out on page 31, the directors are responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the company financial statements are not in agreement with the accounting records and returns.
- We have no exceptions to report arising from this responsibility.

Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Uxbridge
16 June 2020

Consolidated statement of total comprehensive income

For the year ended 31 March 2020

	Notes	2020 £'000	2019 £'000
Continuing operations			
Revenue	4	**33,178**	28,719
Cost of sales		**(6,854)**	(4,614)
Gross profit	4	**26,324**	24,105
Administrative expenses		**(23,038)**	(22,911)
Operating profit		**3,286**	1,194
Adjusted operating profit		**4,733**	3,086
Amortisation of acquired intangible assets	11	**(979)**	(1,325)
Expenses relating to share option schemes	22	**(468)**	(567)
Profit from operating activities	5	**3,286**	1,194
Finance charges	8	**(68)**	(77)
Finance income	8	**84**	37
Profit before taxation		**3,302**	1,154
Taxation	9	**(166)**	(209)
Profit for the financial year		**3,136**	945
Other comprehensive (expense)/ income			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		**(48)**	580
Other comprehensive (expense)/ income for the year, net of income tax		**(48)**	580
Total comprehensive income for the year attributable to the equity holders of the Company		**3,088**	1,525

Profit per share		2020 pence	2019 pence
Basic earnings per 0.25p share	10	**1.23**	0.37
Diluted earnings per 0.25p share	10	**1.20**	0.36

Consolidated statement of financial position

as at 31 March 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Intangible assets	11	**7,313**	7,464
Property, plant and equipment	12	**3,851**	4,118
Right-of-use leased assets	13	**277**	-
Deferred tax assets	9	**3,805**	4,081
		15,246	15,663
Current assets			
Inventories	16	**312**	458
Trade and other receivables	17	**13,494**	13,209
Cash and cash equivalents	18	**13,541**	11,582
		27,347	25,249
Total assets		**42,593**	40,912
Liabilities			
Current liabilities			
Trade and other payables	19	**(21,078)**	(19,983)
Other interest-bearing loans and borrowings	21	**(975)**	(1,300)
Lease liabilities	13	**(233)**	-
		(22,286)	(21,283)
Non-current liabilities			
Other interest-bearing loans and borrowings	21	**(975)**	(1,950)
Lease liabilities	13	**(33)**	-
Deferred tax liabilities	9	**(290)**	(495)
		(1,298)	(2,445)
Net assets		**19,009**	17,184
Shareholders' equity			
Called up share capital	20	**638**	635
Share premium account		**2,663**	2,659
Capital redemption reserve		**198**	198
Merger reserve		**2,697**	2,697
Currency reserve		**848**	896
Retained earnings		**11,965**	10,099
Total Shareholders' equity		**19,009**	17,184

The financial statements were approved by the Board of Directors on 16 June 2020 and signed on its behalf by:

CHerbert

C Herbert
Chief Financial Officer
Company Registration Number 3435822

Company statement of financial position
as at 31 March 2020

	Notes	2020 £'000	2019 £'000
Assets			
Non-current assets			
Property, plant and equipment	12	**2,843**	2,886
Investments in group companies	14	**19,854**	19,451
Deferred tax asset		**2**	-
		22,699	22,337
Current assets			
Trade and other receivables	17	**3,889**	4,886
Cash and cash equivalents	18	**6,661**	4,932
		10,550	9,818
Total assets		**33,249**	32,155
Liabilities			
Current liabilities			
Trade and other payables	19	**(19,053)**	(15,644)
Other interest-bearing loans and borrowings	21	**(975)**	(1,300)
		(20,028)	(16,944)
Non-current liabilities			
Other interest-bearing loans and borrowings	21	**(975)**	(1,950)
Deferred tax liabilities	9	**(133)**	-
		(1,108)	(1,950)
Net assets		**12,113**	13,261
Shareholders' equity			
Called up share capital	20	**638**	635
Share premium account		**2,663**	2,659
Capital redemption reserve		**198**	198
Merger reserve		**2,697**	2,697
Retained earnings		**5,917**	7,072
Total Shareholders' equity		**12,113**	13,261

The Company has taken advantage of the exemption under Section 408 of the Companies Act 2006 from presenting its own income statement in these financial statements. The Company's profit after tax for the year was £329,000 (2019: profit after tax of £925,000). The financial statements were approved by the Board of Directors on 16 June 2020 and signed on its behalf by:

C Herbert
Chief Financial Officer
Company Registration Number 3435822

Consolidated statement of changes in equity
For the year ended 31 March 2020

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 April 2019	635	2,659	198	2,697	896	10,099	17,184
Total comprehensive income / (expense) for the period							
Profit for the financial year	-	-	-	-	-	3,136	3,136
Other comprehensive expense for the period	-	-	-	-	(48)	-	(48)
Total comprehensive (expense) / income for the period	-	-	-	-	**(48)**	**3,136**	**3,088**
Dividends paid in the year	-	-	-	-	-	(1,558)	(1,558)
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(187)	(187)
Shares purchased for share ownership plan	-	-	-	-	-	(146)	(146)
Shares issued under the share option schemes	3	4	-	-	-	-	7
Share based payments	-	-	-	-	-	407	407
Deferred tax on share options	-	-	-	-	-	214	214
Total contributions by and distributions to owners	3	4	-	-	-	**(1,270)**	**(1,263)**
Balance at 31 March 2020	**638**	**2,663**	**198**	**2,697**	**848**	**11,965**	**19,009**

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 April 2018	631	2,640	198	2,697	316	10,176	16,658
Total comprehensive income for the period							
Profit for the financial year	-	-	-	-	-	945	945
Other comprehensive income for the period	-	-	-	-	580	-	580
Total comprehensive income for the period	-	-	-	-	**580**	**945**	**1,525**
Dividends paid in the year	-	-	-	-	-	(1,392)	(1,392)
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(3)	(3)
Shares purchased for share ownership plan	-	-	-	-	-	(155)	(155)
Shares issued under the share option schemes	4	19	-	-	-	-	23
Share based payment charge	-	-	-	-	-	567	567
Deferred tax on share options	-	-	-	-	-	(39)	(39)
Total contributions by and distributions to owners	4	19	-	-	-	**(867)**	**(999)**
Balance at 31 March 2019	635	2,659	**198**	**2,697**	**896**	**10,099**	**17,184**

Company statement of changes in equity

For the year ended 31 March 2020

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 April 2019	635	2,659	198	2,697	7,072	13,261
Total comprehensive income for the period						
Profit for the financial year and total comprehensive income	-	-	-	-	329	329
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**329**	**329**
Dividends paid in the year	-	-	-	-	(1,558)	(1,558)
Shares transacted through Employee Benefit Trust	-	-	-	-	(187)	(187)
Shares purchased for share ownership plan	-	-	-	-	(146)	(146)
Shares issued under the share option schemes	3	4	-	-	-	7
Share based payments	-	-	-	-	407	407
Total contributions by and distributions to owners	**3**	**4**	**-**	**-**	**(1,484)**	**(1,477)**
Balance at 31 March 2020	**638**	**2,663**	**198**	**2,697**	**5,917**	**12,113**

	Called up share capital £'000	Share premium account £'000	Capital redemption reserve £'000	Merger reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 April 2018	631	2,640	198	2,697	7,183	13,349
Total comprehensive income for the period						
Profit for the financial year and total comprehensive income	-	-	-	-	925	925
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**925**	**925**
Dividends paid in the year	-	-	-	-	(1,392)	(1,392)
Shares transacted through Employee Benefit Trust	-	-	-	-	(3)	(3)
Purchase of own shares	-	-	-	-	(155)	(155)
Shares issued under the share option schemes	4	19	-	-	-	23
Share based payment charge	-	-	-	-	553	553
Deferred tax on share options	-	-	-	-	(39)	(39)
Total contributions by and distributions to owners	**4**	**19**	**-**	**-**	**(1,036)**	**(1,013)**
Balance at 31 March 2019	**635**	**2,659**	**198**	**2,697**	**7,072**	**13,261**

Consolidated statement of cash flows
for the year ended 31 March 2020

	Notes	**2020** **£'000**	2019 £'000
Cash flows from operating activities			
Cash generated from operations	26	**7,240**	7,488
Taxation		**(88)**	(227)
Interest paid	8	**(50)**	(77)
Interest paid on lease liability	8	**(18)**	-
Net cash generated from operating activities		**7,084**	7,184
Cash flows from investing activities			
Purchase of property, plant and equipment	12	**(571)**	(541)
Purchase of intangible assets	11	**(951)**	(435)
Interest received	8	**84**	37
Net cash utilised in investing activities		**(1,438)**	(939)
Cash flows from financing activities			
Dividends paid		**(1,558)**	(1,392)
Repayment of borrowings		**(1,300)**	(1,300)
Principal elements of lease payments		**(503)**	-
Shares purchased for share ownership plan		**(187)**	(155)
Issue of shares		**7**	23
Shares acquired/sold by Employee Benefit Trust		**(146)**	(3)
Net cash utilised in financing activities		**(3,687)**	(2,827)
Increase in cash and cash equivalents		**1,959**	3,418
Cash and cash equivalents at the start of the period	18	**11,582**	8,164
Cash and cash equivalents at the end of the period	18	**13,541**	11,582

The notes on pages 42 to 63 form an integral part of these financial statements.

Notes to the financial statements for the year ended 31 March 2020

General Information

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these consolidated financial statements.

Eckoh plc is a public limited Company and is incorporated in the UK under the Companies Act 2006. The address of the Company's registered office is Telford House, Corner Hall, Hemel Hempstead, HP3 9HN.

Eckoh plc (the "Company") is a global provider of Secure Payment products and Customer Contact solutions.

The Group financial statements consolidate its subsidiaries (together referred to as the "Group"). The Company's financial statements present information about the Company as a separate entity and not about its Group.

1. Basis of preparation

The Group's financial statements have been prepared and approved by the Directors in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union ("Adopted IFRSs") and the Company's financial statements have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS101 "Reduced Disclosure Framework", and applicable law). On publishing the Company's financial statements here together with the Group's financial statements, the Company is taking advantage of the exemptions provided in s408 of the Companies Act 2006 not to present its individual Income Statement and related notes that form part of these approved financial statements. The Company has also applied the exemptions available under FRS 101 in respect of the following disclosures:

- A Cash Flow Statement and related notes
- Comparative period reconciliation for share capital
- Disclosures in respect of transactions with wholly owned subsidiaries
- Disclosures in respect of capital management
- IFRS 2 Share based payments in respect of group settled share-based payments.

This financial information has been on a going concern basis and prepared under the historical cost convention.

The Group's and Company's financial statements are presented in Pounds Sterling, which is the Company's functional currency. All financial information presented has been rounded to the nearest one thousand, except where stated.

These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and adopted as at 31 March 2020 as endorsed by the EU.

New accounting standards effective for the Group and Company in these financial statements:

IFRS 16 "Leases" (IFRS 16) changes the way in which operating leases are treated within the financial statement. Right of use assets and related liabilities are recognised for all material leases from 1 January 2019. The effects of IFRS 16 are included in note 13 to these financial statements.

The Group has considered the following amendments to published standards that are effective for the Group for the financial year beginning 1 April 2019 and concluded that they are either not relevant to the Group or that they do not have a significant impact on the Group's financial statements, other than in disclosure. These standards and interpretation have been endorsed by the European Union.

- IFRIC 23 Uncertainty over income tax treatments
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Prepayment Features with Negative Compensation (Amendments to IFRS 9)
- Long-term Interests in Associates and Joint Ventures (Amendments to IAS 28)
- Annual Improvements to IFRS Standards 2015-17 Cycle

The International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFIC) have issued the following standards and interpretations with an effective date after the date of these accounts which are not expected to have significant impact on the Group's consolidated financial statements:

- Amendments to References to Conceptual Framework in IFRS Standards
- Definition of a Business (Amendments to IFRS 3)
- Definition of Material (Amendments to IAS 1 and IAS 8)
- IFRS 17 Insurance contracts

Going concern

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

In the early months of 2020, a global pandemic had broken out causing governments around the world to impose various restrictions on economies and human populations.

The Board has carried out a going concern review and concluded that the Group has adequate cash to continue in operational existence for the foreseeable future.

The Directors have prepared cash flow forecasts for a period in excess of 12 months from the date of signing the financial statements.

Our US operation is underpinned completely by fixed contractual fees. In the UK, clients have a variety of commercial models including fixed fees and transactional arrangements, with varying levels of commitment. Volumes were impacted significantly from mid-March, but this was not reflected proportionately in revenue. Volumes have been steadily increasing since mid-May and we anticipate this continued improvement into July. We are continually monitoring our clients' ability to pay invoices and for the year ended 31 March 2020 we have provided against a small number of smaller clients' debts and this information can be found in note 17.

A key business indicator is our total orders and new business orders. We anticipate the new business wins for the current year to be impacted, particularly in the US as we are experiencing smaller deals continuing to progress but larger deals being put on hold in the short term. We anticipate the renewal rate for the UK and US businesses to remain unchanged during this period. When preparing the cash flow forecasts the Directors have reviewed a number of scenarios with respect to levels of new business. In all scenarios the Directors were able to conclude that the Group has adequate cash to continue in operational existence for the foreseeable future.

Changes in accounting policy

The Group has adopted IFRS 16: Leases from 1 April 2019, which has resulted in new accounting policies as set out below.

IFRS 16: Leases

On adopting the standard there was no adjustment to opening equity and the comparative amounts presented in the Consolidated Income Statement and Consolidated Balance Sheet have not been restated.

On adoption the Group recognised lease liabilities of £769,000 for leases previously classified as operating leases, measured at the present value of the remaining lease payments. In accordance with the transition provisions of IFRS 16, the Group discounted the future lease payments at the incremental borrowing rate of the lessee at the date of adoption. The weighted average lessee's incremental borrowing rate applied to lease liabilities at 1 April 2019 was 4.3%. At the same time, the Group recognised right-of-use assets of £769,000, measured as if the standard had been applied since commencement date of the lease, and discounted using the lessee's incremental borrowing rate at the date of adoption. The expected impact to adjusted EBITDA is an increase of approximately £491,000, but there is no overall impact to profit before tax.

A difference arises between the present value of operating lease commitments disclosed at 31 March 2019 and the lease liabilities recognised by the Group at 1 April 2019. As explained in the financial statements as at 31 March 2019, this is due to the Group taking advantage of the exemptions in IFRS 16 that permit lease payments for short term leases and leases of low value assets to continue to be accounted for as an expense on a straight line basis over the lease term.

2. Summary of principal accounting policies

Critical accounting estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's and Company's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and reasonable expectations of future events. Actual results may differ from those estimates.

Critical accounting estimates and assumptions

The accounting policies cover areas that are considered by the Directors to require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The policies, and the related notes to the financial statements, are found below:

Contract revenue

Following the implementation of IFRS 15: Revenue from Contracts with Customers with effect from 1 April 2018 the revenue recognition is more complex and involves calculation schedules and can be judgemental. Controls are in place to ensure revenue is only recognised for product solutions such as the hosted Customer Contact solutions and Secure Payment solutions, which are in effect a hosted solution, when the client goes live with the service. The provision of the solution is deemed to be one single performance obligation and the hardware revenue, the implementation fees and ongoing support and maintenance revenue are spread evenly over the term of the contract once the solution has been delivered to the client. The costs directly attributable to the delivery of the hardware and the implementation fees will be capitalised as contract assets and released over the contract term, thereby also deferring costs to later periods.

Leases & transition to IFRS 16

The Group has adopted IFRS 16: Leases using the modified retrospective approach from 1 April 2019 and has not restated comparatives for the reporting period to 31 March 2019 as permitted under the specific transitional provisions in the standard. In adopting IFRS 16: Leases, the Group has taken advantage of practical expedients permitted by the standard, namely the accounting of operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases. A number of the leases have implicit interest rates, where the lease does not have an implicit interest rate management have used average incremental rates obtained from their UK and US bank as the discount rates used to calculate the lease liabilities for each of the leases.

Goodwill and Intangible assets impairment

The Group has goodwill and intangible assets as a result of the acquisitions for the Veritape, PSS and Eckoh Omni (previously known as Klick2Contact (EU) businesses over the last few years. Since the Eckoh Omni Management earn-out period finished in July 2018 Management have integrated Eckoh Omni into the Eckoh UK business. On an annual basis the Group undertakes an impairment review of goodwill and intangible assets for each cash generating unit (CGU) using cashflow projections. Following the integration of Eckoh Omni into Eckoh UK, the CGU's are Eckoh UK and Eckoh US.

Impairment of investments in subsidiaries (Company only)

The Company has an investment in subsidiaries balance of £19.9m and intercompany receivables of £3.9m. Management have reviewed the investment in subsidiaries and concluded that there is no impairment.

Share based payments

The fair value of share-based payments is estimated using the methods detailed in note 22 and using certain assumptions. The Black Scholes valuation model has been used in determining the fair value of share-based payments. The key assumptions around volatility, expected life and risk free rate of return are based, respectively, on historic volatility over a similar previous period, management's estimate of the average expected period to exercise, and the yield on zero-coupon UK government bonds of a term consistent with assumed option life.

Deferred taxation

Deferred tax liabilities are recognised for all taxable temporary differences but, where there exist deductible temporary differences, judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. At 31 March 2020, the Group recognised deferred tax assets of £3.8 million, including £2.5 million in respect of tax losses and tax credits. Deferred tax assets amounting to £6.0 million were not recognised in respect of trading losses and £0.5 million in respect of capital losses of £5.5million. It is possible that the deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from estimates.

Critical accounting judgements

Leases & transition to IFRS 16

The Group has adopted IFRS 16: Leases using the modified retrospective approach from 1 April 2019 and has not restated comparatives for the reporting period to 31 March 2019 as permitted under the specific transitional provisions in the standard. In adopting IFRS 16: Leases, the Group has taken advantage of practical expedients permitted by the standard, namely the accounting of operating leases with a remaining lease term of less than 12 months as at 1 April 2019 as short-term leases. In addition, a number of the leases include some element of variable lease payments and some leases have options for the extension of the lease period. Each lease has been reviewed and management has made a decision on the likely term of the lease taking into account leases that will be extended.

Basis of consolidation

(a) Business combinations

Business combinations are accounted for using the acquisition method as at the acquisition date – i.e. when control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree; less
- the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Any contingent consideration payable is measured at fair value at the acquisition date. If the contingent consideration is classified as equity, then it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

If share-based payment awards (replacement awards) are required to be exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

(b) Subsidiaries

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the Consolidated financial statements from the date that control commences until the date that control ceases.

(c) Loss of control

On the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently that retained interest is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(d) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Intangible assets

(a) Goodwill

Goodwill represents the excess of the fair value of the consideration paid over the fair value attributable to the net assets acquired and is capitalised on the Group balance sheet.

Goodwill is not amortised and is reviewed for impairment at least annually. Any impairment is recognised in the period in which it is identified.

(b) Acquired intangible assets

Intangible assets acquired by the Group are capitalised at the fair value of the consideration paid and amortised over their expected useful economic lives. The expected useful economic life of intangible assets is assessed for each acquisition as it arises. The acquired intangibles currently held are amortised over the following period:

Customer relationships – 5 years
Intellectual property – 5 years
Trade name – 3 years

(c) Research and development

Research costs are charged to the income statement in the year in which they are incurred. Development expenses include expenses incurred by the Group to set up or enhance services to clients. Development costs that mainly relate to staff salaries are capitalised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Development costs that do not meet those criteria are expensed as incurred. Capitalised development costs are amortised on a straight-line basis over the estimated useful life of the asset, which is generally assumed to be three years.

Amortisation is charged to administrative expenses in the income statement.

The carrying value of intangible assets is assessed at the end of each financial year for impairment.

Impairment of non-financial assets

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and the value-in-use based on an internal discounted cash flow evaluation. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

Property, plant and equipment

Property, plant and equipment is stated at cost or fair value at acquisition, net of depreciation and any provisions for impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The gain or loss arising on the disposal of an asset is determined by comparing the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. Depreciation is calculated using the straight-line method to allocate the cost of each asset to its estimated residual value over its expected useful life, as follows:

Land – is not depreciated
Buildings – 25 years
Fixtures and equipment – between 3 and 6 years
Leasehold improvements – over the term of the lease

Material residual values and useful lives are reviewed, and adjusted if appropriate, at least annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

The Company holds an investment property, which comprises of freehold land and office buildings that are held for capital appreciation.

The Investment Property was initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Investments in subsidiaries

Investments in subsidiaries are held at cost less accumulated impairment losses.

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises design costs, direct labour and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

Financial assets

Trade and other receivables

Trade and other receivables do not carry interest and are stated at their fair value as reduced by allowances for estimated irrecoverable amounts. The Group applies the IFRS 9 simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the number of days past due. Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group and a failure to make contractual payments for an extended period.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, short-term deposits and other short-term liquid investments.

In the cash flow statement, cash and cash equivalents comprise cash and cash equivalents as defined above, net of bank loans.

Credit and liquidity risk management is described in note 3.

Equity

Equity comprises the following:
Share capital represents the nominal value of ordinary shares.
Capital redemption reserve represents the maintenance of capital following the share buy back and tender offer.
Share premium account represents consideration for ordinary shares in excess of the nominal value.
Merger reserve represents consideration in excess of the nominal value of shares issued on certain acquisitions.
Currency reserve represents exchange differences arising on consolidation of Group companies with a functional currency different to the presentation currency.
Retained earnings represent retained profits less losses and distributions.

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the foreign exchange rate ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the exchange rate at the date of the transaction. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are retranslated to the functional currency at foreign exchange rates ruling at the dates the fair value was determined.

The Group does not enter into forward contracts to hedge forecast transactions.

The assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to the Group's presentational currency, Sterling, at foreign exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated at an average rate for the year where this rate approximates to the foreign exchange rates ruling at the dates of the transactions.

Exchange differences arising from this translation of foreign operations are reported as an item of other comprehensive income and accumulated in the translation reserve. Such translation differences would be reclassified to profit and loss in the period in which the operation is disposed of.

Leases

In prior years, assets leased under operating leases were not recorded in the statement of financial position. Rental payments were charged directly to the income statement in the period in which they are incurred. Lease incentives, primarily up-front cash payments or rent-free periods, were spread over the period of the lease term. Payments made to acquire operating leases were treated as prepaid lease expenses and amortised over the life of the lease.

From 1 April 2019, each lease is recognised as a right-of-use asset with a corresponding liability at the date at which the lease asset is available for use by the Group. Interest expense is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

Assets and liabilities arising from a lease are initially measured on a present value basis. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be determined, the lessee's incremental borrowing rate is used, being the rate that the lessee would have to pay to borrow the funds necessary to obtain an asset of similar value in a similar economic environment with similar terms and conditions.

Right-of-use assets are measured at cost comprising the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date less any lease incentives received, any initial direct costs and restoration costs.

Where leases include an element of variable lease payment or the option to extend the lease at the end of the initial term, each lease is reviewed and a decision is made on the likely term of the lease.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement, during the year there was a Company car lease, which was returned in January 2020, a franking machine and the rental of a storage unit.

Employee Benefits

(a) Pensions

The Group operates a defined contribution scheme to the benefit of its employees. Contributions payable are charged to income in the year they are payable.

(b) Bonus schemes

The Group recognises a liability and an expense for bonuses payable to: i) employees based on a formula derived from management assessment of individual performance; and ii) senior management and executive directors based on achievement of a series of financial and non-financial targets.

(c) Share-based payments

From time to time on a discretionary basis, the Board of Directors award high-performing employees bonuses in the form of share options. The options are subject to a three-year vesting period and their fair value is recognised as an employee benefits expense with a corresponding increase in equity over the vesting period. The fair value of share options granted is recognised within staff costs with a corresponding increase in equity. The proceeds received are credited to share capital and share premium when the options are exercised.

The fair value of share options was measured using the Black Scholes valuation model, taking into account the terms and conditions upon which the grants were made. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold of vesting.

IFRS 2 has been applied to all options granted after 7 November 2002 that have not vested on or before 1 April 2006. A deferred tax adjustment is also made relating to the intrinsic value of the share options at the balance sheet date (see separate policy).

As a result of the grant of share options since 6 April 1999 the Company will be obliged to pay employer's National Insurance contributions on the difference between the market value of the underlying shares and their exercise price when the options are exercised. A provision is made for this liability using the value of the Company's shares at the balance sheet date and is spread over the vesting period of the share options.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase to equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

(d) Employee Share Ownership Plan

The Group's Employee Share Ownership Plan ('ESOP') is a separately administered trust. The assets of the ESOP comprise shares in the Company and cash. The assets, liabilities, income and costs of the ESOP have been included in the financial statements in accordance with SIC 12, 'Consolidation - Special purpose entities' and IAS 32, 'Financial Instruments: Disclosure and Presentation'. The shares in the Company are included at cost to the ESOP and deducted from Shareholders' funds. When calculating earnings per share these shares are treated as if they were cancelled.

(e) US share save scheme

The Eckoh plc 2019 US Sharesave Scheme (the "2019 Sharesave Scheme"), was approved by Shareholders at the 2019 AGM and introduced to employees in December 2019. Employees who enrol in the 2019 Sharesave Scheme are granted an option to purchase up to a number of Ordinary Shares. The number is determined by dividing the total payroll deductions credited to the employee's account as of the exercise date by the option price. The option price is equal to the closing price of the Ordinary Shares on the London Stock Exchange on either the (i) the date the offering period begins, or (ii) the date of exercise, whichever results in the lowest price per share. Any shares acquired will be held in accordance with the terms of the Scheme.

Revenue recognition

The Group recognises revenue in accordance with IFRS 15: Revenue from Contracts with Customers ("IFRS 15"). IFRS 15 provides a single, principles-based five-step model to be applied to all sales contracts, based on the transfer of control of goods and services to customers. Revenue represents the fair value of the sale of goods and services and after eliminating sales within the Group and excluding value added tax or overseas sales taxes. The following summarises the method of recognising revenue for the solutions and products delivered by the Group.

(i) **Secure Payment solutions and hosted services**

Due to the unique nature of the Secure Payments solution, the delivery and on-going support and maintenance of the Secure Payments solution under IFRS 15 is one single performance obligation. Therefore revenue for implementation fees for our hosted Secure Payments solution and our hosted Customer Contact services; and revenue for hardware and implementation fees for our hosted or onsite Secure Payments solution are typically received at the beginning of the contract and held on the balance sheet as contract liabilities. This revenue is recognised evenly over the period of the contract from the point of delivery of the solution to the client. Costs directly attributable to the delivery of the hardware, the implementation fees and the sales commission costs are deferred onto the balance sheet and held as contract assets and released over the contract term from the point of delivery of the solution to the client.

In addition to the initial set-up costs, there are on-going support and maintenance and running costs of the service. In the UK the revenue is typically recognised on a transaction basis, where the business has determined that users have accessed its services via a telephone carrier network and/or the Group's telecommunications call processing equipment connected to that network. In the US business where the Secure Payments business is contracted on an opex style basis the monthly licence fee charged to the client is recognised in the month it relates to.

(ii) **Third party support services**

Revenue is earnt from providing expert third party support for contact centre infrastructure and is recognised on a pro-rated basis over the period of the contract.

(iii) **Coral product**

Revenue arises from the sale of licences, implementation fees and on-going support and maintenance. Under IFRS 15, each component is defined as a performance obligation. Revenue is recognised for sales of licences when they are delivered to the client; revenue from implementation fees is recognised by estimating a percentage of completion based on the direct labour costs incurred to date as a proportion of the total estimated costs required to complete the implementation; and revenue for on-going support and maintenance is recognised each month as the service is provided.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not provided if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group or Company becomes a party to the contractual provisions of the instrument. Financial liabilities are stated at amortised cost.

A financial liability is derecognised only when the obligation is discharged, is cancelled or it expires.

3. Financial risk management

The operations of the Group expose it to a variety of financial risks: liquidity risk, interest rate risk, foreign currency risk and credit risk. Policies for managing these risks are set by the Board following recommendations from the Chief Financial Officer. All financial risks are managed centrally. The policy for each of the above risks is described in more detail below.

The Group's financial instruments comprise cash, short-term deposits, finance leases and various items, such as receivables and payables that arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. Similarly, the Group did not undertake any financial hedging arrangements during the year under review. The year-end position reflects these policies and there have been no changes in policies or risks since the year-end.

Liquidity risk

Through detailed cash flow forecasting and capital expenditure planning, the Group monitors working capital and capital expenditure requirements and through the use of rolling short-term investments ensures that cash is available to meet obligations as they fall due. Cash at bank is pooled and invested in overnight money market accounts and deposits.

The contractual maturities of financial liabilities are set out in note 21.

Interest rate risk

The Group principally finances its operations through Shareholders' equity and working capital. The Group and Company has exposure to interest rate fluctuations on the loan, its cash and short-term deposits.

The Group has adopted a sensitivity analysis that measures changes in the fair value of financial instruments and interest-bearing loans and any resultant impact on the income statement of an increase or decrease of 2% in market interest rates.

	2% decrease in interest rates £'000	**2% increase in interest rates £'000**
Impact on financial interest in the income statement: (loss)/gain	(155)	155

Foreign currency risk

The Group's principal exposure to exchange rate fluctuations arises on the translation of overseas net assets, profits and losses into the presentation currency. This risk is managed by taking differences that arise on the retranslation of the net overseas investments to the currency reserve. Foreign currency risk on cash balances is monitored through cash flow forecasting and currency is held in foreign currency bank accounts only to the extent that it is required for working capital purposes. No sensitivity analysis is provided in respect of foreign currency risk as due to the Group's working capital management practices, the risk is considered to be moderate. The risk is further explained in the principal risks and uncertainties on pages 9 to 10.

Capital management

The Board's policy is to maintain a strong capital base with the joint objectives to maintain investor, creditor and market confidence and to sustain future development of the business.

Capital comprises all components of equity (i.e. share capital, capital redemption reserve, share premium and retained earnings). The Board manages the capital structure and makes adjustments as required in the light of changes in economic conditions. The Board may return capital to Shareholders, issue new shares or sell assets in order to maintain capital.

Credit risk management is described in note 17.

Financial assets

Current financial assets	**2020 £'000**	2019 £'000
Trade receivables (note 17)	**4,464**	4,340
Other receivables (note 17)	**748**	525
Cash and cash equivalents (note 18)	**13,541**	11,582
Total financial assets	**18,753**	16,447

Financial liabilities

All financial liabilities held by the Group and Company are measured at amortised cost and comprise trade payables of £2,510,000 (2019: £1,404,000), other payables of £188,000 (2019: £108,000), other taxation and social security of £1,028,000 (2019: £1,072,000) and accruals and deferred income of £17,352,000 (2019: £17,399,000). See note 19 for further details. Lease liabilities are £266,000 in total (2019: nil), with current lease liabilities of £233,000 and non-current lease liabilities of £33,000. See note 13 for further details.

Other interest-bearing loans and borrowings

Information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost are disclosed below. For more information about the Group's exposure to interest rate and foreign currency risk, see above.

Non-current financial liabilities	**2020 £'000**	2019 £'000
Secured bank loans	**975**	1,950
Current financial liabilities		
Current portion of secured bank loans	**975**	1,300

Terms and debt repayment schedule

	Currency	**Nominal interest rate**	**Maturity date**	**Carrying amount 2020 £'000**
Bank Loan	Sterling	1.25% plus LIBOR.	See note 20	1,950

The collateral to these loans is the land and buildings carrying value of £3m.

Earnings per share

The Group presents basic and diluted earnings per share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to Ordinary Shareholders of the Company by the weighted average number of Ordinary Shares outstanding during the reporting period. Diluted EPS is determined by adjusting the weighted average number of

Ordinary Shares outstanding for the effects of all potential dilutive Ordinary Shares.

Dividends
Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Shareholders. Interim dividends are recorded in the financial statements in the period in which they are approved and paid.

Determination and presentation of operating segments
The Eckoh Group determines and presents operating segments based on the information that internally is provided to the Executive Management team, considered to be the Chief Operating Decision Maker.

An operating segment is a component of the Eckoh Group that engages in business activities from which it may earn revenues and incur expenses.

Alternative performance measures (APMs)
The Directors consider that disclosing alternative performance measures enhances Shareholders' ability to evaluate and analyse the underlying financial performance of the Group. They have identified adjusted operating profit and adjusted EBITDA as measures that enable the assessment of the performance of the Group and assists in financial, operational and commercial decision-making. In adjusting for this measure the Directors have sought to eliminate those items of income and expenditure that do not specifically relate to the normal operational performance of the Group in a specific year. The table below reconciles operating profit to adjusted operating profit[1] and adjusted EBITDA[2] identifying those reconciling items of income and expense.

	Year ended 31 March 2020 £'000	Year ended 31 March 2019 £'000
Operating profit	**3,286**	1,194
Amortisation of acquired intangible assets	**979**	1,325
Expenses relating to share option schemes	**468**	567
Adjusted operating profit[1]	**4,733**	3,086
Amortisation of intangible assets	**314**	275
Depreciation of owned assets	**848**	960
Depreciation of leased assets	**491**	-
Adjusted EBITDA[2]	**6,386**	4,321

1. Adjusted operating profit is the profit before adjustments for expenses relating to share option schemes and amortisation of acquired intangible assets.
2. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is the profit before tax adjusted for depreciation of owned assets, amortisation of acquired intangible assets and expenses relating to share option schemes.

4. Segment analysis
The segmentation is based on analysing Eckoh UK (including Eckoh Omni) and Eckoh US.

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

Current period segment analysis	Eckoh UK £'000	Eckoh US £'000	Total 2020 £'000	Total 2019 £'000
Segment Revenue	**20,468**	**12,710**	**33,178**	28,719
Gross profit	17,074	9,250	**26,324**	24,105
Administrative expenses	(13,962)	(9,076)	**(23,038)**	(22,911)
Operating profit	**3,112**	**174**	**3,286**	1,194
Adjusted operating profit	**3,662**	**1,071**	**4,733**	3,086
Other expenses[1]	(550)	(897)	**(1,447)**	(1,892)
Operating profit	**3,112**	**174**	**3,286**	1,194
Profit before taxation	**3,139**	**163**	**3,302**	1,154
Segment assets				
Trade receivables	2,900	1,564	**4,464**	4,340
Deferred tax asset	3,335	470	**3,805**	4,081
Segment liabilities				
Trade and other payables	2,604	2,212	**4,816**	3,237
Capital expenditure				
Purchase of tangible assets	502	69	**571**	541
Purchase of intangible assets	951	-	**951**	435
Depreciation and amortisation				
Depreciation of property, plant & equipment	660	188	**848**	960
Depreciation of leased assets	394	97	**491**	-
Amortisation	624	669	**1,293**	1,600

1. Other expenses include expenses relating to share option schemes and amortisation of acquired intangible assets.

In 2019/20 and 2018/19 there was no one customer that individually accounted for more than 10% of the total revenue of the continuing operations of the Group.

The key segments reviewed at Board level are the UK (including Eckoh Omni) and US operations.

Revenue by geography	Eckoh UK £'000	Eckoh US £'000	2020 £'000	2019 £'000
UK	20,275	-	**20,275**	19,132
United States of America	-	12,504	**12,504**	8,997
Rest of the World	193	206	**399**	590
Total Revenue	**20,468**	**12,710**	**33,178**	28,719

Timing of revenue recognition	Eckoh UK £'000	Eckoh US £'000	Total 2020 £'000	Total 2019 £'000
Services transferred at a point in time	17,926	9,289	27,215	25,588
Services transferred over time	2,542	3,421	5,963	3,131
	20,468	**12,710**	**33,178**	28,719

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

	2020 £'000	2019 £'000
Receivables, which are included in, 'Trade and other receivables'	**4,464**	4,340
Contract assets which are included in 'Trade and other receivables'	**5,587**	4,221
Contract liabilities which are included in 'Trade liabilities'	**(13,194)**	(11,666)
	(3,143)	(3,105)

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

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

Contract liabilities result from client payments in advance of the satisfaction of the associated performance obligations and relates primarily to revenue for hardware and implementation fees. Contract liabilities are released as revenue is recognised.

Contract assets and contract liabilities are reported on a contract by contract basis at the end of each reporting period.

Significant changes in the contract assets and contract liabilities balances during the year are as follows:

		31 March 2020
	Contract assets £'000	**Contract liabilities £'000**
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	4,846
Current year billings recognised in contract liabilities	-	7,117
Cost of sales recognised that was included in the contract assets balance at the beginning of the period	1,864	-
Costs deferred in current year and unbilled revenue included in contract assets	3,376	-

Contract costs	**31 March 2020 £'000**	31 March 2019 £'000
Deferred implementation costs	**2,209**	2,121
Deferred hardware costs	**1,167**	2,100
	3,376	4,221

Contract costs are capitalised as 'costs to fulfil a contract' and are amortised when the related revenues are recognised, which are spread evenly over the length of the contract, typically 3 years.

Transaction price allocated to the remaining performance obligations
The total amount of revenue held in contract liabilities and allocated to unsatisfied performance obligations is £13.2m (FY19: £11.7m). We expect to recognise approximately £6.3m (FY19: £4.8m) in the next 12 months, £6.7m (FY19: £6.8m) in 1-3 years and the remainder in 3 years or more in time.

The amount represents our best estimate of contractually committed revenues that are due to be recognised as we satisfy the contractual performance obligations in these contracts. A large proportion of the Group's revenue is transactional in nature or is invoiced monthly for support and maintenance and these are not included in the contract liabilities.

Prior period segment analysis	**Eckoh UK £'000**	**Eckoh US £'000**	**Total 2019 £'000**
Segment revenue	19,399	9,320	**28,719**
Gross profit	16,527	7,578	**24,105**
Administrative expenses	(14,140)	(8,771)	**(22,911)**
Operating profit	**2,387**	**(1,193)**	**1,194**
Adjusted operating profit / (loss)	**3,621**	**(535)**	**3,086**
Other expenses[1]	(1,234)	(658)	**(1,892)**
Operating profit / (loss)	**2,387**	**(1,193)**	**1,194**
Profit / (loss) before taxation	**2,347**	**(1,193)**	**1,154**
Segment assets			
Trade receivables	2,477	1,863	4,340
Deferred tax asset	3,522	559	4,081
Segment liabilities			

Trade and other payables	1,811	1,426	3,237
Capital expenditure			
Purchase of property, plant & equipment	443	98	541
Purchase of intangible assets	435	-	435
Depreciation and amortisation			
Depreciation	751	209	960
Amortisation	942	658	1,600

1. Other expenses include expenses relating to share option schemes and amortisation of acquired intangible assets.

	Eckoh UK £'000	Eckoh US £'000	2019 £'000
Revenue by geography			
UK	19,132	-	19,132
United States of America	-	8,997	8,997
Rest of the World	267	323	590
Total Revenue	19,399	9,320	28,719

5. Profit from operating activities

	2020 £'000	2019 £'000
The Group's profit from operating activities is arrived at after charging:		
Employee benefits expense (note 6)	**14,505**	12,267
Depreciation of property, plant and equipment (note 12)	**848**	960
Depreciation of leased assets (note 13)	**491**	-
Amortisation of intangible assets (note 11)	**1,293**	1,600
Inventory recognised as an expense (note 16)	**205**	189

6. Employee benefits expense

	2020 £'000	2019 £'000
Wages and salaries	**12,768**	10,578
Less: Internal development costs capitalised in the year	**(371)**	(271)
Amortisation of internal development costs	**245**	255
Social security costs	**1,193**	987
Other pension costs	**202**	151
Share based payments	**468**	567
	14,505	12,267

The Directors' report on page 27 provides further details on the Directors' emoluments. The monthly average number of people (including Executive Directors) employed by the Group during the year was:

	2020 Number	2019 Number
Technical support	**107**	110
Customer services	**37**	29
Administration and management	**69**	91
	213	230

Excluded from the table above are 19 (2019: 33) full time equivalent casual call centre employees who cost £352,737 (2019: £424,912) in the year.

7. Auditors remuneration

During the year the Group obtained the following services from the Group's auditors at costs as detailed below:

	2020 £'000	2019 £'000
Fees payable for the audit of the Company and consolidated financial statements	**32**	39
Fees payable for other services:		
The audit of subsidiary undertakings comprising continuing operations	**69**	85
Total fees payable to the Group's auditor	**101**	124

8. Finance income and finance expense

	2020 £'000	2019 £'000
Interest receivable		
Bank interest receivable	**84**	37
	84	37

	2020 £'000	2019 £'000
Finance expense		
Bank interest payable	**(50)**	(77)
Lease interest payable	**(18)**	-
	(68)	(77)

9. Taxation

	2020 £'000	2019 £'000
Tax recognised in profit and loss		
Current tax expense		
Current year	**2**	229
Adjustments in respect of prior periods	**(229)**	-
	(227)	229
Deferred tax credit		
Origination and reversal of temporary differences	**555**	(10)
Adjustments in respect of prior periods	**176**	7
Foreign exchange translation	**(7)**	(8)
Effect of tax rate change	**(331)**	(9)
	393	(20)
Total tax charge	**166**	209

A credit of £214,000 (2019: charge of £39,000) for deferred taxation in relation to share options was recognised directly in equity.

The tax charge for the year is different (2019: different) to the standard rate of corporation tax in the UK of 19% (2019: 19%). The differences are explained below:

Continuing operations	2020 £'000	2019 £'000
Profit before taxation	**3,287**	1,154
Profit multiplied by rate of corporation tax in the UK of 19% (*2019: 19%*)	**624**	220
Additional foreign tax suffered	**2**	28
Effect of expenses not deductible for tax purposes	**5**	16
Adjustments in respect of prior periods (current and deferred)	**(53)**	7
Movement on deferred tax not recognised	**(40)**	(15)
Deferred tax impact of UK rate change	**(41)**	(38)
Deferred tax impact of rate change on intangible assets	**(331)**	(9)
Tax charge for the year	**166**	209

Recognition of deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2020	2019	**2020**	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000	**£'000**	£'000
Capital allowances differences	**-**	-	**-**	-	**-**	-
Short term timing differences	**913**	1,168	**-**	-	**913**	1,168
Tax losses	**2,477**	2,438	**-**	-	**2,477**	2,438
Property, plant and equipment	**415**	475	**(226)**	(385)	**189**	90
Intangible assets	**-**	-	**(64)**	(110)	**(64)**	(110)
Tax losses carried forward	**3,805**	4,081	**(290)**	(495)	**3,515**	3,586

Movement in deferred tax balances during the year

	2020	2019
	£'000	£'000
Balance at 1 April	**3,586**	3,607
Recognised in income statement	**(393)**	19
Recognised in equity	**322**	(40)
Balance at 31 March	**3,515**	3,586

Unrecognised deferred tax assets

There are unprovided deferred taxation assets totalling £6,042,000 (2019: £5,855,000). These have arisen in respect of trading losses of £559,000 (2019: £597,000) and in respect of capital losses of £5,483,000 (2019: £5,258,000). The trading losses have not been recognised due to the uncertainty of future taxable profits being available to utilise these. The capital losses have not been recognised due to restrictions over their utilisation. There is no expiry date on the trading losses or the capital losses carried forward.

10. 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 Company.

	2020	2019
	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share	**3,136**	945

	2020	2019
Denominator	**'000**	'000
Weighted average number of shares in issue in the period	**255,085**	253,117
Shares held by employee ownership plan	**(1,630)**	(1,363)
Shares held in Employee Benefit Trust	**-**	-
Number of shares used in calculating basic earnings per share	**253,455**	251,754
Dilutive effect of share options	**8,782**	10,263
Number of shares used in calculating diluted earnings per share	**262,237**	262,017

11. Intangible assets

Group	Goodwill	Computer software	Customer relationships	Intellectual property	Trade name	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2018	4,832	2,579	3,355	7,182	355	18,303
Additions	-	417	-	18	-	435
Transfer from tangible assets	-	225	-	-	-	225
Foreign exchange	182	-	271	36	29	518
At 31 March 2019	5,014	3,221	3,626	7,236	384	19,481
Additions	-	922	-	29	-	951
Foreign exchange	152	4	149	22	16	343
At 31 March 2020	**5,166**	**4,147**	**3,775**	**7,287**	**400**	**20,775**
Accumulated amortisation						
At 1 April 2018	-	2,005	1,621	6,533	185	10,344
Charge for the year	-	339	729	445	87	1,600
Transfer from tangible assets	-	32	-	-	-	32
Foreign exchange	-	-	31	6	4	41
At 31 March 2019	-	2,376	2,381	6,984	276	12,017
Charge for the year	-	358	743	120	72	1,293
Foreign exchange	-	5	117	18	12	152
At 31 March 2020	-	**2,739**	**3,241**	**7,122**	**360**	**13,462**
Carrying amount						
At 31 March 2020	**5,166**	**1,408**	**534**	**165**	**40**	**7,313**
At 31 March 2019	5,014	845	1,245	252	108	7,464

The Company has no intangible assets. (2019: nil).

Within the intangible category of computer software in the above table is internally developed computer software, as at 31 March 2020 this had a net book value of £1,269k (2019: £591k).

Amortisation of acquired intangible assets included in the charge for the year in the above table was £979k (2019: £1,325k), within the internally generated software is an intangible asset acquired when Eckoh Omni Limited (previously known as Klick2Contact (EU) Limited) was purchased.

On an annual basis an impairment review of goodwill is undertaken to determine a value in use calculation for each cash generating unit (CGU) using cashflow projections. Management have identified the CGUs as Eckoh UK, including Eckoh Omni and Eckoh US in the prior year. Management have performed a profitability forecast for the next five years for each of the CGUs, which are based on the latest three year plan approved by the Board and modified as appropriate to reflect the latest COVID-19 forecasts as approved by the Board. Management are satisfied that the carrying value of Goodwill and Other Intangible Assets are supported based on the expected performance of the CGUs.

Goodwill acquired through business combinations have been allocated to the following CGUs:
- Eckoh – UK
- Eckoh – US

These represent the lowest level within the Group at which Goodwill is monitored for internal management purposes.

	Goodwill 31 March 2020 £'000	Goodwill 31 March 2019 £'000	Market growth rate %	Discount rate %
Eckoh – UK	2,373	2,373	5%	13.9%
Eckoh – US	2,793	2,641	20%	13.9%
Total	**5,166**	**5,014**		

No impairment has been recorded in the current year for Eckoh UK or Eckoh US. The main assumptions which related to sales volume, selling prices and cost changes, are based on recent history and expectations of future changes in the market. The discount rate applied to the cash flow forecasts is based on a market participant's pre – tax weighted average cost of capital adjusted for the specific risks in the CGUs. Growth rate used to extrapolate beyond the plan year and terminal values are based upon minimum expected growth rates of the individual business and have been adjusted downwards in the near term to reflect the impact of COVID-19.

Sensitivity to the changes in assumptions
If forecast revenues fell by 30%, no impairment in the carrying values of Eckoh UK and Eckoh US would be required, in addition if there was no further growth in either Eckoh UK or Eckoh US, no impairment in the carrying value of Eckoh UK and Eckoh US would be required.

12. Property, plant and equipment

	Leasehold improvements £'000	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost				
At 1 April 2018	29	3,068	6,720	9,817
Additions	1	-	541	542
Transfer to intangible assets	-	-	(225)	(225)
Foreign exchange	-	-	26	26
At 31 March 2019	30	3,068	7,062	10,160
Additions	-	-	569	569
Foreign exchange	2	-	64	66
At 31 March 2020	**32**	**3,068**	**7,695**	**10,795**
Accumulated depreciation				
At 1 April 2018	18	138	4,958	5,114
Charge for the year	11	43	906	960
Transfer to intangible assets	-	-	(32)	(32)
Foreign exchange	1	-	(1)	-
At 31 March 2019	30	181	5,831	6,042
Charge for the year	-	44	804	848
Foreign exchange	2	-	52	54
At 31 March 2019	**32**	**225**	**6,687**	**6,944**
Carrying amount				
At 31 March 2020	**-**	**2,843**	**1,008**	**3,851**
At 31 March 2019	-	2,887	1,231	4,118

The land and buildings are held by the Company, the gross book value at both 31 March 2019 and 31 March 2020 is as above £3,068k. The net book value at 31 March 2019 was £2,887 and at 31 March 2020 £2,843k. This is the only property, plant and equipment held by the Company.

13. Leases
The Group enters into leases of buildings in relation to offices in the US. In addition, in the UK the Group leases equipment either in the datacentres or in the offices.

In some cases, the contracts entered into by the Group include extension options which provide the Group with additional operational flexibility. If the Group considers it reasonably certain that an extension option will be exercised the additional period is included in the lease term.

The change in accounting policy affected the following items in the balance sheet on 1 April 2019:
- Right of use asset – increase by £769,000 as detailed in the below table,
- Lease liabilities – increase by £769,000 as detailed in the table below.

The net impact on retained earnings on 1 January 2019 was £nil. There was no impact to any other balance sheet balance.

Reconciliation to prior year lease commitment

	2020 £'000
Operating lease commitments disclosed as at 31 March 2019 (note 25)	703
Less: short-term leases not recognised as a liability & low-value leases not recognised as a liability	(4)
Add: adjustments as a result of a different treatment of extension and termination options	70
Lease liability recognised as at 1 April 2019	**769**
Of which are:	
- Current lease liabilities	490
- Non-current liabilities	278
	769

	2020 £'000	1 April 2019 £'000
Right-of-use assets		
Buildings	123	221
Equipment	154	548
	277	**769**
Lease liabilities		
Current	233	562
Non-current	33	207
	266	**769**

There were no additions to the right of use assets during the financial year ended 31 March 2020.

	31 March 2020 £'000	1 April 2019 £'000
Depreciation charge of right-of-use assets		
Buildings	97	-
Equipment	394	-
	491	-
Interest expense (included in finance costs)	**(18)**	-
Expenses relating to short-term leases (included in cost of goods sold and administrative expenses)	**(11)**	-

The total cash outflow for leases in 2020 was £521,000, made up of principle lease payments of £503,000 and lease interest payments of £18,000.

The Company does not hold any leased assets. (2019: £nil)

14. Investments in Group companies

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
At 1 April 2018	26,351	4,647	30,998
Additions	-	553	553
Transfer to subsidiary	(5,104)	-	(5,104)
Amortisation	(11)	-	(11)
At 31 March 2019	**21,236**	**5,200**	**26,436**
Additions	-	407	407
Amortisation	(4)	-	(4)
At 31 March 2020	**21,232**	**5,607**	**26,839**
Accumulated Impairment			
At 1 April 2018, 31 March 2019 and At 31 March 2020	(6,985)	-	(6,985)
Net Book Value			
At 31 March 2020	**14,247**	**5,607**	**19,854**
At 31 March 2019	14,252	5,200	19,451

The Directors have assessed the carrying values of the Company's investments and concluded that no impairment triggers exist that would require the Company's investments to be impaired.

Other investments represent additional investments in Eckoh UK Limited as a result of the share-based payments arrangements in place. As the Company grants options over its shares to employees of Eckoh UK Limited, the Company records an increase in its investment in Eckoh UK Limited, the details of which are disclosed further in note 22 of the consolidated financial statements.

15. Investment in subsidiary undertakings

The Company has the following investments in subsidiaries, which are included in the consolidated financial statements:

Subsidiary undertakings	Country of incorporation	Principal activities	Percentage of share capital held
Eckoh UK Limited	England and Wales (ii)	Secure Payment & Customer Engagement Solutions	100%
Veritape Limited	England and Wales (ii)	Non trading	100%
Eckoh LLC	United States of America (iii)	Non trading	100%
Eckoh Inc	United States of America (iv)	Secure Payment Solutions & Support Solutions	100%
Eckoh France SAS	France (vi)	Non trading	100%(i)
Eckoh Enterprises Limited	England and Wales (ii)	Dormant	67% & 33%(i)
Eckoh Projects Limited	England and Wales (ii)	Non trading	100%
Avorta Limited	England and Wales (ii)	Dormant	100%(i)
Eckoh Technologies Limited	England and Wales (ii)	Dormant	100%(i)
Intelliplus Group Limited	England and Wales (ii)	Dormant	100%
Intelliplus Limited	England and Wales (ii)	Non-Trading	100%(i)
Medius Networks Limited	England and Wales (ii)	Non-Trading	100%(i)
Telford Projects Limited	England and Wales (ii)	Dormant	100%
Swwwoosh Limited	England and Wales (ii)	Dormant	100%(i)
365 Isle of Man Limited	Isle of Man (v)	Dormant	100%(i)
Eckoh Omni Ltd	England and Wales (ii)	Cloud-based Software Provider	100%

(i) Share capital held by a subsidiary undertaking.
(ii) The registered office is Telford House, Corner Hall, Hemel Hempstead, HP3 9HN.
(iii) The registered office is c/o National Registered Agents Inc., 160 Greentree Drive, Suite 101, Dover, Delaware 19904.
(iv) The registered office is 7172 Regional Street. #431, Dublin, California 94568.
(v) The registered office is First Names House, Victoria Road, Douglas, Isle of Man, IM2 4DF.
(vi) The registered office is Rue De La Vieille Poste Parc, Industriel et Technologique de la Pompignane, 34000 Montpellier.

All companies hold ordinary class shares and have March year-ends, with the exception of Veritape, which has a September year end. Information in relation to geographical operations is set out in note 4.

The subsidiary undertaking Eckoh Omni Limited (registered number: 07553916) is exempt from the Companies Act 2006 requirements relating to the audit of their individual accounts by virtue of Section 479A of the Act as this company has guaranteed the subsidiary company under Section 479C of the Act.

16. Inventories

	GROUP	
	2020	2019
	£'000	£'000
Finished goods	**312**	458
	312	458

The cost of inventory recognised as an expense during the year was £205k (2019: £189k). The Company does not hold any inventory. (2019: nil)

17. Trade and other receivables

	GROUP		COMPANY	
Current	**2020 £'000**	2019 £'000	**2020 £'000**	2019 £'000
Trade receivables	**4,575**	4,340	-	-
Less: Loss allowance	**(111)**	-	-	-
Net trade receivables	**4,464**	4,340	-	-
Amount receivable from subsidiary undertakings	-	-	3,882	4,883
Other receivables	**748**	525	-	-
Prepayments and contract assets	**8,282**	8,344	7	3
	13,494	13,209	3,889	4,886

Trade receivables are stated after loss allowance of £111k (2019: £nil).

	GROUP Gross carrying amount -trade receivables		GROUP Expected loss rate	
Gross trade receivables - ageing	**2020 £'000**	2019 £'000	**2020 %**	2019 %
Current	**3,727**	3,005	1.0%	-
1-30 days	**611**	885	-	-
30-60 days	**103**	266	0.1%	-
61-90 days	**14**	27	30.3%	-
Over 90 days	**120**	157	29.8%	-
	4,575	4,340	2.4%	-

The Directors consider that the carrying value of the trade and other receivables approximate to their fair value.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's trade and other receivables. Concentrations of credit risk with respect to trade receivables are limited due to working capital practices of the market sector and the Group; and the nature of the Group's customer base. The working capital practices of the market sector within which the Group operates are such that the majority of the trade receivables balance is due from the telephony carriers under a self-bill agreement. The reputable nature of the Group's current customer base limits exposure to credit risk.

18. Cash and cash equivalents

	GROUP		COMPANY	
	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Sterling	**11,354**	10,963	4,983	4,932
Euro	**9**	31	-	-
US dollars	**2,178**	588	1,678	-
	13,541	11,582	6,661	4,932

	2020 £'000	2019 £'000	**2020 £'000**	2019 £'000
Floating rate	**11,354**	10,963	4,983	4,932
Euro	**9**	31	-	-
US dollars	**2,178**	588	1,678	-
	13,541	11,582	6,661	4,932

Cash and cash equivalents comprise cash held by the Group. Surplus cash is placed in an interest-bearing account. The average interest rate on the interest-bearing account during the year was 0.78% (2019: 0.55%).

The Group's financial risk management is disclosed in note 3.

19. Trade and other payables

	GROUP		COMPANY	
	2020	2019	**2020**	2019
	£'000	£'000	**£'000**	£'000
Trade payables	**2,510**	1,404	-	-
Other payables	**188**	108	-	-
Other taxation and social security	**1,028**	1,072	-	-
Accruals and contract liabilities	**17,352**	17,399	14	18
Amounts payable to subsidiary undertakings	-	-	19,038	15,626
	21,078	19,983	19,052	15,644

As set out in note 4, £6.7m (FY19: £6.8m) of the contract liabilities are due in more than one year.

All of the amounts above are payable within one year and trade payables that are more than three months old at the year-end represent £518k (2019: £24,514). The increase year on year of the balance greater than 3 months represents hardware for a US Secure Pay contract.

The Group's exposure to liquidity risk is disclosed in note 3.

20. Called up share capital

Allotted called up and fully paid

Share type	Number of shares	Nominal value £'000
Ordinary Shares of 0.25p each		
At 1 April 2019	254,121,768	635
Shares issued under the share option schemes	1,229,488	3
At 31 March 2020	255,351,256	**638**

All Ordinary Shares in issue are fully paid. The holders of the Ordinary Shares are entitled to receive dividends, if declared, and are entitled to vote at general meetings of the Company. Potential Ordinary Shares are disclosed in note 22.

21. Other Interest-bearing loans & borrowings

	Bank Loans £'000
At 1 April 2019	(3,250)
Movement during the year	-
Repaid during the year	1,300
At 31 March 2020	**(1,950)**

Loans and borrowings

In July 2016 the Group secured a bank loan with a carrying amount of £6.5m to assist with the acquisition of Klick2Contact EU Ltd and to repay the existing bank loan that had a balance of £3.75m at 31 March 2016 due over 1 year.

The loan of £6.5m is repayable over a period of 5 years. Twenty quarterly repayments of £325,000 commenced in July 2016. A fixed interest is payable at a rate of 1.25 % per annum plus a variable base rate currently 0.82%. As a result of the current COVID-19 pandemic, the Board of Directors took advantage of the ability to defer the repayment of capital under the loan as a precautionary measure. In March 2020 the Bank approved a delay to the April 2020 and July 2020 quarterly repayment of £325,000. The remaining balance on the loan of £1,950,000 will be repaid evenly over the remaining life of the loan. There will be four quarterly repayments of £487,500 commencing October 2020.

Maturity of debt	**Bank loans £'000**
Less than one year (quarterly)	975
More than one year but not more than 2 years	975
More than 2 years but no more than five years	-
More than five years	-

22. Share based payments

The Eckoh plc Share Option Scheme ('the Scheme') was introduced in November 1999 and re-approved by the Board in the year ended 31 March 2018. Under the Scheme the Board can grant options over shares in the Company to Group employees. The grant price of share options is the middle market quotation price as derived from the Daily Official List of the London Stock Exchange on the date of the grant. The contractual life of an option is ten years. Options granted under the Scheme become exercisable subject to the share price exceeding RPI plus 15% after the third anniversary of the grant date. Exercise of an option is subject to continued employment, with certain exceptions, as specified in the Scheme rules.

The Eckoh plc Enterprise Management Incentive Scheme ('the EMI Scheme') was introduced in February 2007. Under the Scheme the Board can grant options over shares in the Company to Group employees. The grant price of share options is the middle market quotation price as derived from the Daily Official List of the London Stock Exchange on the date of the grant. The contractual life of an option is ten years. Options granted under the EMI Scheme become exercisable subject to the percentage growth in earnings per share in the three years following the year of grant being at least 5% (compounded) per annum. Exercise of an option is subject to continued employment, subject to certain exceptions as specified in the EMI Scheme rules.

The Eckoh plc Share Incentive Plan ("the Plan") was introduced in September 2016. The Plan provides employees with the opportunity to acquire shares in Eckoh plc. Shares are purchased on behalf of the employee from amounts sacrificed from their salary on a monthly basis and matched on a two for one basis by the company. Any shares acquired will be held in a trust in accordance with the terms of the Plan. In order to maximise the tax benefits available, the employee must remain employed with the company and hold the shares within the Trust for a minimum of five years.

The Eckoh plc Performance Share Plan ("the PSP") was introduced in November 2017, following approval by Shareholders at the 2018 AGM. Initial Awards, at Nominal cost were granted to each of the Executive Directors in November 2017. Each of the PSP awards is subject to a Total Shareholder Return performance condition, measured over a 5-year performance period. Further details are included in the Remuneration Committee report on page 23. During the financial year awards have been granted to Senior Management at nominal cost. Each of the PSP awards is subject to a Total Shareholder Return performance condition, measured over a 3-year performance period.

The Eckoh plc 2019 US Sharesave Scheme (the "2019 Sharesave Scheme"), was approved by Shareholders at the 2019 AGM and introduced to employees in December 2019. Employees who enrol in the 2019 Sharesave Scheme are granted an option to purchase up to a number of Ordinary Shares. The number is determined by dividing the total payroll deductions credited to the employee's account as of the exercise date by the option price. The option price is equal to the closing price of the Ordinary Shares on the London Stock Exchange on either the (i) the date the offering period begins, or (ii) the date of exercise, whichever results in the lowest price per share. Any shares acquired will be held in accordance with the terms of the Scheme.

The fair value of share options granted under the Scheme, the EMI Scheme and the PSP were measured using the QCA-IRS option valuer based on the Black-Scholes formula, taking into account the terms and conditions upon which the grants were made. The fair value per option granted and the assumptions used in the calculation are as follows:

	26 Mar 2012	08 Jun 2012	23 Mar 2016	2 May 2016	13 Oct 2016	31 Mar 2017	21 Jun 2017	23 Nov 2017	23 Jul 2018	26 Sep 2018
Share price (pence)	11.00	11.25	43.50	43.50	38.875	39.50	47.50	51.25	37.81	34.38
Exercise price (pence)	11.00	11.25	43.50	43.50	38.88	39.50	47.50	-	-	-
No. of employees	3	1	13	1	2	14	1	2	26	1
Shares under option	225,000	44,000	1,900,000	500,000	500,000	2,950,000	500,000	6,000,000	1,420,000	100,000
Vesting period (years)	3	3	3	3	3	3	3	4.33	3	3
Expected volatility	42%	40%	32%	31%	33%	35%	35%	35%	47%	47%
Option life (years)	10	10	10	10	10	10	10	4.33	3	3
Expected life (years)	3	3	3	3	3	3	3	4.33	3	3
Risk free rate	2.75%	2.75%	0.78%	0.24%	0.56%	0.56%	0.56%	0.56%	0.56%	0.56%
Expected dividends expressed as a dividend yield	1.00%	1.70%	0.89%	1.03%	1.16%	1.14%	1.22%	1.14%	1.53%	1.53%
Fair value per option (pence)	3.15	3.18	12.00	8.50	8.19	11.0	10.6	17.00	16.00	16.00

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with assumed option life.

The fair value of share options granted under the Share Incentive Plan was measured using the valuation model. The assumptions used in the calculation are as follows:

Commencement date	2 Sept 2016	5 Dec 2016	7 Jun 2017	1 Dec 2017	1 Jun 2018	1 Dec 2018	1 Jun 2019
Share price (pence)	35.0	47.5	46.6	48.50	39.95	37.38	43.75
Exercise price (pence)	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Number of employees	45	44	49	51	43	35	37
Shares under option	208,632	178,428	164,182	208,878	195,766	181,146	185,450
Vesting period (years)	3.00	3.00	3.00	3.00	3.00	3.00	3.00

A reconciliation of option movements over the year to 31 March 2020 is shown below:

	2020 Number of share options	**2020** Weighted average exercise price (pence)	2019 Number of share options	2019 Weighted average exercise price (pence)
Outstanding at 1 April[1]	**18,788,125**	**18.53**	19,714,835	7.68
Granted	**563,811**	**17.55**	2,264,644	0.20
Exercised	**(2,225,904)**	**13.59**	(1,638,248)	0.50
Lapsed	**-**	**-**	-	-
Forfeited	**(1,295,838)**	**22.33**	(2,050,000)	40.97
Outstanding at 31 March	**15,830,194**	**18.51**	18,291,231	17.93
Exercisable at 31 March	**6,358,414**	**38.27**	4,624,232	27.82

1. **The opening balance of share options has been adjusted to include the partnership shares in the Share Incentive Scheme that were not included in the 2019 analysis.**

			2020 Weighted average remaining life				**2019 Weighted average remaining life**	
Range of exercise prices (pence)	**Weighted average exercise price (pence)**	**Number of shares (000's)**	**Expected**	**Contractual**	Weighted average exercise price (pence)	Number of shares (000's)	Expected	Contractual
0 - 0.5	**0.22**	**8,684**	**1.78**	**1.82**	0.20	10,226	2.43	2.89
4.5 - 6.5	**-**	**-**	**-**	**-**	5.13	265	-	0.92
10.5 - 12.5	**11.04**	**269**	-	**1.86**	11.06	300	-	2.80
37.5 - 39.5	**39.33**	**3,680**	**5.68**	**6.57**	39.42	3,850	0.94	7.94
42.5 - 44.5	**43.50**	**2,400**	**0.00**	**6.00**	43.50	3,350	0.01	6.99
46.5 – 48.5	**47.55**	**708**	**0.50**	**5.44**	47.5	500	1.22	8.22
60.0 – 62.0	**60.67**	**88**	**2.66**	**2.66**	-	-	-	-

The total charge for the year relating to employee share-based payment plans was £468,000 (2019: £567,000) all of which related to equity-settled share-based payment transactions.

23. Pension commitments

The Group operates a group personal pension scheme and, in addition, the subsidiary company Eckoh UK Limited operates a defined contribution pension scheme. The assets of the pension schemes are held separately from those of the Group in independently administered funds. The pension charge represents contributions payable by the Group to the funds. There were no outstanding or proposed contributions at the balance sheet date.

24. Related party transactions

Eckoh plc is the parent and ultimate controlling company of the Eckoh Group, the Consolidated financial statements of which include the results of the subsidiary undertakings set out in note 14.

Each subsidiary is 100% owned by the Eckoh Group and is considered to be a related party.

There are 2 Directors accruing benefits under the pension scheme.

The aggregate Directors' emoluments are shown in the table below.

Directors	**2020 £'000**	2019 £'000
Aggregate emoluments	**880**	878
	880	878

Further details of the Directors' emoluments are disclosed within the Remuneration Report on page 27.

Rented apartment

An apartment owned by a Director, Nik Philpot, is rented to Eckoh Group for use by company employees when on business. The rent is paid on a monthly basis and was charged at comparable market rates. The expense in the year was £15,000 (2019: £15,000). The amount outstanding to them at the end of the current year was £3,953 (2019: £nil). There were no amounts written off in the current or prior year.

25. Operating lease commitments

The Group and Company do not have material operating leases that have not been capitalised under IFRS 16 from 1st April 2019. The 2019 operating leases disclosures are as follows:

Land and buildings

	2019
	£'000
Less than one year	404
Between one and five years	299
	703

26. Cash flow from operating activities

	2020	2019
	£'000	£'000
Profit after taxation	**3,136**	945
Interest income	**(84)**	(37)
Interest payable	**68**	77
Taxation	**166**	209
Depreciation of property, plant and equipment	**848**	960
Depreciation of leased assets	**491**	-
Amortisation of intangible assets	**1,293**	1,600
Exchange differences	**(264)**	78
Share based payments	**468**	567
Operating profit before changes in working capital and provisions	**6,122**	4,399
Decrease in inventories	**146**	266
(Increase) in trade and other receivables	**(285)**	(1,267)
Increase in trade and other payables	**1,257**	4,090
Net cash generated from operating activities	**7,240**	7,488

27. Events after the statement of financial position date

There were no events after the balance sheet date.

Shareholder information

Dealings permitted on Alternative Investment Market (AIM) of the London Stock Exchange.

Directors and Company Secretary
C.J. Humphrey - Non-Executive Chairman
D.J. Coghlan - Non-Executive Director
G.L. Millward - Non-Executive Director
N.B. Philpot – Chief Executive Officer
C.G. Herbert – Chief Financial Officer and Company Secretary

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