Eckoh

15 June 2022

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

Full year results
- Group and US ARR growing strongly
- Transformational Syntec acquisition progressing well
- Expectation of material growth in FY23

Eckoh plc (AIM: ECK), the global provider of Customer Engagement Security Solutions, is pleased to announce results for the twelve months to 31 March 2022.

£m (IFRS unless otherwise stated)	**FY22**	**FY21**	***Change***
Revenue	31.8	30.5	*+4%*
Gross profit	25.4	24.2	*+5%*
US Secure Payments ARR ($m) [1]	11.9	6.5	*+82%*
Total ARR[1]	25.2	17.0	*+48%*
Adjusted EBITDA[2]	6.8	6.4	*+7%*
Adjusted operating profit[3]	5.2	4.7	*+10%*
Profit before taxation	2.3	3.5	*(34%)*
Adjusted earnings pence per share[4]	1.57	1.49	*+5%*
Adjusted diluted earnings pence per share[4]	1.34	1.45	*(8%)*

Strategic highlights

- Strong ARR[1] growth, especially in the US market, driven primarily by our clients' need to protect data and comply with increasing regulation without compromising customer experience
- UK business returned to growth with strong second half revenues as most client activity recovered
- Transformational Syntec acquisition performing in line with our expectations with integration on track
    - Unification and enhancement of product offering on track for go-to-market launch in 2022
- As part of our long-term strategic direction, multi-platform cloud-enablement of our offering is driving:
    - Market leadership and competitive advantage
    - Scalability into larger client opportunities on an international basis, characterised by recent contracts
    - Significant cross-sell opportunities and faster deployments will drive increased client value
- Realignment of sales capability and go-to-market proposition to drive top-line growth, and restructuring of cost base to create greater operational efficiency

Current trading and Outlook

- Current order levels already substantially exceed FY22's first quarter outcome
- Significant strengthening of Eckoh's new business pipeline in the first quarter, including major opportunities for large blue-chip organisations
    - Progress reflects success with our strategy to pursue larger, higher quality opportunities through management action to improve sales function
    - Renewals post-period end includes our largest contract scheduled for FY23, worth £2.1m
- First client deployed and live on our new Azure cloud platform signed new 3-year contract worth $1.4m for voice security and a further contract worth $0.6m to secure live chat agents with digital payments

1. *ARR is the annual recurring revenue of all contracts billing at the end of the period. Included within Group ARR is all revenue that is contractually committed and an element of UK revenue that has proven to be repeatable, but not contractually committed.*
2. *Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is the profit before tax adjusted for depreciation of owned and leased assets, amortisation of intangible assets, expenses relating to share option schemes, restructuring costs and transactional costs.*
3. *Adjusted operating profit is the profit before tax adjusted for amortisation of acquired intangible assets, expenses relating to share option schemes, restructuring and transactional costs*
4. *Adjusted earnings pence per share – the Group issued 36.2m new ordinary shares during the year in connection with the acquisition of Syntec which results in an increase in the weighted average shares in issue across the period.*

- As previously stated, the Board expects FY23 revenue and profit to be significantly higher than FY22, driven by strong organic ARR growth, operational efficiencies and synergistic benefits of the Syntec integration
- The Board is confident of further progress in the year ahead, supported by an encouraging pipeline, a model with high recurring revenues and a robust balance sheet.

Financial highlights

- Strong performance, as previously announced in Trading Update on 17 May 2022
- Group ARR[1] up 48%, reflecting market opportunity and ongoing shift to cloud
- Adjusted operating profit[3] up 10% with successful pivot to higher quality earnings following the completed exit from US and UK Support, which contributed £2m to FY21 adjusted operating profit
- US Secure Payments performed strongly:
  - Revenue up 8%, underlying growth stronger
  - US ARR[1] up 38% on an organic basis and 82% including Syntec
- UK revenues returned to growth with transactional volumes largely returned to pre-pandemic levels
  - Revenue up 9%, excluding third-party support or 3% total
  - UK ARR[1] of £16.5m, up 8% on an organic basis and up 36% including Syntec
- Profit before taxation includes £1.0m of transactional costs (in connection with the acquisition of Syntec) and £0.9m of one-off restructuring costs
- Balance sheet remains strong following the Syntec acquisition with net cash of £2.8m (FY21: £11.7m)
- Increased final proposed Dividend at 0.67p per share (FY21: 0.61p), demonstrating increasing confidence in the ongoing growth opportunity

Nik Philpot, Chief Executive Officer, said:

"Eckoh has made significant progress in the last 12 months. We have shown the resilience of our business model, with growth in revenue and operating profit and improved quality of earnings with the completed exit from our Support activity. Our momentum is underpinned by fast-growing recurring revenues, with an excellent performance in our US business and a return to growth in the UK.

We successfully completed the transformational acquisition of Syntec, which enhanced our position as the largest provider in our industry. The integration is progressing well and our unified product suite will extend our market-leading position in Customer Engagement Security Solutions. Our new multi-platform, cloud delivery has created differentiation within our industry by offering greater customer choice, enabling us to deliver our services efficiently and at scale, and address significantly larger and global mandates.

We have started the year strongly, and looking ahead the Board expects FY23 revenue and profits to be significantly higher than FY22, reflecting our ongoing organic growth, continued momentum in the US market, a sustained recovery in UK trading, and the integration of Syntec. In addition, we expect our progress to be supported by long-term structural growth drivers and increasing cloud adoption, coupled with the benefits of new products and operational gearing."

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About Eckoh plc

Eckoh is a global provider of Customer Engagement Security Solutions, supporting an international client base from its offices in the UK and US.

Our Customer Engagement Security Solutions enable enquiries and transactions to be performed on whatever device the customer chooses, allowing organisations to increase efficiency, lower operational costs and provide a true omnichannel experience.

We help our clients to take payments and transact securely with their customers through all customer engagement channels. The solutions, which are protected by multiple patents, remove sensitive personal and payment data from contact centres and IT environments and are delivered globally through our multiple cloud platforms or can be deployed on the client's site. They offer merchants a simple and effective way to reduce the risk of fraud, secure sensitive data and become compliant with the Payment Card Industry Data Security Standards ("PCI DSS") and wider data security regulations. Eckoh has been a PCI DSS Level One Accredited Service Provider since 2010, securing over £5 billion in payments annually.
Our large portfolio of clients come from a broad range of vertical markets and includes government departments, telecoms providers, retailers, utility providers and financial services organisations.

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

Introduction

Eckoh has had a successful year consolidating our position as leaders in the growing Customer Engagement Security market. Our new metric of Group ARR shows extremely strong progress and we delivered a robust level of adjusted operating profit, £5.2 million, an increase of 10% year on year (FY21: £4.7 million) and ahead of consensus market expectations. We acquired Syntec Holdings Limited in December 2021 and are pleased with the current performance. The acquisition, alongside our organic business growth, will further strengthen our market-leading position. In our trading and product update in April, we announced the significant enhancements to our customer engagement security portfolio, the majority of which are available globally.

Our performance shows the resilience of our model and the merit of our long-term strategy, given the remaining challenges presented by the pandemic, the uncertain macro-economic climate and the planned and completed exit from US and UK Support, which had contributed £2 million to the previous year's profit. As a result, the Board has increased the proposed dividend by 10% to 0.67 pence per share (FY21: 0.61 pence per share).

Our strong performance reflects ongoing progress in our US Secure Payments operation, which now accounts for nearly 90% of total US revenues (FY21: 80% of total US revenues) and with the enhanced global product offerings provides the platform for continued growth and additional cross-selling into our existing clients, a significant part of our strategy. During the year the UK division has continued to recover and the momentum we saw at the end of the first half has continued into the second half, with revenue up 9% year on year in the second half, demonstrating the resilience of our business model.

A year ago, we said we would introduce an ARR[1] metric, which we did for the US Secure Payments business in our interim results in November. At that time, we also committed to include an ARR metric for the entire Group with our full year results, and we are pleased to have been able to fulfil that commitment. Given the transactional nature of some UK revenues, we have slightly updated our definition of ARR since our trading update in May. Group ARR[1] was £25.1 million as at 31st March 2022, a 48% increase year-year (FY21: £17.0 million), a very strong outcome demonstrating the high level of visibility we have in our business model.

Total revenue for the year was £31.8 million, an increase year on year of 4% (FY21: £30.5 million) or 6% adjusting for constant exchange rates. Excluding the third-party Support business in FY22 and FY21, revenue was £31.2 million, an increase of 11%. Included within these results are three months of revenue from Syntec, which is performing in line with our expectations at acquisition.

Gross profit was £25.4 million, an increase year on year of 5% (FY21 £24.2 million), with gross profit margin 80%, (FY21: 79%). US gross profit was £8.5 million (FY21: £8.9 million), with gross profit margin increasing as expected to 74% (FY21: 71%). The growth in gross profit margin in the US, is aligned with our expectations as US clients successfully renew their contracts, most new client deployments are on the cloud platform and there is continued growth in the Secure Payments activity. UK gross profit was £15.6 million (FY21: £15.3 million), an increase of 2% with gross profit margin decreasing by 1% to 84%. Syntec gross profit was £1.4 million, with an 80% gross profit margin, in line with the Group's gross profit margin.

The prudent cost control we achieved in FY21 has continued into FY22. We made structural changes to the US Sales team in the second half of the year and increased our focus on 'vertical selling' (targeting sectors such as healthcare, which are well suited to our model). We have introduced a global Network Operations Centre (NOC) and also streamlined the US operational team, following the planned and completed exit from the third-party Support business.

Adjusted operating profit[2] was £5.2 million (FY21: £4.7 million), an increase of 10% year on year. After adjusting for the planned exit from third-party Support, FY22 adjusted operating profit was £4.8 million, a year-on-year improvement of 81% (FY21: adjusted operating profit excluding third party Support £2.7 million).

Total contracted business[3] for the financial year at the Group level was £22.5 million (FY21: £30.7 million), with 77% of all new business from Secure Payment solutions. The first half of the year was challenging for new business and particularly large enterprise contracts with the ongoing impact of the pandemic at the time. We started to see improvements as the second half started, but the usually strong final quarter of the year was then impacted unexpectedly by the global macro-economic challenges arising from the ongoing conflict in Ukraine. New business won in the year was £10.8 million (FY21: £15.7 million), an unsatisfactory outcome, but with the continued pandemic challenges in the first half and the macro-economic challenges in the last quarter, it was an understandable result. We are, however, very encouraged by trading in the first quarter of the new year, with order levels already significantly higher than last year, and with a much stronger pipeline.

Our balance sheet remains robust with a strong net cash position of £2.8 million (FY21: £11.7 million). In the first half of the financial year, we repaid the final instalment of the term loan with Barclays Bank and in December we utilised some of our cash reserves to part-fund the acquisition of Syntec. In addition, and as a result of the acquisition of Syntec, the Group entered into new banking arrangements with Barclays Bank for a £5.0 million Revolving Credit Facility (RCF) and a £5.0 million overdraft facility. As at 31st March there was no debt drawn under either facility. The RCF is secured against the Group's UK head office which is an asset we own outright.

A clear growth strategy

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

Our strategic objectives include:

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

Highly complementary products brought together into a new enhanced security-led proposition

Historically Eckoh's go-to-market proposition encompassed two highly complementary areas: Secure Payment products and Customer Engagement 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 US Consumer Privacy Acts. Eckoh prevents sensitive personal and payment data from entering IT and contact centre environments when customers make payments for goods and services.

- The Group's Customer Engagement Solutions help organisations transform the way they engage with their customers. Eckoh's proposition, 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 overlap between these two areas has always been significant and has led us to update and unify our proposition into a new go-to-market vision of Customer Engagement Security Solutions. Going forward all of our customer engagement offerings will be underpinned with security features and capabilities to assist our clients to address security concerns and increasing regulation, but to do so in a way that doesn't compromise the quality of their customer's experience. An example of this is our live chat offering which incorporates our patented and unique ChatGuard capability, that enables payment or personal information to be entered by a customer into a live chat session without any of that information traversing our client's environment or being shared with an advisor.

In the past our UK operations sold our entire product portfolio, but in the US - a territory that Eckoh entered six years ago - the focus has been on Secure Payments, where we had the greatest differentiation and the least competition. Going forward this distinction will no longer be the case, with our new product proposition being available to any client in any territory. Our solutions, which will enable our clients to 'Engage, Secure and Protect' their customers, will all be delivered through our multi-vendor and global cloud platforms, allowing us to better service international contracts. The procurement of security and payment solutions to be deployed across multiple territories is certainly increasing, and we will continue to invest in and extend our cloud platforms to support this growth. This trend will broaden our market further and inevitably lead to us having a blurring of our geographical target markets with Rest of World ('ROW') becoming a more important component of our future revenue streams.

The growing proportion of cloud deployments we have already seen occur in the US market, alongside the acquisition of Syntec, means our ability to sell and deliver additional services to clients is very much enhanced. With our product roadmap extending our security remit beyond payments and into a broader data security proposition we expect to be able to increase the lifetime value of our clients and continue to have very low levels of churn.

As part of the integration of Syntec we have formed a cross-company technical group who are working on the unification of the security product proposition, a project that we have named ‘Syntegration’. This will lead us to have the ability to deliver all our Customer Engagement Security Solutions from a combined cloud native code base and have the flexibility of seamlessly adding new functionality or additional services as desired by the client, reducing the time to revenue considerably. The first instantiation of this new unified offering is expected to be available in this calendar year.

New growth drivers in a broadening global market

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

However, with the advent of a unified go-to-market proposition of Customer Engagement Security Solutions, enhanced by the new products and delivered through our expanding cloud platforms, not only will this naturally extend our reach geographically but it will also increase the opportunity within every client account. With regulation tightening and the financial impact of data breaches and fraud growing, organisations are increasingly looking for ways to move beyond the requirement of merely being compliant to secure themselves more comprehensively, leading to broadening information security budgets and remits.

The contact centre industry in both the UK and US is extremely large, representing around 4% of the entire workforce in both markets. However, the pandemic and the current economic climate is fundamentally changing the way that the contact centre industry operates and the pressures it has to deal with.

- The pandemic has forced contact centres to adopt hybrid working, increasing security concerns
- Recruitment and churn are huge problems, making it very challenging to properly service clients’ needs
- The cost-of-living crisis will accelerate levels of fraud and increase collection issues

In the aftermath of the pandemic there is now a much greater reliance on contact centre agents working remotely, usually from their homes, and that is only going to accentuate security concerns and requirements. The trend of remote working for managing customer engagement is almost certainly a permanent feature, and this can only benefit Eckoh as our security proposition enables companies to effectively further reduce or remove the risk of data breaches arising from one of the most challenging parts of their businesses.

Furthermore, the contact centre industry is now battling with a huge problem of churn and recruitment challenges as a consequence of the realignment of employees’ career aspirations coming out of the pandemic. This is unlikely to be solved easily or quickly and organisations will be looking even more acutely at the utilisation of their human agents and turning increasingly to technology to maximise first contact resolution levels and the average handling time for each contact. Eckoh’s new product portfolio will ensure that customers can be dealt with swiftly and effectively, without compromising their customer experience or the security of their data.

Lastly, the cost-of-living crisis will inevitably lead to an increase in fraud, both from internal employees and external organised criminals. Contact centres are a relatively low paid sector and it is this tier of employees who arguably will be most badly hit by the economic pressures, which may lead to a greater propensity for them to commit criminal acts, whether independently or on behalf of organised crime. The same economic challenges will also lead to greater numbers of consumers becoming either unwilling or unable to pay off charges for services. Managing those customers and trying to successfully and sensitively collect their payments will require more innovative and effective use of technology, and Eckoh’s security proposition has proven success and a demonstrable return on investment in this area.

Operational review

US Division (39% of group revenues)

The US business, including the Syntec US activity, represented 39% of Group revenues in 2022 (FY21: 41%). In the US, the Group’s focus has remained on the US Secure Payments opportunity, where we deliver a patented solution through the Eckoh CallGuard brand or Syntec CardEasy brand. The product enables enterprises to take card payments securely within their contact centre operations and the growth opportunity is underpinned by long-term structural drivers of tightening regulation, the need to mitigate the risk of data breaches (and fraud) within our clients' IT and contact centre operations and the migration to a greater level of remote working.

As the more extensive Customer Engagement Security offering delivered through our global cloud platforms is introduced to the US this year, there is a huge opportunity to cross-sell to our existing enterprise clients, many of which are the largest brands in the US market. This approach has proven to be highly successful with our UK clients and will drive continued growth.

In the US, Secure Payment revenue was $13.8 million an increase of 8.1% (FY21 $12.8 million) and 88% of total US revenue (FY21: 78%). The revenue growth has been tempered in this period by the three secure payment contracts that successfully renewed for the first time during the year, one of which was our largest contract to date, a $7.4 million 2-year contract that went live in 2019. At the point of renewal, the hardware fees and implementation fees are fully recognised and as we see more clients go through their first renewal, we will see the overall percentage of recurring revenue continue to increase. This is illustrated by the progress in recurring revenue, which was 65% (FY21: 52%), an improvement of 13%, demonstrating both the successful renewals achieved in the year and the increased number of clients who deploy on our global cloud platform. We expect the level of cloud deployments to continue at the current level, which will continue to improve the recurring revenue and the gross profit of the business.

The planned transition to Secure Payments and ultimate exit from the Support activity is now completed, with only $0.5m of revenue in this financial year coming from Support. Over the last five years Secure Payments has grown at a compound annual growth rate of 30% and the quality of earnings going forward will be enhanced by the exit from the shorter-term Support contracts. The growth of the US business is further demonstrated in the new ARR metric. The Eckoh US Secure payments ARR is $9.0m, an increase of 38% from the same time last year. When the Syntec US activity is included, the combined ARR is $11.9 million, an increase year on year of 82%.

Total contracted business was $10.6 million a decrease of 35% (FY21 $15.5 million). The level of new contracts was lower in the second half than expected, reflecting an unusually quiet fourth quarter due to macro-economic conditions and ramifications of the Ukraine situation. The Company remains focused on large enterprise contracts, and whilst deals were slow to close at the end of the year, the pipeline is stronger than a year ago and encouragingly we have seen much higher levels of activity and value of deals closing in Q1 of the new year compared to last.

We continue to see, as expected, the general acceleration towards cloud deployments and with our recently announced implementation of a new Microsoft Azure Cloud platform with a Fortune 100 US retailer now live, this makes Eckoh the only provider in our industry to offer alternative cloud providers. This particular client actively chose to deploy onto the Azure platform, illustrating that there are sensitivities and preferences that clients will have that will influence their choice of Cloud provider.

The ability to offer our clients a choice of cloud platform strengthens our position in the market and the expansion globally of our cloud platforms and capabilities remains one of our key strategic goals. One of the big advantages this brings is the speed and ease with which multiple parts of our secure engagement portfolio can be deployed. The client who is now live on our Azure platform has entered into two separate contracts with us. The first worth $1.4m over three years is for securing their voice agents, the second worth $0.6m is to allow them to securely take digital payments across other engagement channels, notably live chat. This is a good illustration of how we expect new and existing clients to take multiple parts of our portfolio and extend the reach of their overall solution over time.

While cloud deployment remains a key goal and advantage, we still expect that many of the largest enterprises will take many years to achieve that objective, so retaining the capability to deploy as required in a client's own data centres and environment continues to give us a tactical advantage over our competitors.

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

The average length of new contracts for Secure Payments is three years which is comparable to the UK, however, it is more typical in the US for renewals to be annual, often on an auto-renew. During the year there were five contracts that successfully renewed, one of which was our largest contract signed to date ($7.4 million over 2 years). There was a significant level of one-off fees in this contract, which were fully recognised in the first half. In the second half of the year there were two contracts, which are both on an annual auto-renew as described above, they are now in their fourth and fifth year showing similar lifecycle values to our UK clients.

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

In the year Coral and Support had a combined revenue of $1.8 million (FY21: $3.5 million) and accounted for 12% of the revenues (FY21:22%). A proportion of the restructuring costs incurred in the US in the first half relate to the third-party Support area of the business and the last stage of the restructuring took place in October as we merged the UK and US Customer Support desks to a global Network Operations Centre (NOC).

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 prior period, we secured additional licences and functionality of $1.0 million in the year. In FY22, there were no incremental licence fees, however as we have indicated previously, the timing of Coral orders remains hard to forecast and they will be lumpy in nature.

This will be the last time that the US is reviewed in the context of Secure Payments only. With the shift to a unified Customer Engagement Security Solutions proposition we will be commenting on our progress across this broader offering and will be able to assess progress in our ability to cross-sell new services into existing clients as well as on boarding new clients.

UK Division, including Syntec UK and Rest of World (61% of group revenues)

During the year the UK division has continued to recover and the momentum we saw at the end of the first half has continued into the second half, with revenue up 9% year on year in the second half, demonstrating the resilience of our business model. This provides us with continued confidence for the new year coupled with the strong contracted business already achieved in the first quarter to date.

Revenue in the year was £18.6 million (FY21 £18.0 million) an increase of 3%, this is particularly pleasing given the challenging beginning to the year, when the country remained impacted by the pandemic. When the third-party Support revenue is excluded in FY22 and FY21, the underlying growth was 9% from £16.8 million to £18.3 million. Recurring revenue has decreased to 80% from 84% in FY21 partly due to the planned exit from third-party Support.

UK clients are contracted through a range of commercial models that have evolved over time, unlike the newer US business (including Syntec US activity), which operates entirely on fixed fee contracts. Where the commercial model is transactional, which is common, it is usual for a client to commit to a high percentage of its expected volumes and in so doing achieve the most competitive buying rate. The portion of a client's revenue that is not committed is generally repeatable, even as we saw in the pandemic, where the UK activity levels were very significantly impacted but the revenue impact was only around 10%. In introducing the Group ARR metric, we have had to make an assumption on the revenue that is not contractually committed but is, and has been, repeatable. Based on this view UK ARR at the end of the period was £16.5m, a 36% increase including Syntec, 8% of which was organic.

Gross profit in the year was £15.6 million, an increase of 2% (FY21: £15.3 million) and gross margin in the UK decreased in the period by 1% to 84% (FY21: 85%).

Total contracted business was £13.3 million compared to £18.9 million in the prior year and new contracted business was £5.0 million compared to £5.9 million, a 14% decrease year on year. Total contracted business can be impacted by the timing of particularly large renewals, for example, in FY21 we completed a six-year contract renewal with Capita for the provision of services for the Congestion Charge to Transport for London, at a minimum contract value of £4 million. In FY22 we completed important renewals with amongst others Premier Inn, Rail Delivery Group, Thames Water and Boots, but these were comparatively smaller than the Capita agreement. There was only one significant client that was not renewed in the period, who were contracted through a partner, and migrated to a different solution, this was the first such non-renewal for many years. Since the financial year end, we have successfully renewed our largest contract scheduled for this financial year, a contract through Capita for a large public service organisation, which was £2.1 million over the term.

Looking at the segmentation of UK revenue, 28% came from Secure Payment services (FY21: 27%), 32% from Customer Engagement Solutions (FY21: 36%) and the remaining 40% from clients where we provide a combination of both solutions (FY21: 37%). The shift from Customer Engagement Solutions to clients with combined solutions is principally due to the improving volumes from our larger clients who take both the Secure Payments solution and the Customer Engagement Solution.

Our model of cross-selling to existing clients remains a key part of the Eckoh strategy, not just to generate incremental revenue but also to continue the trend of strong client retention and to further increase the lifetime value of the Group's customers. £3.6 million of the new business secured in the year (FY21: £3.5 million) was contracted with existing customers for delivery of new solutions or modifications. Our strong track record with existing clients has also continued to be demonstrated through the extremely high proportion of clients that are successfully renewed.

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

Syntec contributed £1.7 million of revenue and £0.3 million of operating profit in the final quarter of the financial year. This was consistent with our expectations at the time of the transaction, and the integration of the businesses is proceeding on plan. Unification of the technology and product offering is making progress and we expect to deliver a unified and enhanced go-to-market proposition in 2022.

Product update

In April we announced significant enhancements to our Customer Engagement Security portfolio to assist organisations in protecting their customers' payment and personal data in more efficient and diverse ways.

The enhancements support Eckoh's strategic goals to capitalise on the structural developments in the global market and to use cloud technologies to develop and enhance our proprietary solutions while maintaining a market leading position for Customer Engagement data and payment security. These new enhancements included:

Secure Chat

Eckoh's Live Chat product is used by large enterprises that need the most versatile customisations and integrations plus the ability to scale to support the largest and most demanding requirements – something that off-the-shelf Chat products cannot provide. With a new redesigned interface based on extensive client feedback, agents and customers can now enjoy an even slicker and more convenient experience that is fully cloud-hosted, allowing for sudden and significant fluctuations in demand. With Eckoh's unique and patented product ChatGuard built-in as standard, organisations can take fast in-chat payments with the reassurance of full PCI DSS compliance. Eckoh's Secure Chat is the only service to offer this capability and this updated version is now available globally and is expected to add significant value to the security proposition.

Digital Payments

Blending digital security with live person interaction, Eckoh's Digital Payments can be extended to any customer engagement channel. Organisations can now provide their customers with a secure payment link triggered by the agent from an engagement on a chat or messaging session or via an email. The agent can monitor the progress of the payment process in a similar way to our voice security product, and without any exposure to any of the data. It also offers the consumer traditional card payment or popular alternative payment methods like PayPal, ApplePay or GooglePay. Digital Payments is now available globally through Eckoh's multi-cloud platforms, the latest addition to the broadening security product range that is facilitating greater opportunities for cross-selling into Eckoh's extensive client base.

CallGuard Express

CallGuard Express is designed to make compliance and security straightforward for any business. It offers companies of any size the same security functionality and credentials of CallGuard, but without the customisation and managed service that larger companies often require. This enables CallGuard Express to be quick to deploy, simple to use and with a lower-cost entry point. As well as standalone businesses, this new proposition is also available to resellers through a partner program, enabling them to switch on new clients within days with no integration required.

CallGuard On-Demand
In response to the increasingly rigorous Payment Card Industry Data Security Standards ("PCI DSS"), Eckoh has developed an on-demand option for organisations who may have low or variable volumes of payments but still require the reassurance of full compliance. This enhancement gives the contact centre agent the ability to invoke CallGuard only when a payment is taken, rather than all calls needing to traverse through the system.

Speech technology expansion
Eckoh has a long and successful history of speech-based applications and is leveraging that knowledge by enabling even more languages for the speech option in our security solutions. A new five-year contract, which was a significant cross-sell into a Syntec account, will see 18 different languages being implemented across the global estate of an international travel business.

Amazon Connect
During FY22 we have invested in progressing the delivery of Eckoh solutions that include Amazon Connect as the Cloud telephony layer. When combined with Eckoh's Customer Engagement Security Solutions this creates a compelling bundled solution that will enable Eckoh clients to have complex and feature-rich cloud customer engagement but delivered in a truly flexible, agile and, most importantly, secure way.

Syntegration – Creating a new cloud delivered Customer Engagement Security offering
'Syntegration' is an in-flight project to bring the best of Eckoh and Syntec's existing products and technologies together, and build a unified platform and roadmap for future new capability. Both company's core development teams have been working as one cohesive unit to take all the best elements of each product and bring them together into a truly world-class product suite. It will provide a seamless upgrade path for current clients to benefit from all the same capabilities as future clients.

Both Eckoh and Syntec already had well-established, successful products in the market, having benefitted from many man-years of initial development coupled with subsequent enhancements and fine tuning based on feedback from some of the world's largest brands. The combination of the two products not only enhances the core security aspects of the platform, but also extends capability to new features almost immediately and creates an extensive roadmap for future innovation.

With each solution having its own unique strengths, Eckoh has capitalised on these, bringing them together in a re-worked code base, plugging in additional capabilities and deployment models, and leveraging advances in Cloud technology that have emerged in the last five years. As Eckoh's CallGuard and CardEasy brands will now both benefit from the cross-pollination of features, many near-term roadmap items will be brought to fruition via this 'Syntegration' rather than net-new development. Further, our long-term roadmaps now culminate into a single vision where new features can be developed and released on an accelerated timeline with the larger and more integrated research and development team.

The benefits of Syntegration are wide ranging, not only strengthening Eckoh's product proposition and partner integrations, but also delivering a significant number of operational efficiencies and reduced cost of ownership. Some key benefits of the new offering will be:

- Best of both product sets
- Cloud agnostic
- Increases automation and agent efficiency
- Seamless upgrade path for all customers
- Reduces the total cost of ownership by lowering the cloud footprint (less computing power)
- Brings together an unrivalled stable of out-the-box integrations
- Fits any deployment model we have encountered
- Delivery through configuration rather than bespoke development
- Provides the backbone for our Customer Engagement Security roadmap
- Combines architectural and engineering expertise with a growing patent portfolio

Outlook

The balance sheet remains strong with net cash of £2.8m (FY21: £11.7m), well ahead of expectations. The reduction from last year reflects the completed acquisition of Syntec in December 2021, which was part funded from our cash reserves.

The Board expects revenue and profit for FY23 to be significantly higher than FY22. This will be driven by synergistic benefits of the Syntec integration, ongoing momentum in the US market, and expected normal trading activity in the UK; supported by long-term structural growth drivers and cloud adoption. The Board is confident of further progress in the year ahead, with an encouraging pipeline, a model with high recurring revenues and a robust balance sheet, coupled with the benefits of new products and operational efficiencies. These expectations are subject to ongoing uncertainty in the macro-economic climate.

Financial Review

Eckoh has had a successful year and delivered a robust level of adjusted operating profit, £5.2 million, an increase of 10% year on year (FY21: £4.7 million) and ahead of consensus market expectations. We acquired Syntec Holdings Limited in December 2021 and their results for the three months to 31st March 2022 are included in the below review.

Revenue for the year increased by 4% to £31.8 million (FY21: £30.5 million) and at constant exchange[3] rates by 6%. Adjusted operating profit[1] was £5.2 million an increase of 10% year on year (FY21: £4.7 million). Profit after tax for the year was £1.6 million, compared to £2.8 million in FY21. In the current year profit after tax of £1.6 million, there are £1.0 million of transaction costs relating to the acquisition of Syntec and restructuring costs of £0.9 million. The restructuring costs include redundancy and contract termination costs following the acquisition of Syntec and redundancy costs in Eckoh US following the restructuring of the Sales team, the introduction of a global Network Operations Centre (NOC) and the completion of the exit of the third-party Support business.

Basic earnings per share for the year ended 31 March 2022 was 0.59 pence per share (FY21: 1.09 pence per share). Adjusted earnings per share for the year ended 31 March 2022 was 1.57 pence per share (FY21: 1.49 pence per share).

Divisional performance

Revenue in the UK, which represents 59% (FY21: 59%) of total group revenues, increased by 3.1% to £18.6 million (FY21: £18.0m). The US represented 36% (FY21: 41%) of total group revenues and revenues decreased in the period by 7.7% to £11.5 million (FY21: £12.4m). After excluding the exited third-party Support business in prior years, revenues increased by 4.9%. Syntec revenue was £1.7 million, or 5% of total group revenues, in line with expectation at acquisition. Revenues in local currency grew by 5.7% year on year.

Following the acquisition of Syntec, whose business is split across the US, UK and Rest of World (ROW), the increasing frequency of contracting on a global basis with clients and the increased global deployment of our products as we increase our product availability globally through our multi-cloud offering, we will review the most appropriate and meaningful approach to measure the success of our business. Including the Syntec US revenues with Eckoh's US division, means US revenues account for 39% of revenues, the UK and ROW 61%.

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

	FY22 (UK) £000	**FY22 (US) £000**	**FY22 (Syntec) £000**	**FY22 Total £000**	FY21 (UK) £000	FY21 (US) £000	FY21 Total £000
Revenue	**18,596**	**11,487**	**1,697**	**31,780**	18,037	12,449	30,486
Gross Profit	**15,593**	**8,473**	**1,357**	**25,423**	15,299	8,896	24,195
Gross margin	**84%**	**74%**	**80%**	**80%**	85%	71%	79%

Gross profit

The Group's gross profit increased to £25.4 million (FY21: £24.2 million). Gross profit margin was 80% for the year, an increase of 1% year on year (FY21: 79%). The UK gross profit margin decreased by 1% to 84%. In the US, the full year margin increased from 71% to 74% as previously indicated, due to the continued increase in Secure Payments and particularly in the cloud environment, the planned transition away from the third-party Support business and the impact of one-off Coral licences in the prior year.

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 at 84-85%. In the US, we would expect the gross profit margin to continue to increase from 74% to approx. 76% over the next two years. This is driven by the continued growth of the Secure Payments' activities for cloud solutions coupled with clients renewing their contracts without additional significant hardware. Syntec has a mixture of business delivered in the US, UK and ROW, with deployments typically through its hosted cloud platform for its UK and ROW business, with the US business having a mixture of on-site deployments and more lately cloud deployments, the gross profit margin is expected to remain at approx. 80%.

Administrative expenses

Total administrative expenses for the year were £23.0 million (FY21: £20.6 million). Adjusted administrative expenses[4] for the year were £20.2 million (FY21: £19.4 million). The prudent cost control achieved in FY21 has continued into FY22, we made structural changes to the US Sales team at the end of the first half and increased our focus on 'vertical selling' (targeting sectors such as healthcare, which are well suited to our model), we have introduced a global Network Operations Centre (NOC) and also streamlined the US operational team, following the planned and completed exit from the third-party Support business. Included in administrative expenses is a trading foreign currency loss of £0.1 million (FY21: £0.4million loss).

Profitability measures

Adjusted operating profit was £5.2 million, an increase of 10.1% year on year (FY21: £4.7 million). Included in the year was a foreign currency loss of £0.1 million (FY21: loss £0.4 million) and nil Coral licences (FY21 £0.3 million). Adjusted EBITDA[2] for the year was £6.8 million, an increase of 7.6% year on year (FY21: £6.4 million).

	Year ended 31 March 2022 £'000	Year ended 31 March 2021 £'000
Profit from operating activities	**2,386**	3,550
Amortisation of acquired intangible assets	**751**	663
Expenses relating to share option schemes	**241**	536
Restructuring costs	**866**	-
Costs relating to business combinations	**985**	-
Adjusted operating profit[1]	**5,229**	4,749
Amortisation of other intangible assets	**392**	398
Depreciation of owned assets	**675**	704
Depreciation of leased asset	**498**	505
Adjusted EBITDA[2]	**6,794**	6,356

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

Statement of financial position

While Eckoh continues to innovate by developing new products and features such as those detailed in the product update, little of this is capitalised on the balance sheet with only £0.3 million (FY21: £0.4m) added in the year to the value of the intangible assets of the Company. While taking a prudent approach to capitalising salary cost, which 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 2022, the interest payable charge was £74k (FY21: £87k). The interest charge is made up of bank interest of £23k (FY21: £54k) and interest on leased assets of £51k (FY21: £33k).

Taxation

For the financial year ended 31 March 2022, there was a tax charge of £743k (FY21: £717k charge). The effective tax rate in the financial year ended 31 March 2022 was 43.8% (FY21: 20.4%). The current year tax rate is impacted by the non-deductible nature of the fees relating to the transaction of Syntec and the reversal of deferred tax on the share options for the Exec Directors which are unlikely to vest in July 2022.

Earnings per share

Basic earnings per share was 0.59 pence per share (FY21: 1.09 pence per share). Diluted earnings per share was 0.51 pence per share (FY21: 1.06 pence per share). Adjusted diluted earnings per share was 1.34 pence per share (FY21: 1.45 pence per share).

Client contracts

Client contracts are typically multi-year in length and have a high proportion of recurring revenues, usually underpinned by minimum commitments. With a greater proportion of contracts being delivered through the cloud the initial set up fees and hardware costs associated with larger customer premise deployments will be reducing, leading over time to an increase in operating margin.

Contract liabilities and contract assets

Contract liabilities and contract assets relating to IFRS 15 Revenue from Contracts with Customers have decreased in the current year, principally as new contracted business in the US has been predominantly for cloud-based solutions. Where clients contract for their services to be provided in the cloud or on our internal cloud platform, the level of hardware is significantly reduced and implementation fees are typically lower. This reduces the level of upfront cash received but drives a greater level of revenue visibility and earnings quality. Total contract liabilities were £12.5 million (FY21: £11.3 million), included in this balance are £9.5 million of contract liabilities relating to the Secure Payments' product, hosted platform product or Syntec's CardEasy Secure Payments product, a decrease from £1.8 million at the same time in the previous year. Contract assets as at 31 March 2022 were £3.8 million (FY21: £4.4 million).

Cashflow and liquidity

Gross cash at 31 March 2022 was £2.8 million (FY21: £12.7 million), as at 31 March 2022 there was no drawdown of debt (FY21: £1.0 million debt). In April and July 2021, the Company made the two final quarterly repayments of £1.0 million of the loans outstanding to Barclays Bank in accordance with the terms of the term loan. During the second half of the year and as a result of the acquisition of Syntec, we utilised our cash reserves to part-fund the acquisition, raised funds from Shareholders and the Group secured a new £10 million debt facility with Barclays Bank, which comprises a £5.0 million overdraft and a £5.0 million revolving credit facility. During the year, there has been a net cash outflow from working capital of £1.7 million (FY21: £2.3 million cash outflow) due to the timing of invoicing and cash receipts and as the deferred revenue for the US large on-site deployments has been recognised over the term of the contract, generally three years.

Dividends

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2022 of 0.67 pence per ordinary share be paid to the Shareholders whose names appear on the register at the close of business on 23 September 2022, with payment on 21 October 2022. The ex-dividend date will be 22 September 2022. This recommendation will be put to the Shareholders at the Annual General Meeting. Based on the shares in issue at the year end, this payment would amount to £2.0m.

Consolidated statement of total comprehensive income
for the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Continuing operations			
Revenue	2	**31,780**	30,486
Cost of sales		**(6,357)**	(6,291)
Gross profit		**25,423**	24,195
Administrative expenses		**(23,037)**	(20,645)
Operating profit		**2,386**	3,550
Adjusted operating profit		**5,229**	4,749
Amortisation of acquired intangible assets		**(751)**	(663)
Expenses relating to share option schemes		**(241)**	(536)
Exceptional restructuring costs		**(866)**	-
Costs relating to acquisition	5	**(985)**	-
Profit from operating activities		**2,386**	3,550
Finance charges		**(74)**	(87)
Finance income		**6**	48
Profit before taxation		**2,318**	3,511
Taxation		**(743)**	(717)
Profit for the financial year		**1,575**	2,794
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		**139**	134
Other comprehensive income for the year, net of income tax		**139**	134
Total comprehensive income for the year attributable to the equity holders of the parent company		**1,714**	2,928

		2022	2021
Profit per share		**pence**	Pence
Basic earnings per 0.25p share	3	**0.59**	1.09
Diluted earnings per 0.25p share	3	**0.51**	1.06

Consolidated statement of financial position
as at 31 March 2022

	Notes	2022 £'000	2021 £'000
Assets			
Non-current assets			
Intangible assets		**39,664**	6,527
Property, plant and equipment		**4,189**	4,307
Right-of-use leased assets		**1,516**	1,310
Deferred tax assets		**1,789**	3,211
		47,158	15,355
Current assets			
Inventories		**268**	174
Trade and other receivables		**12,283**	13,277
Cash and cash equivalents		**2,840**	12,706
		15,391	26,157
Total assets		**62,549**	41,512
Liabilities			
Current liabilities			
Trade and other payables		**(18,286)**	(18,482)
Other interest-bearing loans and borrowings		**-**	(975)
Lease liabilities		**(609)**	(517)
		(18,895)	(19,974)
Non-current liabilities			
Lease liabilities		**(928)**	(825)
Deferred tax liabilities		**(2,983)**	(296)
		(3,911)	(1,121)
Net assets		**39,743**	20,417
Shareholders' equity			
Called up share capital		**732**	638
Share premium account		**22,180**	2,663
Capital redemption reserve		**198**	198
Merger reserve		**2,697**	2,697
Currency reserve		**1,121**	982
Retained earnings		**12,815**	13,239
Total shareholders' equity		**39,743**	20,417

Consolidated statement of changes in equity

for the year ended 31 March 2022

	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 2021	638	2,663	198	2,697	982	13,239	20,417
Total comprehensive income for the year							
Profit for the financial year	-	-	-	-	-	1,575	1,575
Other comprehensive expense for the period	-	-	-	-	139	-	139
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**139**	**1,575**	**1,714**
Dividends paid in the year	-	-	-	-	-	(1,559)	(1,559)
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(75)	(75)
Purchase of own shares	-	-	-	-	-	(126)	(126)
Shares purchased for share ownership plan	-	-	-	-	-	(111)	(111)
Shares issued under the share option schemes	3	226	-	-	-	-	229
Share based payment charge	-	-	-	-	-	464	464
Shares issued as part of acquisition	91	19,291	-	-	-	-	19,382
Deferred tax on share options	-	-	-	-	-	(592)	(592)
Transactions with owners recorded directly in equity	**94**	**19,517**	**-**	**-**	**-**	**(1,999)**	**17,612**
Balance at 31 March 2022	**732**	**22,180**	**198**	**2,697**	**1,121**	**12,815**	**39,743**

	Called up share capital £'000	Share premium £'000	Capital redemption reserve £'000	Merger reserve £'000	Currency reserve £'000	Retained earnings £'000	Total shareholders' equity £'000
Balance at 1 April 2020	638	2,663	198	2,697	848	11,965	19,009
Total comprehensive income for the year							
Profit for the financial year	-	-	-	-	-	2,794	2,794
Other comprehensive expense for the year	-	-	-	-	134	-	134
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**134**	**2,794**	**2,928**
Dividends paid in the year	-	-	-	-	-	(1,558)	(1,558)
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(138)	(138)
Shares purchased for share ownership plan	-	-	-	-	-	(241)	(241)
Share based payment charge	-	-	-	-	-	303	303
Deferred tax on share options	-	-	-	-	-	114	114
Transactions with owners recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**(1,520)**	**(1,520)**
Balance at 31 March 2021	**638**	**2,663**	**198**	**2,697**	**982**	**13,239**	**20,417**

Consolidated statement of cash flows

for the year ended 31 March 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Cash generated from operations	4	**3,362**	4,385
Taxation received/ (paid)		**88**	(10)
Interest paid		**(23)**	(54)
Interest paid on lease liability		**(51)**	(33)
Net cash generated from operating activities		**3,376**	4,288
Cash flows from investing activities			
Purchase of property, plant and equipment		**(308)**	(1,175)
Purchase of intangible assets		**(375)**	(573)
Business acquisition		**(22,500)**	-
Interest received		**6**	48
Net cash utilised in investing activities		**(23,177)**	(1,700)
Cash flows from financing activities			
Dividends paid		**(1,559)**	(1,558)
Repayment of borrowings		**(975)**	(975)
Principal elements of lease payments		**(500)**	(461)
Purchase of own shares		**(126)**	-
Shares purchased for share ownership plan		**(110)**	(241)
Issue of shares net of issue costs		**13,311**	-
Shares acquired/sold by Employee Benefit Trust		**(75)**	(138)
Net cash generated from / (utilised in) financing activities		**9,966**	(3,373)
Decrease in cash and cash equivalents		**(9,835)**	(785)
Cash and cash equivalents at the start of the period		**12,706**	13,541
Effect of exchange rate fluctuations on cash held		**(31)**	(50)
Cash and cash equivalents at the end of the period		**2,840**	12,706

1. Basis of preparation

The preliminary results of Eckoh plc have been prepared in accordance with the recognition and measurement principles of UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006 and effective at 31 March 2022. These statements do not constitute the Company's statutory accounts within the meaning of section 435 of the Companies Act 2006 but have been derived from those accounts.

Statutory accounts for the year ended 31 March 2021 have been delivered to the Registrar of Companies but those for the year ended 31 March 2022 have not yet been delivered.

The auditors have reported on the accounts for the year ended 31 March 2022; their report was not qualified, did not include references to any matters to which the auditors drew attention to by way of emphasis without qualifying their report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

Going concern
In determining the appropriate basis of preparation of the Financial Statements, the Directors are required to consider whether the Group and Company can continue in operational existence for the foreseeable future.

The Board has carried out a going concern review and concluded that the Group and Company have 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 approving the Financial Statements. As at 31st March 2022, the £10 million of funding (£5 million RCF and £5 million overdraft) from Barclays Bank is undrawn. Bank covenants have been reviewed and are comfortably achieved for the year to 31st March 2022.

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.

In addition to our key business indicator, total orders and new business orders, we have also introduced Annual Recurring Revenue (ARR) to measure the health of the business, which includes all clients that we are billing. In the US, we continue to see the majority of the Secure Payments contracts won and delivered through Eckoh's cloud platforms, as large enterprises have accelerated their move into the cloud. Following the pandemic, we do not anticipate this trend to reverse and whilst this reduces the upfront payments (and cash received) for implementations, it increases the proportion of recurring revenue and improves the operational gearing, earnings quality and visibility in the business. 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, including the severe yet plausible downside scenario which assumes no new business, 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.

2. Segment analysis

Following the acquisition of Syntec Holdings Limited on 22nd December 2021, the key segments reviewed at Board level are the UK (including Eckoh Omni), US operations and Syntec. This will be reviewed over the current year as Eckoh progress with the integration of Syntec.

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	Eckoh US	Syntec[1]	Total 2022	Total 2021
	£'000	£'000	£'000	£'000	£'000
Segment Revenue	**18,596**	**11,487**	**1,697**	**31,780**	30,486
Gross profit	15,593	8,473	1,357	**25,423**	24,195
Administrative expenses	(14,399)	(7,300)	(1,338)	**(23,037)**	(20,645)
Operating profit	**1,194**	**1,173**	**19**	**2,386**	3,550
Adjusted operating profit	**3,194**	**1,728**	**307**	**5,229**	4,749
Other expenses[2]	(2,000)	(555)	(289)	**(2,844)**	(1,199)
Operating profit	**1,194**	**1,173**	**19**	**2,386**	3,550
Profit before taxation	**1,156**	**1,149**	**13**	**2,318**	3,511
Segment assets					
Trade and other receivables	2,904	2,059	749	**5,712**	5,389
Prepayments and contract assets	2,798	954	2,819	**6,571**	7,888
Deferred tax asset	1,103	513	173	**1,789**	3,211
Segment liabilities					
Trade and other payables	1,364	607	367	**2,336**	3,364
Accruals and contract liabilities	6,216	4,191	5,543	**15,950**	15,118
Capital expenditure					
Purchase of tangible assets	187	120	1	**308**	1,066
Purchase of leases	-	686	-	**686**	1,546
Purchase of intangible assets	375	-	-	**375**	573
Depreciation and amortisation					
Depreciation of property, plant & equipment	525	130	25	**680**	704
Depreciation of leased assets	353	108	34	**495**	505
Amortisation	1,143	-	-	**1,143**	1,061

1. Since date of acquisition of Syntec Holdings Limited on 22nd December 2021.
2. Other expenses include expenses relating to share option schemes, amortisation of acquired intangible assets, exceptional restructuring costs and costs from business combinations

In 2021/22 there was no one customer that individually accounted for more than 10% of the total revenue of the continuing operations of the Group. In 2020/21 there was one customer that individually accounted for more than 10% of the total revenue of the continuing operations of the Group.

Revenue by geography	Eckoh UK £'000	Eckoh US £'000	Syntec £'000	2022 Total £'000	2021 Total £'000
UK	18,117	-	739	**18,856**	17,804
United States of America	339	11,314	776	**12,429**	12,321
Rest of the World	140	173	182	**495**	361
Total Revenue	**18,596**	**11,487**	**1,697**	**31,780**	30,486

Timing of revenue recognition	Eckoh UK £'000	Eckoh US £'000	Syntec £'000	Total 2022 £'000	Total 2021 £'000
Services transferred at a point in time	15,193	8,076	1,472	24,741	23,240
Services transferred over time	3,403	3,411	225	7,039	7,246
	18,596	**11,487**	**1,697**	**31,780**	30,486

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

	2022 £'000	2021 £'000
Receivables, which are included in, 'Trade and other receivables	**4,860**	4,551
Contract assets which are included in 'Trade and other Receivables'	**3,828**	4,359
Contract liabilities which are included in 'Trade and other liabilities'	**(9,470)**	(11,347)
	(782)	(2,437)

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 2022
	Contract assets £'000	**Contract liabilities £'000**
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	6,938
Current year billings recognised in contract liabilities	-	4,108
Cost of sales recognised that was included in the contract assets balance at the beginning of the period	2,640	-
Costs deferred in current year and unbilled revenue included in contract assets	1,538	-

Contract costs	**31 March 2022 £'000**	31 March 2021 £'000
Deferred implementation fees	**1,028**	1,698
Deferred hardware costs	**510**	316
	1,538	2,014

Contract assets 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 £9.5m (FY21: £11.3m). We expect to recognise approximately £3.9m (FY21: £5.4m) in the next 12 months, £5.5m (FY21: £5.9m) 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 2021 £'000
Segment revenue	**18,037**	**12,449**	**30,486**
Gross profit	15,299	8,896	**24,195**
Administrative expenses	(13,022)	(7,623)	**(20,645)**
Operating profit	**2,277**	**1,273**	**3,550**
Adjusted operating profit	**3,069**	**1,680**	**4,749**
Other expenses[1]	(792)	(407)	**(1,199)**
Operating profit	**2,277**	**1,273**	**3,550**
Profit before taxation	**2,285**	**1,226**	**3,511**
Segment assets			
Trade and other receivables	2,648	1,903	**4,551**
Deferred tax asset	2,699	512	**3,211**
Segment liabilities			
Trade and other payables	2,565	798	**3,364**
Capital expenditure			
Purchase of tangible assets	698	368	**1,066**
Purchase of leases	1,138	408	**1,546**
Purchase of intangible assets	573	-	**573**
Depreciation and amortisation			
Depreciation of property, plant & equipment	542	162	**704**
Depreciation of leased assets	408	97	**505**
Amortisation	665	396	**1,061**

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

	Eckoh UK £'000	Eckoh US £'000	2021 £'000
Revenue by geography			
UK	17,804	-	17,804
United States of America	-	12,321	12,321
Rest of the World	233	128	361
Total Revenue	18,037	12,449	30,486

3. Earnings per share

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

	2022 £'000	2021 £'000
Earnings for the purposes of basic and diluted earnings per share	**1,575**	2,794
Earnings for the purposes of adjusted basic and diluted earnings per share	**4,181**	3,814

Reconciliation of earnings for the purposes of adjusted basic and diluted earnings per share

	2022	2021
	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share	**1,575**	2,794
Taxation	**743**	717
Amortisation of acquired intangible assets	**751**	663
Expenses relating to share option schemes	**241**	536
Exceptional restructuring costs	**866**	-
Costs relating to acquisition	**985**	-
Adjusted profit before tax	**5,161**	4,710
Tax charge based on standard corporation tax rate of 19% (2021: 19%)	**(980)**	(895)
Earnings for the purposes of adjusted basic and diluted earnings per share	**4,181**	3,815

	2022	2021
Denominator	**'000**	'000
Weighted average number of shares in issue in the period	**265,968**	255,351
Shares held by employee ownership plan	**(2,028)**	(1,862)
Shares held in Employee Benefit Trust	**-**	-
Number of shares used in calculating basic earnings per share	**263,940**	253,489
Dilutive effect of share options	**20,558**	9,426
Dilutive effect of shares for acquisition Dec 21	**7,889**	-
Dilutive effect of placing Dec 21	**18,494**	-
Number of shares used in calculating diluted earnings per share	**310,881**	262,915

	2022	2021
Profit per share	**pence**	Pence
Basic earnings per 0.25p share	**0.59**	1.09
Diluted earnings per 0.25p share	**0.51**	1.06
Adjusted earnings per 0.25p share	**1.57**	1.49
Adjusted diluted earnings per 0.25p share	**1.34**	1.45

4. Cashflow from operating activities

	2022	2021
	£'000	£'000
Profit after taxation	**1,575**	2,794
Interest income	**(6)**	(48)
Interest payable	**74**	87
Taxation	**743**	717
Depreciation of property, plant and equipment	**680**	704
Depreciation of leased assets	**495**	505
Amortisation of intangible assets	**1,143**	1,061
Exchange differences	**(95)**	522
Share based payments	**241**	536
Operating profit before changes in working capital and provisions	**4,850**	6,878
(Increase) / decrease in inventories	**(5)**	138
Decrease in trade and other receivables	**2,423**	217
Decrease in trade and other payables	**(3,906)**	(2,848)
Net cash generated in operating activities	**3,362**	4,385

5. Business Combinations

On 22 December 2021 the Group completed the acquisition of Syntec Holdings Limited for £31.0 million, through a combination of a cash consideration of £24.7 million with the balance of £6.3 million payable in new Eckoh shares. The deal was legally structured via the acquisition of 100% of the top holding company of Syntec Holdings Limited and its subsidiaries.

Syntec is an Ofcom-regulated UK network operator, based in the UK, with an extensive patent portfolio in the UK, US, EU and Australia. Syntec is a provider of secure payment solutions (under the brand CardEasy) with additional telecom and contact centre services provided predominantly in the UK.

Costs relating to the acquisition were £1.6 million, £0.6 million of costs relating to the issue of shares have been offset against funds raised in the share premium account, the remainder £1.0 million of costs have been expensed as incurred and treated as exceptional items.

Post-acquisition results of the acquired business for the year ended 31 March 2022 are included in the Group Consolidated Financial Statements. Revenue of £1.7 million and operating profit of £0.3 million relate to the acquired business. If the acquisition of Syntec Holdings Limited had been completed on the first day of the financial year, revenue included for the year would have been £5.8 million and operating profit included would have been £1.0 million.

The fair values of the identifiable asset and liabilities at the acquisition date are set out below:

	£000
Tangible assets	235
Intangible assets – Customer Relationships	12,367
Right-of-use leased assets	686
Deferred tax asset	91
Stock	89
Debtors	1,430
Cash at bank and in hand	2,197
Creditors due within one year	(3,940)
Creditors due after one year	(694)
Deferred tax liability	(2,888)
Fair value of net assets acquired	**9,575**
Goodwill	21,422
Total consideration	**30,997**
Satisfied by	
Cash	24,697
Shares	6,300
Total Purchase consideration	**30,997**
Net cash outflow arising on acquisition	
Cash consideration	24,697
Less: cash and cash equivalent balance acquired	(2,197)
Cash outflow from investing activities	**22,500**

The goodwill of £21.4 million comprises primarily the estimated value of a combination of the cross-selling opportunities for Eckoh's products into Syntec's CardEasy clients and vice versa. These are not included in the Intangible Assets – Customer Relationships above. The goodwill also comprises the benefits that will be derived from the combined product as set out in the Operational Review, in the section setting out the approach to 'Syntegration', the aim of which is to bring the best of Eckoh and Syntec existing product and technologies together to build a unified platform and roadmap for future new capability. The goodwill will not be tax deductible for tax purposes.

6. Events after the Statement of Financial Position Date

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