11 June 2024

Eckoh plc

("Eckoh" or the "Group")

Full year audited results for year ended 31 March 2024

- Record new contracted business in North America, up 44% year-on-year to $16.8m
- Record year of total contracted business at £52.6m driven by high renewals and strong H2 new business wins
- Strong progress with cloud transition and new cloud contracts, driving ARR, cost efficiency and margin enhancement
- New regulatory standards, hybrid working and new commercial strategy driving record sales pipeline

Eckoh plc (AIM: ECK), the global provider of Customer Engagement Data Security Solutions, is pleased to announce its full year audited results for the year ended 31 March 2024.

Nik Philpot, Chief Executive Officer, said: *"This was in many ways a milestone year for Eckoh, with record levels of contracts won, a record level of new business secured in North America and a record level of client renewals. It was also the first year when all new contracts won were for cloud deployments, illustrating the pace at which our cloud transition is proceeding, and whilst this has tempered our headline revenue growth it continues to improve our revenue visibility and margin. It's testament to the quality, performance and hard work of our team that this strategic progress has been made.*

The first half of the year was all about excellent contract renewals, but the second half was all about new business wins, and we have built a strong sales pipeline of exciting new business opportunities, supported by the impact that the new PCI standard is having as well as the significant risk of operating work from home agents without security measures.

The strategic decision at the beginning of the year to create a single commercial team focused on North America has delivered early success, with the record level of new business and the number of long multi-year contract renewals, which gives us excellent revenue visibility and improves our ability to further increase our strong cross-sell and upsell pipeline. We expect further progress with this strategy in FY25, as we continue to implement the plans to unlock the value in our largest accounts and as we leverage our cloud platforms and enhanced product set.

We are excited by the positive trends in the business and we are confident that Eckoh will continue to strengthen our market-leading position by assisting enterprises with the growing challenges that they are facing globally to maintain regulatory compliance and keep their customers' data and engagements secure."

£m (IFRS unless otherwise stated)	**FY24**	FY23	***Change***
Revenue	**37.2**	38.8	*-4%*
Gross profit	**31.0**	31.2	*-1%*
North America (NA) Security Solutions ARR ($m)[1]	**16.8**	15.9	*+6%*
Total ARR[1],[2]	**30.8**	30.4	*+1%*
Adjusted EBITDA[3]	**10.2**	9.4	*+8%*
Adjusted operating profit[4]	**8.3**	7.7	*+8%*
Profit after taxation	**4.5**	4.6	*-2%*
Basic earnings pence per share	**1.56**	1.58	*-1%*
Adjusted earnings pence per share[5]	**2.20**	1.98	*+11%*
Net cash	**8.3**	5.7	*+2.6*
Proposed final dividend (pence)	**0.82**	0.74	*+11%*
Total contracted business[6]	**52.6**	34.5	*+52%*
New contracted business[7]	**18.7**	14.4	*+29%*

1. ARR is the annual recurring revenue of all contracts billing and contractually committed at the end of the period.
2. *Included within ARR is all revenue that is contractually committed and an element of UK&ROW revenue that has proven to be repeatable, but not contractually committed.*
3. 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 and exceptional items.
4. Adjusted operating profit is the profit before tax adjusted for amortisation of acquired intangible assets, expenses relating to share option schemes, restructuring costs, legal costs and settlement agreements and costs relating to business combinations.
5. Adjusted earnings per share and adjusted diluted earnings per share uses the adjusted operating profit and applies a normalised tax rate to both years of 25%.
6. Total contracted business includes new business from new clients, new business from existing clients as well as renewals with existing clients.
7. New contracted business includes new business from new clients and new business from existing clients, including product upsells and cross-sells.
8. *Eckoh believes that consensus market expectations for the year ending 31 March 2024 is revenue of £38.9 million, adjusted operating profit of £8.2 million and cash of £8.2m.*

Financial Highlights

- Record level of total contracted business[6] at £52.6m, up 52% (FY23: £34.5m), driven by strong multi-year renewals and strong new contracted business in H2. New contracted business increased by 29% to £18.7m (FY23: £14.4m)
- Record new business contracted in North America for Security Solutions, up 44% to $16.8m (FY23: $11.3m)
- Group ARR[1] £30.8 million, up 1% year-on-year or 3% at constant currency
- North America Security Solutions ARR[1] up 6% to $16.8m (FY23: $15.9m), which represents a CAGR of 27% since FY21, and with the new business contracted in H2 but not yet live this represents a further 14% of growth
- Group revenue £37.2m (FY23: £38.8m), down 4% largely because of the timing of the new business wins and the ongoing transition of clients to the cloud, which removes one-off hardware fees and reduces set up costs
- Gross profit margin 83% (FY23: 80%), an increase of 290bp
- Adjusted operating profit[4] up 8% to £8.3m (FY23: £7.7m), this includes a £0.1m FX loss versus a FX gain of £0.5m in FY23, so a 17% increase year-on-year pre-forex
- Continued improvement of adjusted operating profit margin driven by the cloud transition and operational efficiency, increasing by 250 bp to 22.4% (FY23: 19.9%)
- Group recurring revenue[2] increased to 84% (FY23: 80%), reflecting strong renewals and the cloud transition
- Recurring revenue in North America increased to 82% (FY23: 76%) and to 86% (FY23: 83%) for UK & ROW
- Strong cash generation with net cash position ahead of market expectations at £8.3m (FY23: £5.7m), up £2.6m
- Eckoh's balance sheet remains robust, with no debt or drawdown on credit facilities
- Proposed final dividend of 0.82p per share (FY23: 0.74p), demonstrating the Board's confidence in the significant growth opportunity

Strategic highlights

- Our drive to transition clients to a cloud-based SaaS solution model continues successfully:
  - Delivering cost efficiencies, improving operating margins and quality of earnings
  - Group ARR now represents 83% of Group revenue, a 5% increase on the prior year (FY23: 78%)
  - 100% of all new client wins were for cloud deployment (first ever cloud deal was in FY20)
  - Positive reception from new and existing clients to the expanded Secure Engagement Suite, with new clients contracting for multi-products alongside successful upsells and cross-sells to our existing clients
- New global commercial strategy focusing on the North American addressable market is delivering clear benefits:
  - Record North American new business up 44%, with several key deals closed in H2
  - Record North America pipeline includes several contracts where Eckoh is selected vendor, but longer than expected sales and contracting cycles are delaying completion and therefore revenue
  - Record level of client renewals include a majority of multi-year renewals, enabling future expansion
- Notable new business wins include:
  - 5-year contract with a US travel technology company that has multiple global online brands
  - 5-year healthcare contract with a leading US homecare business
  - 3-year contract with a Fortune 500 office supplies retailer
  - 3-year contract with a UK-based media and telecoms company deploying into Amazon Connect
- The new PCI DSS v4.0 regulation, which was effective from April 2024, has increased complexity and cost of compliance for merchants and we are already seeing tangible signs of the impact the standard is having

Current trading and Outlook

- The Board is confident of progress in the year ahead and the following underpins the expected growth in FY25:
  - Eckoh is optimally positioned as market leader for an increased outsourcing trend driven by ongoing regulatory change (PCI DSS v4.0), hybrid working and growing security challenges for companies
  - We expect new business coming from our existing clients to grow significantly with the enhanced product set and the increasing interest in AI bots for contact centres provides a further opportunity for growth
  - The business continues to benefit from the transition to a SaaS business model and cloud deployment with further operating efficiencies and profit margin improvements expected
- Overall, a positive start to the year with £8m+ of total contracted business signed year to date

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About Eckoh plc

As a global provider of Customer Engagement Data Security Solutions, Eckoh is all about making the world of data more secure.

Our vision is that everyone should be able to trust every brand and engage without risk to their personal information. We're on a mission to set the standard for secure interactions between consumers and the world's leading brands, and our innovative products build trust and deliver value through exceptional experiences.

We're trusted by many of the world's leading brands to help them manage the personal data from customer enquiries and transactions safely. Our solutions enable payment transactions to be performed securely and help protect sensitive personal data across any customer engagement channel and device the customer chooses.

Protected by multiple patents, our solutions remove sensitive personal and payment data from contact centres and IT environments, as the best way to secure data is not to collect it. This allows organisations to be not just compliant but secure, increase efficiency, lower operational costs, and provide an excellent customer experience. This is our specialism.

Our solutions are delivered globally through 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, and our extensive portfolio of typically large enterprise clients spans a broad range of vertical markets including government departments, telecoms providers, retailers, utility providers and financial services organisations.

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

Chief Executive Officer's statement

Introduction

I am pleased to report another significant and positive year for Eckoh, with our strategy to become a cloud-first SaaS solutions provider continuing to make good progress. Our first half was all about excellent multi-year contract renewals, while the second half was about new business wins resulting in a record level of total contracted business at the year-end of £52.6m, up 52% (FY23: £34.5m). We also generated record levels of new business in North America, validating our decision to focus on that key market.

This year was notable for being the first time that 100% of our new client contracts were for cloud delivery. It has taken since FY20 to move from an entirely on-premise client base to one which is now largely cloud. The ongoing transition will continue to deliver benefits and enhance our business model, further enhancing levels of recurring revenue and our revenue visibility, improving our gross profit margin and enhancing our operational efficiency as demonstrated by our operating profit margin improving 250 basis points to 22.4% for the year.

Momentum is building in our key North American market. The new business contracted in North America in H2 demonstrated the strong pipeline we had, and continue to have, in this key market and underpins the expected growth of the business as we move into the new financial year.

Background to our proposition

At Eckoh, we're on a mission to set the standard for secure interactions between consumers and the world's leading brands. Companies today need to provide an exceptional customer experience with a frictionless and secure payment or process journey. Every interaction or transaction should be secure. We make sure that happens through our innovative products which build trust and deliver value through exceptional experiences.

We're trusted by well-known global brands, predominantly from the retail, healthcare, telecoms, financial services, utilities, and travel sectors, to help process and secure the customer enquiries and payments that occur through their contact centres. Our secure engagement solutions protect sensitive customer data and can be utilised over any common customer engagement channel (voice, live chat, messaging, email, social channels, etc.) and via any device the customer chooses.

The pandemic was a catalyst for the rapid evolution of the contact centre industry to a predominantly remote or hybrid-located workforce. This has brought new levels of flexibility to the delivery of these services for businesses, but also major security challenges, which has in turn created a further compelling growth driver for Eckoh.

More recently there has been much debate about the role that AI and in particular 'conversational bots' will play in the evolution of the contact centre industry and the way that customers will engage in the future. We see this as an opportunity rather than a threat, as our technology works just as effectively with a bot as it does with a human providing the necessary security that will still be required to manage sensitive data shared with this technology.

Our philosophy when it comes to data security is that the best way to protect your data is not to collect it. Many of the most sensitive engagement processes, especially taking a payment itself, do not require the enterprise to collect and store the data. If the process can be performed without doing this, then this removes the risk of breach for our client or fraud for the customer. This is our specialism and an approach for which we have a portfolio of patents.

A clear growth strategy

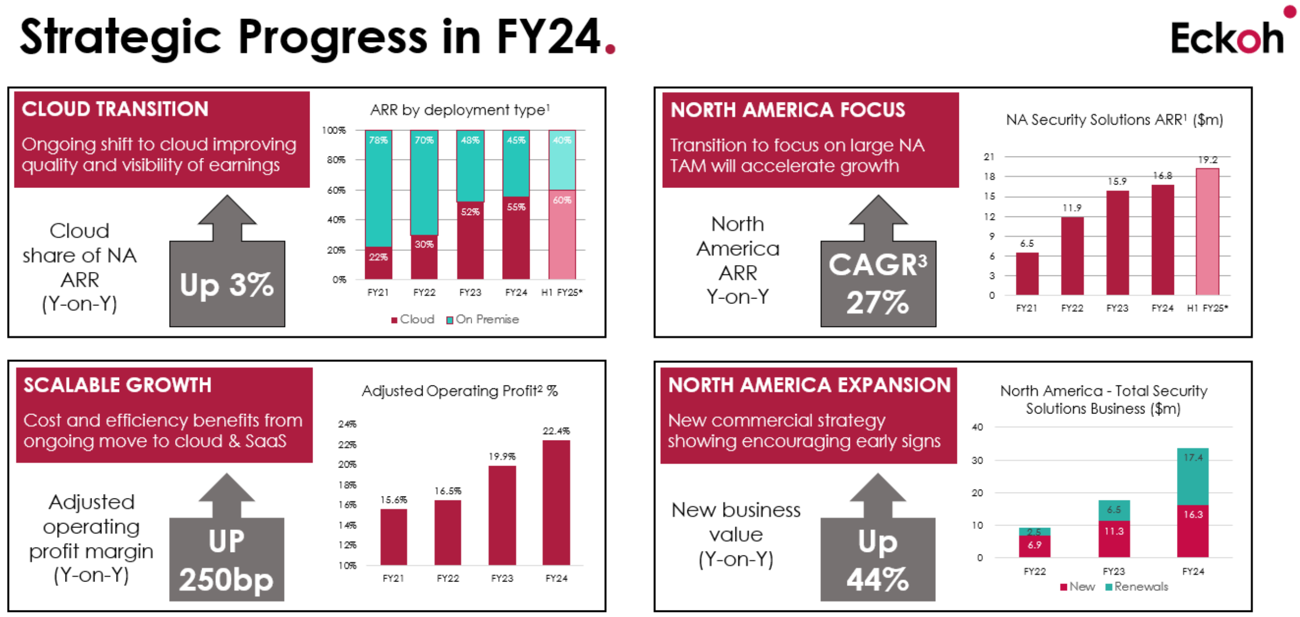
We have made excellent progress during the year with our strategic objectives, which reflect our ambition to be the global leader in Customer Engagement Data Security Solutions.

New commercial strategy the right move and successful launch of Secure Engagement Suite

A year ago, we combined our commercial teams based in the UK and US to focus almost entirely on the North American territory, where we have the largest addressable market and a significant opportunity for continued strong growth. Our estimates are that the addressable market in North America is around 15 times that of the UK and given the average contract value is significantly higher this makes the differential even greater. It therefore seemed sensible to pool our resources to address the largest opportunity in the most effective manner.

We introduced multiple products into the North American market for the first time in FY24, with the launch of our Secure Engagement Suite, which is delivered through our cloud platforms. This new go-to-market approach is still in the early stages but is already delivering tangible results, as demonstrated with the record levels of new business and the success in procuring multi-year renewals with some of our largest clients.

Given the H2 timing of a large proportion of the new business in the year, the revenue from this new contracted business is not yet visible in the reported revenue, but it can be seen in our Annual Recurring Revenue. North America ARR[1] as at 31 March 2024 was $16.8 million (FY23: $15.9 million), a year-on-year increase of 6%. However, if the new business contracted in H2 is included (as it is scheduled to go live in H1 FY25), it represents a further 14% of growth with ARR expected to increase to $19.2 million.



- **Cloud-first** – the share of ARR in the North American (NA) market coming from cloud deployments grew to 55% in the year and by the half year in September 2024 we expect this to reach 60%. 100% of all new client deals won in FY24 were for cloud deployment.
- **Expanding existing clients** – the new commercial strategy is showing encouraging signs with increasing levels of cross-selling and upselling to existing clients and the highest level of multi-year renewals ever achieved. This provides a strong platform to develop client relationships over time, expand into other parts of their business and bring new products to the table.
- **North America focus** – the strategic decision to focus our commercial resources on the North American market is validated by the 27% CAGR in ARR achieved from FY21 to FY24. With ARR expected to reach $19.2m by H1 FY25 (based on contracts already signed) and a record sales pipeline.
- **Scalable growth** – the cost and efficiency benefits from our ongoing move to cloud and SaaS solutions is driving improved adjusted operating profit margins with an underlying improvement of 250 basis points to 22.4%.

Eckoh is on a mission to set the standard for secure interactions between consumers and the world's leading brands. We have made clear progress this year on our strategic pillars outlined below, taking us closer to achieving this overall goal.

Use cloud technologies to develop and enhance our proprietary solutions to support scalable growth

The procurement of data security solutions globally will only increase, and our focus is to continue investing in our Secure Engagement Suite and cloud platforms to support the growth from our largest territory and strategic focus, North America. Our market leadership lies in our ability to offer our clients a choice of cloud platform and to deliver multiple complementary SaaS solutions without additional deployment effort or complex integrations.

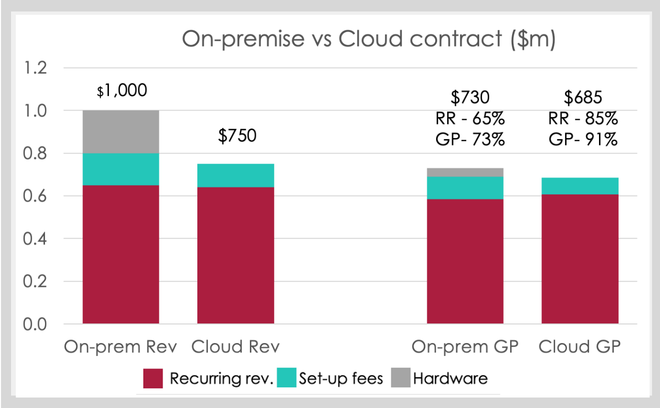
Continued innovation and expansion of our platforms and product offering

During the year we expanded our **Secure Voice Cloud** platform globally to support our international clients, launching our first dedicated Asia-Pacific Secure Voice Cloud platform in Sydney.

Our unified team developed the new **Secure Call Recording** solution using the cloud-native methodology and technology that we implemented some years ago. This approach has not only reduced the time it takes us to launch new solutions, but it has simplified the process of continual development and sped up the addition of new features. It also enables us to automatically scale up or down the size of our cloud platforms, responding instantly to changes in demand from our clients, leading to optimum operational performance and cost to serve.

We are excited by the growing proportion of cloud deployments secured in the North American market. The share of North America ARR from cloud revenue is now 55%, and by the end of H1 it is expected to reach 60%.

The graph illustrates the difference between a contract where the solution is deployed on-premise versus the cloud. Whilst the total revenue is lower for a cloud deployment, the recurring revenue, gross profit margin and operating margin are all higher and it is more operationally efficient to deploy.



During the financial year, 100% of contracts won in North America were for cloud deployments. In addition, for the clients whose contracts were renewed during the financial year, five of them renewed to move to the cloud as part of the renewal and a number requested an option to migrate to the cloud during the new multi-year renewal term. While cloud deployment is a key goal and advantage, many of the largest enterprises, especially those in North America, may still take several years to achieve that objective. Retaining the capability to deploy as required in a client's own data centre and environment, and then migrate those accounts to a cloud solution at some later point, continues to give us a tactical advantage over our competitors.

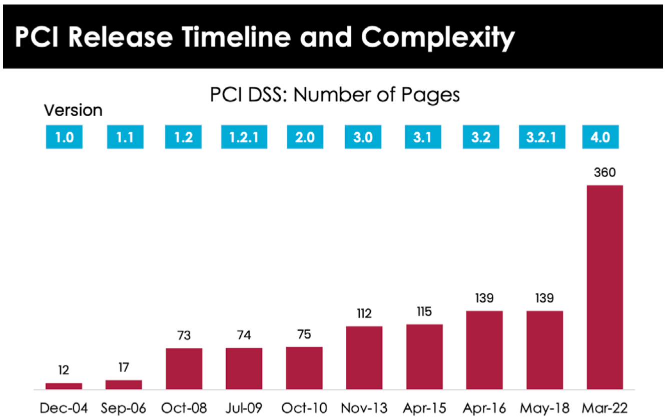
Capitalise on global market trends and regulations to help protect customer data through continual innovation

The implications of the new Payment Card Industry Data Security Standard v4.0

One of the key drivers for the adoption of our solutions is the Payment Card Industry Data Security Standard ('PCI DSS'), which all merchants need to comply with to help protect their customer's payment data, to avoid higher payment processing charges and to reduce the risk of substantial fines. Eckoh has maintained continual PCI DSS compliance as a Service Provider at level 1, the highest level, since 2010.

The PCI DSS has evolved over time to try and address the ever-increasing threat of fraud and hacking. The most meaningful change to the standard since 2016 came into force from April 2024, when v4.0 became applicable. From this date, any organisation that is audited for compliance with the Standard (this security audit has to occur every year) will be expected to comply with the new regulations that were first published in March 2022. Further additional changes will come into force in 2025.

In the graphic opposite, it is clear how significant the level of change is, with the number of pages in the Standard rising from 139 to 360. There are 60 new requirements that have been added, and 71 that have been changed in v4.0. The implication for merchants is that this increase in complexity will drive up compliance costs and increase the resources required to complete 'business as usual' processes. It is also probable that a percentage of companies will fail their audits due to the scale and challenge of the changes. With PCI DSS still being the regulation that drives most sales conversations for Eckoh, it is anticipated that the challenges (and increased risk) associated with implementing v4.0 by merchants will lead to an increase in sales opportunities for Eckoh's solutions.



Shift to home-based agents creates new data security challenges, driving significant new opportunities

The global contact centre industry remains extremely large, representing around 4% of the entire workforce in both the UK and US markets. Despite the introduction of new technology and customer contact channels over the past 20 years and an increasing drive by companies to try and move interactions to digital channels away from voice, the size of the industry has changed relatively little.

In the key US market, Contact Babel estimates that the number of agent positions will only decrease 1% by 2027, representing only 35,000 agents. (**Source:** *"US Contact Centers: 2024-2028"*).

Voice remains resolutely the dominant channel of choice for customers, especially in the US, where in 2023 it represented 63.7% of all interactions. This is forecast to only fall by 1.6% in the coming 4 years, even with the prospect of increasing use of conversational bots.

The fastest emerging channel is webchat which is forecast to grow to 10.6% of all interactions by 2027, largely at the expense of email which suffers from being a less immediate channel for assistance. Our ChatGuard product facilitates the ability to take payments securely within this channel of choice in the same way that CallGuard does in the voice channel, and we see this as being a naturally complementary product for any client who operates the chat channel. What is interesting is how few organisations initially approach chat as a sales channel, focusing primarily on it as an assistance tool for the customer. The advent of ChatGuard unlocks the sales value providing a safe and secure environment for the agent and customer to transact successfully.

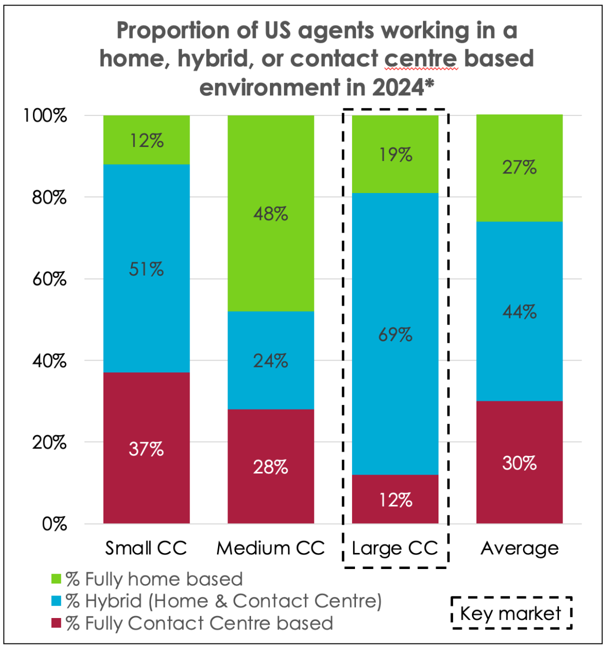
What has fundamentally changed in the way the contact centre industry operates in recent years, as a direct consequence of the pandemic, is the massive shift to remote and hybrid working. Looking at Eckoh's largest market North America, the figures outlined in Contact Babel's 'US Contact Centers 2024-2028' research document regarding the percentage of remote agents in the industry, are particularly striking:

Mean % of US contact centre agents that are hybrid or fully remote industry-wide

2018	2019	2020	2021	2022	2023
13%	13%	66%	82%	79%	72%

While the proportion of remote or hybrid agents has decreased somewhat from the pandemic peak, it's clear the overall change is both seismic and permanent. Post-pandemic, contact centres have been under acute pressure to adapt to retain agent staff, as the convenience of working from home is popular, enabling flexibility of working hours. This flexibility is also a positive for the enterprises that employ such agents as they can deploy agents to work short shifts to cope with unexpected customer demand.

The graph opposite shows how the split of agent work locations is expected to vary across different sizes of contact centre by the end of 2024. Notably, it is the largest contact centres that have the highest proportion of fully remote or hybrid agents with 88%, and it is this group that is Eckoh's primary target market.



This changed landscape brings many and varied complications to the running of such remote and hybrid contact centres and companies now need to tackle the challenge and inherent data security risks that come from remote working agents. A managed facility is far easier to control from a data security point of view than multiple home locations and it is largely impossible to replicate such an environment. This presents a significant challenge if the agent is handling customer data and especially payment data.

The remote working trend provides a massive opportunity for Eckoh's solutions, not just for data security but also for agent performance and efficiency. Our data security proposition enables companies to remove the risk of fraud or data breaches in remote environments by ensuring that sensitive data isn't just blocked but replaced with valueless placeholders that can be safely stored in the client's systems. Our patented technology wraps around the client's infrastructure seamlessly and means that from the client's point of view, they do not actually collect any sensitive personal data.

Within Eckoh's new products suite, our real-time transcription solution will offer sentiment analysis and AI-led agent assistance, which ensures that all customers can be triaged and dealt with swiftly and effectively, without compromising their customer experience or the security of their personal data. This ability to assist a less-experienced agent to engage like an experienced one, will help to improve agent churn as well as driving significant operational efficiency and cost reduction for our clients.

Maximise lifetime client value and aid retention by cross and upselling to increase recurring revenue

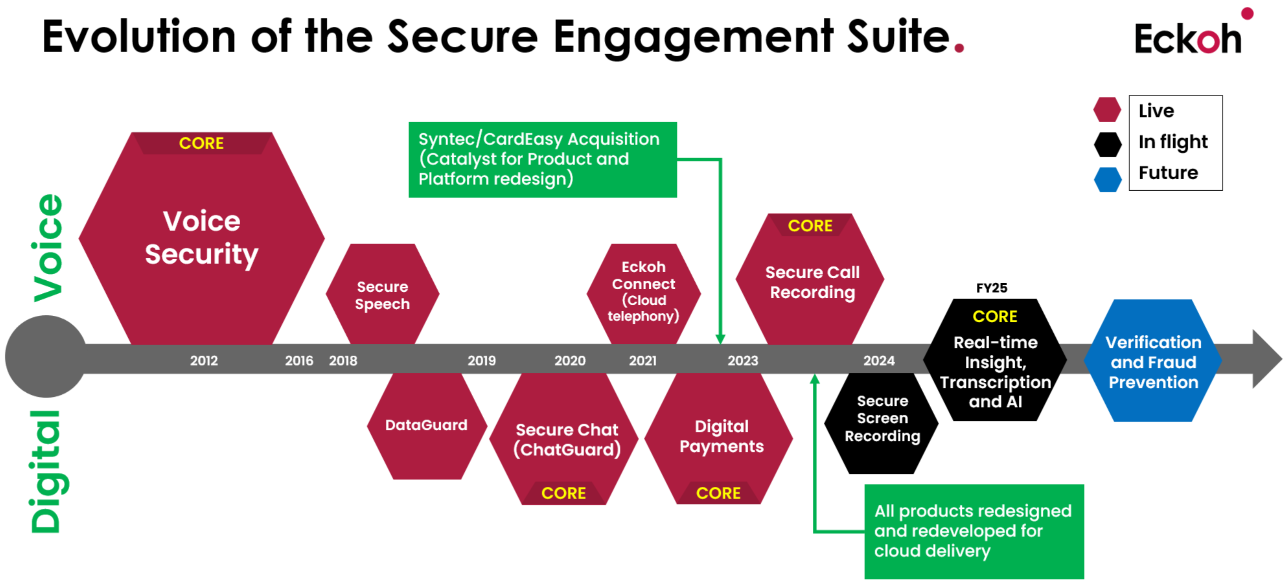
With our product roadmap extending into a broader data security proposition, we expect to be able to increase the lifetime value of our clients and continue to have high renewal rates and very low levels of churn.

Across the Group we have around 230 clients, which range greatly in both size and opportunity. As part of our change in commercial strategy to create a single global team, we reorganised how we support and service our client accounts to ensure the most focus is given to the key accounts with the largest perceived opportunity for growth. The sales team and account managers have been assigned specific accounts to manage and develop across the different tiers of client opportunity and have cross-selling and upselling targets as well as new business targets. In the top key account tier, we have around 25 accounts of which only two are in the UK&I region, reinforcing again the rationale for the realignment of our valuable resources.

With the launch of our unified go-to-market proposition of Customer Engagement Data Security Solutions combined with our global commercial team, we are better positioned to drive growth. This is underpinned by our new Secure Engagement Suite plus our expanding and scalable cloud platforms, which provide us with the opportunity not only to extend our reach geographically, but also increase the opportunity within every client account to land and expand.

Eckoh's **Secure Engagement Suite** comprises complementary data security products that can be delivered to a client either individually or as a solution set and that are sold in a conventional SaaS licensing model usually on multi-year contracts. After acquiring Syntec in December 2021 we redesigned our platform and products into this new suite that is delivered to the clients through a common cloud platform we call our **Secure Voice Cloud**.

The Suite was formally launched in early 2023 and over time it is expected that more new clients will take multiple products as part of their initial contract and that existing clients will add further products because of our cross-selling initiatives. This is already beginning to bear fruit in the results we have seen in the period and the pipeline that is building.



The diagram above shows the evolution of the products over time together with a representative value or importance of the opportunity they offer. The first seven are all now available and are delivered through our Secure Voice Cloud, which is deployed in AWS and Azure, but with the vast majority of clients using our AWS platforms.

As we continue to evolve our Secure Engagement Suite, some of the highlights this year have been:

Launching our new Secure Call Recording product

- Our new product automatically secures sensitive customer data and incorporates the ability to transcribe calls into text at a highly accurate level, unlocking the business intelligence and insight that these conversations contain
- Reception to the product has been excellent and we already have clients deployed and live
- An increasing number are expected to take the service over time as their existing call recording contracts come up for renewal, or as they move to the cloud.

Addition of Secure Screen Recording

- An important requirement for certain clients is the addition of screen recording, which is available imminently

- This feature records visually whatever activity the agent is doing on their desktop and what applications they have open. It also allows the audio from the call recording to be played back synchronously while reviewing the visuals
- This is helpful for training purposes as well as providing a further level of security
- We do not expect this capability to be sold on a standalone basis but alongside Secure Call Recording, and those clients who take it will incur an additional monthly per agent fee.

Updated our Secure Digital Payments product

During the year, we launched a significant update to our Secure Digital Payments product, offering enhanced digital payment choice and convenience within contact centres

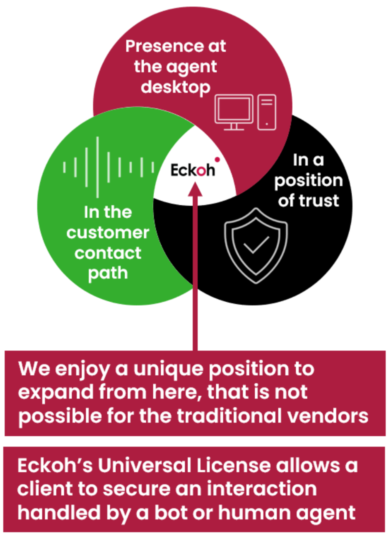
- Customers now have the freedom to combine their preferred contact channel with their favourite payment method: Apple Pay over WhatsApp, Pay by Bank via live chat, pay-later apps over the phone, or other combinations
- It enables contact centres to:
    - better serve customer needs
    - extend their services to social media and third-party channels
    - increase payment volumes and speed
    - provide greater choice with pay-now or pay-later options and,
    - provide stronger authenticated security through methods such as fingerprint or facial recognition
- This will be followed with an upgrade to ChatGuard to add alternative payment methods, which will be available to clients in the second quarter of this new financial year.

Roadmap - real-time insight and transcription solution

- On the roadmap for launch this year is our real-time insight and transcription solution that uses AI and machine learning to assist advisors in providing the best possible assistance, whether they are experienced agents or not
- The first phase will see the release of the insight tool which will allow our client real-time visibility of their agent activity across their contact centre facilities and agent's home locations
- Monitoring the performance of a hybrid agent workforce is challenging, and security concerns are heightened, so this tool, which can be used in combination with the Voice Security, Secure Call Recording or the Real-time Transcription & AI products will be a valuable addition to our client's ability to drive both service quality and security
- Phase two will deliver real-time transcription and sentiment analysis to enable managers or supervisors to view active conversations between agents and customers to aid or assess performance
- The AI engine will be able to guide the agent to the next best action, based on its knowledge of previous historic outcomes, enabling less experienced agents to perform at a higher standard thus increasing both customer and agent satisfaction.

<u>The impact of AI on Eckoh's market</u>

Recently there has been significant interest and discussion regarding the impact that AI and the use of 'conversational bots' will have on the contact centre industry. Automation is nothing new in customer engagement and increased self-service from AI bots will not remove the need for, or the benefits that clients derive from Eckoh's security solutions. While over time the proportion of interactions successfully handled by bots will increase, human agents will continue for the foreseeable future to be the dominant provider of customer engagement for enterprises.



Sensitive data will still need to be kept out of the client environment to simplify PCI DSS compliance and to minimise security risks from cyber-attacks. Bots will frequently need to 'hand off' the interaction to a human agent when they are unable to successfully complete the task. This means that sensitive data will still need to be protected and excluded from every session.

Eckoh's Universal License allows organisations to utilise our software on any customer channel and interchangeably between human agents and bots. It provides complete future-proofing for our clients who know their customer engagement strategy will evolve, but are unsure (as most are) exactly how this will manifest itself.

Conversational AI Bots undoubtedly deliver a compelling opportunity for Eckoh's clients to reduce overhead on their human agents and to reduce the cost to serve. AI Bots for large enterprises will, however, require significant 'domain-specific' design to deliver a level of performance that will be sufficiently good enough to be both suitable and worthwhile for well-known brands. Eckoh has 20 years' experience in designing and delivering domain-specific natural language speech applications, so we understand through experience what is required to achieve success. As a provider that is already in a position of trust with our client, is in the customer contact path and has presence at the agent desktop, we are uniquely placed to cross-sell Conversational Bots to existing clients or include them in solutions for new clients.

Operational review

North America (NA) Territory (48% of group revenues)

The decision was taken just 18 months ago to focus our sales efforts on the North American market and to unify our commercial team to achieve that goal. Up to that point, we had only been actively selling the Voice Security product – either CallGuard or CardEasy – to clients in the North American market, with only the occasional client taking other products.

The advent of our new cloud-delivered set of products that secure all engagement channels - our Secure Engagement Suite - and our ability to provide other relevant capability with security at its core, opened up a huge opportunity to grow the North American market and other international markets faster. We expect to see the value and scope of initial new client contracts increase as we deliver multiple products from the outset, and we expect to see existing client values grow over time as we successfully upsell them with additional products and licenses.

A good example of this is a new client contract won at the end of the year with a US-based travel technology company that operates several online global travel brands. They ran a formal process to procure a solution from an organisation that had proven experience in successfully supporting the largest companies under severe load over many years, with the highest level of availability and technical performance. We could demonstrate that we have supported some of the largest US brands through successive Black Friday weekends since 2018, when volumes can rise several times overnight, with no negative impact. They also wished to secure all their customer channels where they may take a payment, and to ensure that process was 'frictionless' for their customers, so they chose to purchase Eckoh licenses which cover voice, chat and digital channels. This contract, which will start billing at the end of the first half of the year, is the largest cloud contract won to date for multiple products, but we expect it to be the first of many such agreements.

The base of North American clients we have already contracted (around 100 in total) are typically huge organisations that are likely to have additional divisions or other standalone businesses that may be suitable targets to upsell our products to. In addition, the Secure Engagement Suite contains complementary products (that will only increase in number over time) that provide ample opportunity to cross-sell into these accounts. We expect that the new business we can win from existing clients will in time be at least as large as the value from net new clients, and this is the clear rationale for the change in commercial approach.

Retaining client contracts is as important to us as winning new ones, and multi-year renewals are highly significant and important for Eckoh's future growth. It is more common in North America for companies to default to an annual renewal cycle for technology services to ensure flexibility around future changes in their business or market. In contrast, Eckoh's Account Management and Client Success teams have successfully made multi-year renewals the preferred choice for our clients. During the year our most common contract renewal was for three years, but we also had five-year renewals with clients who previously had signed shorter contracts. This illustrates not just the satisfaction that our clients have with our products and the strength of our relationship, but crucially the perception they have of the ongoing importance and longevity of the products to their security strategy.

The North American territory continues to deliver the highest growth and the Data Security Solutions ARR[1] at the end of the year was $16.8 million, a year-on-year increase of 6% (FY23: $15.9 million). This represents a CAGR of 27% since FY21. The delay in signing new business in H1, due to the extended sales and contracting process, temporarily slowed the ARR growth in this region. However, when considering the contracts signed in H2 that are either expected or contracted to commence billing in the first half of FY25, that growth rises a further 14% and will lead to a meaningful positive impact on the revenue in the second half of FY25.

Total North American ARR[1], which includes both Data Security Solutions and Coral (our agent desktop product) grew to $17.9 million (FY23: $16.9 million). The Group's ARR now represents 83% of Group revenue, a 5% increase on the prior year (FY23: 78%).

Revenue for the year was $22.6 million. At a total revenue level this is an increase year-on-year of 6% (FY23: $21.3 million), however, recurring revenue has increased by 11% year-on-year and is now 82% of revenue (FY23: 76%). This increase is as expected and comes from new contracts being delivered through the cloud with a higher recurring revenue percentage than for an on-premise solution.

During the year several clients with large enterprise deals have renewed their contracts for the first time. At the point of renewal, the hardware fees and implementation fees from the initial term of the contract are fully recognised. This combination of new cloud deals and large renewals in the year has seen a 24% decline in this one-off revenue year-on-year. The majority of this year-on-year decline is due to the hardware revenue component.

Despite this shift in revenue the North American territory has continued to grow and increase its share of Group revenue and now accounts for a 48% share (FY23: 45%). With the contracts signed in H2 in North America, North American revenue will be greater than the UK and ROW in FY25 for the first time.

Total and New Contracted Business
- A combination of new contracted business and the increasing number of contract renewals has grown the total contracted business by 69% year-on-year to $35.3 million (FY23: $20.9 million)
- Increase in sales momentum as anticipated in H1, with new contracted business wins of $17.5 million, an increase year-on-year of 39% (FY23: $12.6 million)
- Security Solutions new contracted business of $16.3 million with 80% of this coming from new clients, with multi-product contracts and 100% of new client deals contracted to deploy in the cloud.

Contract Renewals
- Within total contracted business are renewals of $17.8 million, more than double the previous year
- During the year eleven renewals were successfully completed, where at the point of renewal, the hardware and setup fees from the initial contract are fully recognised. In addition, we have had several clients, whose initial contract was on-premise and at renewal they have contracted to migrate to the cloud in their next contract term
- Two clients did not renew due to a sale of their business, one through a partner.

As clients' contracts are increasingly being deployed in the cloud, in addition to higher recurring revenue, the gross profit margin of the North American business continues to improve. Gross profit margin was 81%, an improvement year-on-year of 250 basis points.

The majority of our new business continues to be contracted directly and this remains our preferred sales model as it enables us to develop deep relationships and pursue our cross-sell and upsell strategy. The % of revenue from partnership deals remains at 8% (FY23: 8%). We are intent on entering into strategic partnerships where we can win business that is largely outside our normal target market. The recently announced relationship with RingCentral is a good illustration of that approach.

Coral
In the period, Coral had revenue of $2.4 million (FY23: $2.0 million Coral & third-party Support). Coral, a browser-based agent desktop, aids the following:
- increases efficiency by bringing all the contact centre agent's communication tools into a single screen;
- enables organisations, particularly those grown by acquisition, to standardise their contact centre facilities; and
- can be implemented in environments that operate on entirely different underlying technology.

Coral contracts are small in number but high in value when they occur. They have a very long sales cycle (usually years) as the decision has long term ramifications for the client. This makes the timing of any new agreements both lumpy and hard to predict. It is the only product we sell that is not our own proprietary technology; the relationship coming from a historic acquisition. This leads to a lower gross profit than the rest of our offering.

UK & Rest of World (UK & ROW) Territory (52% of group revenues)

Total revenue for the year was £19.2 million, a decrease of 9.9% (FY23: £21.3 million). The year-on-year decrease was impacted by £1.4 million from the loss of two clients in H1 FY23 as previously reported, one of which went into administration. In addition, there have been a few smaller self-service clients that have terminated during the year, reducing revenue by a further £1.1 million.

All the UK clients are either deployed on our own private cloud, or on the combined Secure Voice Cloud, our integrated product. As a result, the UK & ROW business has high recurring revenue at 86% (FY23: 83%) and a strong gross profit margin at 86% (FY23: 82%), an improvement of 360 basis points year-on-year.

We continue to see those clients who take security solutions as part of their overall solution set to be much less likely to churn, and the proportion of revenue now generated from clients who take no security solution from us is only 10%. ARR[1] at the end of the year was £16.6 million, an increase of 1.4% (FY23: £16.3 million).

As we did in North America we saw extremely high levels of contract renewals with multi-year agreements. What was also notable was the number of early renewals, which has reduced the number and value of contracts that are scheduled for renewal in this new financial year.

Total and New contracted business

- Total contracted business was £24.4 million, 42% higher than the previous year (FY23: £17.2 million)
- New contracted business was £4.8 million (FY23: £4.2 million)
- The largest new contract win was for a three-year contract with a large UK-based media and telecommunications provider for voice and chat security worth £2.3m (of which £0.8m is a renewal of an existing service that has migrated to the cloud).

Contract Renewals

- Within total contracted business are renewals of £19.6 million (FY:23 £13.0 million), an increase of 51%
- In H1 we had a very strong level of renewals that all contained our Data Security Solutions and were all multi-year. This was driven by our four largest renewals for Capita O2, Tenpin, Premier Inn and Vanquis (through Maintel). In the second half, there were further large multi-year renewals for Allpay, PowerNI as well as VMO2, which has now contracted directly with Eckoh.

Our strategic decision to prioritise the North American region does inevitably mean we are likely to sacrifice possible modest growth in UK&I for much more lucrative gains in North America. Nevertheless, we will continue to pursue meaningful opportunities in the region as illustrated by the substantial new three-year contract with a UK-based media and telecoms company to deploy our security solution into their new Amazon Connect solution.

Outlook

The strategic decision to create a single commercial team focused on North America has delivered early success, with the record level of new business and the number of multi-year contract renewals, which gives Eckoh excellent revenue visibility and improves our ability to further increase our strong cross-sell and upsell pipeline. We expect further progress with this strategy in FY25, as we continue to unlock the value in our largest accounts and leverage our cloud platforms and enhanced product set.

The Board is confident of progress in the year ahead, which has started well with over £8m of total contracted business already signed. Furthermore, momentum is building in our key market with a record North American sales pipeline and the large contracts signed in the second half of FY24 expected to commence billing in the first half of FY25.

Our expected growth in FY25 is further underpinned by the fact that Eckoh is optimally positioned as market leader for an increased outsourcing trend driven by ongoing regulatory change (PCI DSS v4.0), the shift to hybrid working in contact centres and growing security challenges for companies. We expect new business from our existing clients to grow significantly with the new commercial strategy and enhanced product set, while the increasing interest in AI bots for contact centres provides a future opportunity for growth. Our transition to a SaaS business model and cloud deployment continues to benefit the business with further operating efficiencies and profit margin improvements expected.

We are confident that Eckoh will continue to strengthen our market-leading position by assisting enterprises with the growing challenges that they are facing globally, to maintain regulatory compliance and keep their customers' data and engagements secure.

Financial Review

Eckoh has delivered a strong level of adjusted operating profit of £8.3 million ahead of consensus market expectations. Adjusted operating profit increased by 8%, (FY23: £7.7 million). Adjusted operating profit margin was 22.4%, an improvement from last year of 250 basis points (FY23: 19.9%). The growth of the business continues to be driven by North America and the focus on large enterprise clients and our cloud-based offering. After adjusting for the foreign exchange loss this year of £0.1m and the foreign currency benefit in FY23 of £0.5 million the year-on-year growth was 17%.

Revenue for the year was £37.2 million, a decrease of 4% (FY23: £38.8 million) and at constant exchange[3] rates a decrease of 3%. This is split £31.3 million recurring revenue (FY23: £31.0 million) and £5.9 million one-off revenue (FY23: £7.8 million). Group recurring revenue was 84% (FY22: 80%), an increase of 360 basis points year-on-year and the increase being driven from the North American territory. Adjusted operating profit[1] was £8.3 million, an increase of 8% year-on-year (FY23: £7.7 million). Profit after tax for the year was £4.5 million (FY23: £4.6 million). The prior year profit after tax of £4.6 million included exceptional legal fees and settlement agreement item of £0.2m. In the current year there are restructuring costs of £0.5 million and an exceptional legal cost and settlement agreement of £1.3 million.

Group ARR showed strong progress and demonstrates the high level of visibility we have in our business model. As of 31 March 2024, Group ARR was £30.8 million, an increase of 1% year-on-year and at constant exchange rates an increase year-on-year of 3%.

Total contracted business[5] for the financial year at the Group level was £52.6 million (FY23: £34.5 million), a year-on-year increase of 52%. New contracted business increased 29% to £18.7 million (FY23: £14.4 million).

Basic earnings per share for the year ended 31 March 2024 was 1.56 pence per share (FY23: 1.58 pence per share). Adjusted earnings per share for the year ended 31 March 2024 was 2.20 pence per share (FY23: 1.98 pence per share restated for 25% tax rate) an increase year-on-year of 11%, demonstrating the strong operational performance delivered in the year.

Territory performance – NA, UK & ROW
Revenue in North America, which represents 48% of total group revenues, increased to £18.0 million (FY23: £17.5 million). UK&I represented 50% of total group revenues at £19.2 million and ROW represented 2% of group revenues.

Further explanations of movements in revenue between the NA, UK and ROW territories have been addressed in the Operational Review above.

Gross profit
The Group's gross profit increased to £31.0 million (FY23: £31.2 million). Gross profit margin was 83% for the year, an increase of 290 basis points on last year (FY23: 80%). The UK & ROW gross profit margin was 86%, an increase of 360 basis points (FY23: 82%). In North America, the full year margin was 81%, an increase of 190 basis points (FY23: 79%). This increase in margin, as previously indicated, is as a result of the continued deployment of the new Customer Engagement Data Security Solutions in the cloud environment, together with the successful renewals of the earlier contracted on-premise solution deployments, where the lower margin hardware component becomes fully recognised at the point of renewal.

In the UK & ROW, the service is hosted on either an Eckoh platform or on the Group's cloud platform. In both deployment solutions, there is typically no hardware provided to clients. The gross profit margin has improved during the year as a number of large clients in the UK & ROW have renewed their contracts, at this point any implementation fees have become fully recognised. Implementation fees tend to have a lower gross profit margin than the recurring revenue fees. In North America, we would expect the gross profit margin to continue to marginally increase from 81% to c. 82%. This is driven by the continued growth of the Secure Payments activities for cloud solutions.

Administrative expenses
Total administrative expenses for the year were £27.8 million (FY23: £26.2 million). Included in administrative expenses, is the £2.5 million of amortisation for the acquired intangible assets from the acquisition of Syntec Holdings Limited on 21 December 2021 (FY23: £2.5 million) and exceptional legal fees of £1.3 million (FY23: £0.2 million credit) and exceptional restructuring costs of £0.5 million (FY23: £nil million). Adjusted administrative expenses[4] for the year were £22.7 million (FY23: £23.5 million), a decrease yearon-year of 3%. Costs continue to be well controlled, and with the continued deployment of new business to the cloud, the operational efficiency of the group is leveraged to deliver operating profit margin improvement.

Profitability measures
Adjusted operating profit was £8.3 million, an increase of 7.6% year-on-year (FY23: £7.7 million). Included in the profit was a foreign currency loss of £0.1 million (FY23: gain £0.5 million). Adjusted EBITDA[2] for the year was £10.2 million, an increase of 8% year-on-year (FY23: £9.4 million).

	Year ended 31 March 2024 £'000	Year ended 31 March 2023 £'000
Profit from operating activities	**3,246**	5,020
Amortisation of acquired intangible assets	**2,479**	2,473
Expenses relating to share option schemes	**771**	40
Restructuring costs	**531**	-
Legal costs and settlement agreements	**1,300**	203
Adjusted operating profit[1]	**8,327**	7,736
Amortisation of other intangible assets	**516**	398
Depreciation of owned assets	**636**	643
Depreciation of leased asset	**681**	618
Adjusted EBITDA[2]	**10,160**	9,394

1. Adjusted operating profit is the profit before adjustments for expenses relating to share option schemes, amortisation of acquired intangible assets and exceptional costs.
2. Adjusted earnings before interest, tax, depreciation and amortisation (EBITDA) is the profit from operating activities adjusted for depreciation of owned and leased assets, amortisation, expenses relating to share option schemes and exceptional items.
3. At constant exchange rates (using last year exchange rates).
4. Adjusted administrative expenses are administrative expenses excluding expenses relating to share option schemes, depreciation of owned and leased assets, amortisation of acquired intangible assets and exceptional items.
5. Total contracted business includes new business from new clients, new business from existing clients as well as renewals with existing clients.

Finance charges

For the financial year ended 31 March 2024, the interest payable charge was £45k (FY23: £53k). The interest charge is made up of bank interest of £nil (FY23: £nil) and interest on leased assets of £45k (FY23: £53k). The finance interest received was £234k (FY23: £53k).

Taxation

For the financial year ended 31 March 2024, there was a tax credit of £1,109k (FY23: £383k charge). The tax credit predominantly relates to the recognition of tax losses from Syntec Limited. When Syntec was acquired, it was uncertain as to whether these losses would be able to be utilised in the short to medium term. This has now been established and they have been recognised in FY24.

Earnings per share

Adjusted earnings per share was 2.20 pence per share (FY23: 1.98 pence per share restated for 25% tax rate) a year-on-year increase of 11%. Basic earnings per share was 1.56 pence per share (FY23: 1.58 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 reduced, leading over time to an increase in operating margin.

Statement of financial position

Our balance sheet remains robust with a strong net cash position of £8.3 million, an increase of £2.6 million year-on-year (FY23: £5.7 million). The business has a Revolving Credit Facility of £5 million, secured against the Group's UK head office, which is an asset we own outright. As at 31 March 2024 our revolving credit facility remains undrawn.

While Eckoh continues to innovate by developing new products and features such as those detailed in the Chief Executive Officer's review, there has been an increase in the amount capitalised to intangible assets in the financial year to £0.8 million (FY23: £0.6 million).

Contract liabilities and contract assets

Contract liabilities and contract assets relating to IFRS 15 Revenue from Contracts with Customers have continued, as expected, to decrease in the current year, principally as new contracted business in NA has been wholly for cloud-based solutions. Where clients contract for their services to be provided in the cloud or on our internal cloud platform, there is no hardware component and the level of implementation fees is 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 £8.5 million (FY23: £9.9 million). Included in this balance are £3.9 million of contract liabilities relating to the Secure Payments product, hosted platform product or Syntec's CardEasy Secure Payments product, a decrease of £2.9 million at the same time in the previous year. Contract assets as at 31 March 2024 were £1.3 million (FY23: £2.4 million).

Cashflow and liquidity

Gross cash at 31 March 2024 was £8.3 million (FY23: £5.7 million). As at 31 March 2024 there was no drawdown of the £5 million RCF debt facility (FY23: £nil million debt).

During the year there has been a net cash outflow from working capital of £1.2 million (FY23: £1.6 million cash outflow) due to the timing of invoicing and cash receipts and as the deferred revenue for the NA large on-site deployments has been recognised over the term of the contract, generally three years.

Dividends

Post year end the Board are proposing a final dividend for the year ended 31 March 2024 of 0.82 pence per Ordinary Share be paid to the Shareholders whose names appear on the register at the close of business on 20 September 2024, with payment on 18 October 2024. The ex-dividend date will be 19 September 2024. 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 £2.4 million.

Consolidated statement of total comprehensive income

for the year ended 31 March 2024

	Notes	**2024 £'000**	2023 £'000
Continuing operations			
Revenue	2	**37,204**	38,821
Cost of sales		**(6,168)**	(7,578)
Gross profit		**31,036**	31,243
Administrative expenses		**(27,790)**	(26,223)
Operating profit		**3,246**	5,020
Adjusted operating profit		**8,327**	7,736
Amortisation of acquired intangible assets		**(2,479)**	(2,473)
Expenses relating to share option schemes		**(771)**	(40)
Exceptional restructuring costs	3	**(531)**	-
Exceptional legal fees and settlement agreements	4	**(1,300)**	(203)
Profit from operating activities		**3,246**	5,020
Finance charges		**(45)**	(53)
Finance income		**234**	53
Profit before taxation		**3,435**	5,020
Taxation		**1,109**	(383)
Profit for the financial year		**4,544**	4,637
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss:			
Foreign currency translation differences - foreign operations		**(90)**	(389)
Other comprehensive income for the year, net of income tax		**(90)**	(389)
Total comprehensive income for the year attributable to the equity holders of the parent company		**4,454**	4,248

Profit per share		**2024 pence**	2023 pence
Basic earnings per 0.25p share	5	**1.56**	1.58
Diluted earnings per 0.25p share	5	**1.50**	1.55

Consolidated statement of financial position
as at 31 March 2024

	Notes	**2024**	2023
		£'000	£'000
Assets			
Non-current assets			
Intangible assets		**35,334**	37,500
Property, plant and equipment		**4,222**	4,181
Right-of-use leased assets		**788**	995
Deferred tax assets		**570**	129
		40,914	42,805
Current assets			
Inventories		**216**	254
Trade and other receivables		**12,599**	11,778
Cash and cash equivalents		**8,309**	5,740
		21,124	17,772
Total assets		**62,038**	60,577
Liabilities			
Current liabilities			
Trade and other payables		**(14,356)**	(16,190)
Lease liabilities		**(485)**	(482)
Provisions for liabilities		**(1,365)**	-
		(16,206)	(16,672)
Non-current liabilities			
Lease liabilities		**(344)**	(569)
Deferred tax liabilities		**(218)**	(1,528)
		(562)	(2,097)
Net assets		**45,270**	41,808
Shareholders' equity			
Called up share capital		**732**	732
Share premium account		**22,180**	22,180
Capital redemption reserve		**198**	198
Merger reserve		**2,697**	2,697
Currency reserve		**642**	732
Retained earnings		**18,821**	15,269
Total shareholders' equity		**45,270**	41,808

Consolidated statement of changes in equity

for the year ended 31 March 2024

	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 2023	732	22,180	198	2,697	732	15,269	41,808
Total comprehensive income for the year							
Profit for the financial year	-	-	-	-	-	4,544	4,544
Other comprehensive expense for the period	-	-	-	-	(90)	-	(90)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(90)**	**4,544**	**4,454**
Dividends paid in the year	-	-	-	-	-	(2,164)	(2,164)
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(11)	(11)
Shares purchased for share ownership plan	-	-	-	-	-	(174)	(174)
Share based payment charge	-	-	-	-	-	776	776
Deferred tax on share options	-	-	-	-	-	581	581
Transactions with owners recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**(992)**	**(992)**
Balance at 31 March 2024	**732**	**22,180**	**198**	**2,697**	**642**	**18,821**	**45,270**

	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 2022	732	22,180	198	2,697	1,121	12,815	39,743
Total comprehensive income for the year							
Profit for the financial year	-	-	-	-	-	4,637	4,637
Other comprehensive expense for the year	-	-	-	-	(389)	-	(389)
Total comprehensive income for the year	**-**	**-**	**-**	**-**	**(389)**	**4,637**	**4,248**
Dividends paid in the year	-	-	-	-	-	(1,959)	(1,959)
Shares transacted through Employee Benefit Trust	-	-	-	-	-	(2)	(2)
Shares purchased for share ownership plan	-	-	-	-	-	(120)	(120)
Share based payment charge	-	-	-	-	-	(102)	(102)
Transactions with owners recorded directly in equity	**-**	**-**	**-**	**-**	**-**	**(2,183)**	**(2,183)**
Balance at 31 March 2023	**732**	**22,180**	**198**	**2,697**	**732**	**15,269**	**41,808**

Consolidated statement of cash flows

for the year ended 31 March 2024

	Notes	2024 £'000	2023 £'000
Cash flows from operating activities			
Cash generated from operations	6	**7,113**	6,956
Taxation paid		**(49)**	(178)
Interest paid on lease liability		**(45)**	(53)
Net cash generated from operating activities		**7,019**	6,725
Cash flows from investing activities			
Purchase of property, plant and equipment		**(690)**	(613)
Additions of intangible assets		**(869)**	(570)
Interest received		**234**	53
Net cash utilised in investing activities		**(1,325)**	(1,130)
Cash flows from financing activities			
Dividends paid		**(2,164)**	(1,959)
Principal elements of lease payments		**(700)**	(564)
Shares purchased for share ownership plan		**(174)**	(120)
Cash outflow from acquiring shares from the Employee Benefit Trust		**(11)**	-
Net cash utilised in from financing activities		**(3,049)**	(2,643)
Increase in cash and cash equivalents		**2,645**	2,952
Cash and cash equivalents at the start of the period		**5,740**	2,840
Effect of exchange rate fluctuations on cash held		**(76)**	(52)
Cash and cash equivalents at the end of the period		**8,309**	5,740

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 2024. 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 2023 have been delivered to the Registrar of Companies but those for the year ended 31 March 2024 have not yet been delivered.

The auditors have reported on the accounts for the year ended 31 March 2024; 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 31 March 2024, the £5 million of Revolving Credit Facility (RCF) from Barclays Bank is undrawn. Bank covenants have been reviewed and are comfortably achieved for the year to 31 March 2024 and are forecast to continue to be so for at least 12 months from the date of approval of the financial statements. With the cash position at the end of March 2024 at £8.3 million and the cash flow forecasts prepared, which show continuing cash generation, the RCF facility will not be required after December 2024, when the facility expires.

Our key business indicators, total orders, new business orders and Annual Recurring Revenue (ARR), which includes all clients that we are billing, demonstrate strong visibility of future revenue. In NA, 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 to the cloud. The proportion of recurring revenue is higher for contracts delivered through the cloud, which also improves our operational gearing, earnings quality and visibility in the business. We anticipate the renewal rate for the UK & ROW and NA businesses to remain unchanged during this period. When preparing the cash flow forecasts the Directors have reviewed a number of scenarios, including a severe but plausible downside scenario which assumes a reduction in new business assumed of 25%. 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

The key segments reviewed at Board level are North America (NA) and UK & Rest of World (UK & ROW).

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	**NA £'000**	**UK&ROW £'000**	**Total 2024 £'000**	Total 2023 £'000
Segment Revenue	**18,000**	**19,204**	**37,204**	38,821
Gross profit	14,582	16,454	**31,036**	31,243
Administrative expenses	(9,535)	(18,255)	**(27,790)**	(26,223)
Operating profit	**5,047**	**(1,801)**	**3,246**	5,020
Adjusted operating profit	**5,440**	**2,887**	**8,327**	7,736
Other expenses[1]	(393)	(4,688)	**(5,081)**	(2,716)
Operating profit	**5,047**	**(1,801)**	**3,246**	5,020
Profit before taxation	**5,032**	**(1,597)**	**3,435**	5,020
Segment assets				
Trade and other receivables	3,636	5,289	**8,925**	5,821
Prepayments and contract assets	1,647	2,027	**3,674**	5,957
Segment liabilities				
Trade and other payables	452	2,660	**3,112**	2,499
Accruals and contract liabilities	6,667	4,577	**11,244**	13,639
Capital expenditure				
Purchase of tangible assets	21	669	**690**	613
Purchase of leases	-	478	**478**	77
Additions of intangible assets	-	869	**869**	570
Depreciation and amortisation				
Depreciation of property, plant & equipment	234	402	**636**	643
Depreciation of leased assets	86	595	**681**	617
Amortisation	166	2,829	**2,995**	2,871

1. Other expenses include expenses relating to share option schemes, amortisation of acquired intangible assets, exceptional restructuring costs, legal costs and settlement costs and costs from business combinations.

In 2024 there was no one customer that individually accounted for more than 10% of the total revenue of the continuing operations of the Group. In 2023 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	**NA £'000**	**UK & ROW £'000**	**2024 £'000**	2023 £'000
United States of America & Canada	18,000	-	**18,000**	17,513
UK & ROW	-	19,204	**19,204**	21,308
Total Revenue	**18,000**	**19,204**	**37,204**	38,821

Timing of revenue recognition	**NA £'000**	**UK & ROW £'000**	**Total 2024 £'000**	Total 2023 £'000
Services transferred over time	14,742	16,578	31,320	31,909
Services transferred at a point in time	3,258	2,626	5,884	6,192
	18,000	**19,204**	**37,204**	38,821

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

	2024 £'000	2023 £'000
Receivables, which are included in, 'Trade and other receivables'	**6,636**	5,151
Contract assets which are included in 'Trade and other receivables'	**1,340**	2,364
Contract liabilities which are included in 'Trade and other payables'	**(8,482)**	(9,909)
	(506)	(2,394)

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 2024		**31 March 2023**	
	Contract assets £'000	**Contract liabilities £'000**	**Contract assets £'000**	**Contract liabilities £'000**
Revenue recognised that was included in the contract liability balance at the beginning of the period	-	4,734	-	6,754
Current year billings recognised in contract liabilities	-	2,560	-	3,575
Cost of sales recognised that was included in the contract assets balance at the beginning of the period	1,664	-	2,600	-
Costs deferred in current year and unbilled revenue included in contract assets	775	-	1,115	-

Contract costs	**31 March 2024 £'000**	31 March 2023 £'000
Deferred implementation costs	**636**	958
Deferred hardware costs	**139**	157
	775	1,115

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.

The contract liabilities and contract assets have continued, as expected, to decrease in the current year, principally as new contracted business in North America 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.

Transaction price allocated to the remaining performance obligations

The total amount of revenue allocated to unsatisfied performance obligations is £8.5m (FY23: £9.9m). We expect to recognise approximately £6.8m (FY23: £7.6m) in the next 12 months, £1.5m (FY23: £1.7m) 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	NA £'000	UK & ROW £'000	Total 2023 £'000
Segment Revenue	**17,513**	**21,308**	**38,821**
Gross profit	13,752	17,491	**31,243**
Administrative expenses	(9,350)	(16,873)	**(26,223)**
Operating profit	**4,402**	**618**	**5,020**
Adjusted operating profit	**4,552**	**3,184**	**7,736**
Other expenses[1]	(150)	(2,566)	**(2,716)**
Operating profit	**4,402**	**618**	**5,020**
Profit before taxation	**4,371**	**649**	**5,020**
Segment assets			
Trade and other receivables	2,864	2,957	**5,821**
Prepayments and contract assets	2,503	3,454	**5,957**
Segment liabilities			
Trade and other payables	344	2,155	**2,499**
Accruals and contract liabilities	7,099	6,540	**13,639**
Capital expenditure			
Purchase of tangible assets	519	94	**613**
Purchase of leases	-	77	**77**
Additions of intangible assets	-	570	**570**
Depreciation and amortisation			
Depreciation of property, plant & equipment	189	454	**643**
Depreciation of leased assets	162	455	**617**
Amortisation	-	2,871	**2,871**

1. Other expenses comprise expenses relating to share option schemes, amortisation of acquired intangible assets and exceptional restructuring costs.

Revenue by geography in new segments	NA £'000	UK & ROW £'000	**2023 £'000**
United States of America & Canada	17,513	-	**17,513**
UK & ROW	-	21,308	**21,308**
Total Revenue	**17,513**	**21,308**	**38,821**

Timing of revenue recognition in new segments	NA £'000	UK & ROW £'000	**Total 2023 £'000**
Services transferred at a point in time	3,371	3,541	6,912
Services transferred over time	14,142	17,767	31,909
	17,513	**21,308**	**38,821**

3. Exceptional restructuring costs

The exceptional restructuring costs are presented separately as irregular costs unlikely to reoccur in the near future. The exceptional restructuring costs incurred in the financial year ended 31 March 2024 of £531k have been incurred predominantly in Eckoh UK (£405k), with £127k incurred in Eckoh US. The restructuring costs relate to employees who previously delivered the large bespoke self-service projects as the business continues to focus on its SaaS-style cloud deployed products. In addition, there were a number of the UK Sales team who were made redundant, with the shift in focus to the US market and operating as a global team. There were no exceptional restructuring costs incurred in the financial year ended 31 March 2023.

4. Exceptional legal fees and settlement agreements

In the financial year ended 31 March 2024 legal fees and settlement agreements of £1,300k (FY23: £203k - settlement income of £950k received was netted off against legal fee expenses), have been incurred regarding commercially sensitive matters which are required to be kept confidential by agreements with third parties or ongoing legal negotiations.

5. 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.

	2024	2023
	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share	**4,544**	4,637
Earnings for the purposes of adjusted basic and diluted earnings per share	**6,387**	5,802

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

	2024	2023
	£'000	£'000
Earnings for the purposes of basic and diluted earnings per share	**4,544**	4,637
Taxation	**(1,109)**	383
Amortisation of acquired intangible assets	**2,479**	2,473
Expenses relating to share option schemes	**771**	40
Exceptional restructuring costs	**531**	-
Legal fees and settlement costs	**1,300**	203
Adjusted profit before tax	**8,516**	7,736
Tax charge based on standard corporation tax rate of 25%[1] (2023: 25%)	**(2,129)**	(1,934)
Earnings for the purposes of adjusted basic and diluted earnings per share	**6,387**	5,802

1. Majority of Group taxable profit is taxed at 25% whether in the UK or in the US with a combination of Federal tax and State tax.

	2024	2023
Denominator	**'000**	'000
Weighted average number of shares in issue in the period	**292,921**	292,893
Shares held by employee ownership plan	**(2,587)**	(2,338)
Shares held in Employee Benefit Trust	**-**	-
Number of shares used in calculating basic earnings per share	**290,334**	290,555
Dilutive effect of share options	**13,459**	9,210
Number of shares used in calculating diluted earnings per share	**303,793**	299,765

	2024	2023
Profit per share	**Pence**	Pence
Basic earnings per 0.25p share	**1.56**	1.58
Diluted earnings per 0.25p share	**1.50**	1.55
Adjusted earnings per 0.25p share	**2.20**	1.98
Adjusted diluted earnings per 0.25p share	**2.10**	1.94

6. Cashflow from operating activities

	2024	2023
	£'000	£'000
Profit for the financial year	**4,544**	4,637
Interest income	**(234)**	(53)
Interest payable	**45**	53
Taxation	**(1,109)**	383
Depreciation of property, plant and equipment	**636**	643
Depreciation of leased assets	**681**	617
Amortisation of intangible assets	**2,995**	2,871
Exchange differences	**36**	(516)
Share based payments	**771**	40
Operating profit before changes in working capital and provisions	**8,365**	8,675
Decrease in inventories	**38**	14
(Increase) / Decrease in trade and other receivables	**(821)**	505
Decrease in trade and other payables	**(1,834)**	(2,238)
Increase in provisions	**1,365**	-
Cash generated from operations	**7,113**	6,956

7. Events after the Statement of Financial Position Date

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