

Eckoh UK Limited

Annual Report and
Financial Statements

For the year ended

31 March 2022

Company Number 02796531



Eckoh UK Limited

Annual Report and financial statements for the year ended 31 March 2022

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Directors

N B Philpot
C G Herbert

Secretary

C G Herbert

Registered office

Telford House, Corner Hall, Hemel Hempstead, Hertfordshire HP3 9HN

Company number

02796531

Independent Auditors

PricewaterhouseCoopers LLP, 40 Clarendon Road, Watford, Hertfordshire WD17 1JJ

Eckoh UK Limited

Strategic Report for the year ended 31 March 2022

The Directors present the strategic report for the year ended 31 March 2022.

Principal Activities

The principal activities of the Group are:

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

Review of business

The economic backdrop over the last few years has proven Eckoh has a resilient business model. In the first half of the year, the business was still impacted by the COVID-19 pandemic. During the 2022 financial year the business 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 £20.0 million (FY21 £19.3 million) an increase of 4%, this is particularly pleasing given the challenging beginning to the year, when the country remained impacted by the pandemic. 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, 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 Annual Recurring Revenue (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 £16.5 million, a 36% increase including Syntec, 8% of which was organic.

Gross profit in the year was £17.0 million, an increase of 3% (FY21: £16.6 million) and gross margin in the UK decreased in the period by 1% to 84% (FY21: 85%). Operating profit in the year was £4.3 million (FY21: £3.8 million), an increase of 11%.

Total contracted business⁵ 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 business⁵ 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.

Eckoh UK Limited

Strategic Report for the year ended 31 March 2022

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.

The balance sheet on page 15 shows the Company's financial position at the year end. Net assets have increased to £28.8m (FY21: £27.2m). Details of the amounts owed by/to its parent and group companies are shown in notes 13 and 14 to the financial statements.

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.

Eckoh UK Limited

Strategic Report for the year ended 31 March 2022

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.

Business risks

The Directors regularly assess the key business risks of the Company, which are considered to be the cyber, technology and processes, the competitive market sector and during the current period the pandemic risk. The Company reviews and monitors these risks on a regular basis and monthly reports to the main Board Eckoh plc.

Financial risk management

The operations of the Company expose it to a variety of financial risks: liquidity risk, interest rate risk and foreign currency risk. The Company's principal risks & uncertainties are disclosed in the Eckoh PLC Annual Report on pages 20 to 23.

On behalf of the board



C G Herbert
Director

25 October 2022

Eckoh UK Limited
Telford House, Corner Hall
Hemel Hempstead
Hertfordshire
HP3 9HN

Eckoh UK Limited

Directors' Report for the year ended 31 March 2022

The Directors present their report and the audited financial statements for the year ended 31 March 2022.

Results and dividends

The profit before tax for the year was £4.3 million (FY21: £3.8 million). The Directors recommend the payment of a final dividend of £40.00 (FY21: £29.00) per ordinary share amounting to £2.2 million (FY21: £1.6 million) to be paid on 18 October 2022. During FY21 a Special Dividend of £1.5 million was paid. During FY22 there was no Special dividend paid or recommended.

The business review, future developments, business risks and financial risk management are included in the Strategic Report.

Political contributions

The Company made no political contributions during the period (FY21: £nil).

Directors

The following Directors held office during the year and up to the date of signing these financial statements:

N B Philpot
C G Herbert

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 2022, the £10 million of Group 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 31 March 2022.

In addition to our key business indicators, 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. We anticipate the renewal rate for the UK business to remain unchanged. When preparing the cash flow forecasts the Directors have reviewed a number of scenarios, including a severe but 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.

Research and development

During the year, the Directors have continued to make made significant investment in the business focusing efforts on research and development to ensure that Eckoh's solutions satisfy an evolving market requirement, however, little of this is capitalised on the balance sheet with only £0.3 million (FY21: £0.4 million) 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.

Sustainability report

Fundamentally we are committed to running our business in a sustainable manner, which allows us to meet the needs of our stakeholders, have a positive impact on the communities in which we operate and through the products and solutions we deliver for our clients have a positive impact on the wider society by securing and protecting payment and personal data.

Over the last year as a Group we have been formulating our Environmental, Social and Governance strategy (ESG). This is an evolving process and we aim to further develop and evolve our strategy, refine our targets and deliverables and enhance our reporting in FY23.

Eckoh UK Limited

Directors' Report for the year ended 31 March 2022

We all have a part to play and the Board and I are firmly committed to ensuring that Eckoh enhances its sustainability initiatives. There are also continuing issues around inclusivity, diversity and opportunity in wider society to which Eckoh can contribute.

Governance

Our purpose, business model, strategy and Board operations are focused on delivering long-term benefits for all of our stakeholders while maintaining a high standard of ethical business conduct. These responsibilities are embedded in our culture, our values and our purpose. We are committed to conducting our business with honesty, integrity, trust and respect and it is expected that these high standards be maintained throughout the organisation.

As a UK company, we are bound by the laws of the UK, including the Bribery Act 2010, in respect of our conduct within and outside of the UK. In addition, we uphold all laws relevant to countering bribery and corruption in all the jurisdictions in which we operate.

With respect to The Modern Slavery Act, neither the Company or any of its subsidiaries permit, condone or otherwise accept any form of human trafficking or slavery in its business or supply chains.

Through our whistle-blowing policy, we encourage our employees to raise any instances of irregular conduct in the workplace and thus supporting our commitment to ensuring that all practices and procedures in respect of all employees, partners, clients and suppliers are of the highest quality.

As we operate in the UK, US and Europe, we process data compliantly with data privacy legislation, this covers principally the General Data Protection Regulation ("GDPR") in the EU and the UK and the California Consumer Privacy Act ("CCPA") in North America.

Eckoh has been a PCI-DSS Level 1 Service Provider for 12 successive years. Our Secure Payments products and solutions, provide a robust and secure payments solution for our clients, enhancing their governance, enabling our clients contact centre agents to take payments securely and preventing the exposure of sensitive customer data to contact centre agents. Our products keep payment data out of our client's processes and systems, which not only lessens the burden of compliance for them, but also reduces fraud risk, the impact of a data breach and in turn makes the world a safer place to live in.

Social

Our employees are central to the long-term success and sustainability of our business. We aim to attract and retain the best and most engaged people in our industry and we recognise the value of all our employees and that the success of Eckoh is due to their efforts. We have a talented mix of employees from diverse backgrounds, which brings a high level of innovation and collaboration.

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

We Encourage and support everyone to grow with Eckoh

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

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

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

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

We draw on our humanity value in the way we treat each other, our clients, partners and suppliers and also how we interact with our local community. We recognise the significant benefits of a diverse workforce and we do not tolerate discrimination, harassment, or victimisation in the workplace, instead we encourage an inclusive workplace where all staff can feel comfortable about who they are.

Throughout the year we communicate through informal and formal channels to keep employees across the business up to date on business strategy and our goals, business performance and more day-to-day initiatives and we organise fun, team building events.

Eckoh UK Limited

Directors' Report for the year ended 31 March 2022

We strongly believe our employees are a valuable resource and should be listened to. Through the pandemic we ran regular surveys focusing on our employees' well-being and challenges they were facing through the pandemic. On returning to the office on a more permanent basis, we listened to our employees and as a result adopted a balanced hybrid work approach between the office and home, ensuring there is sufficient time in the office for collaboration for the benefit of the business, but also listening and understanding our employees' requests for working from home. We also carry out an annual employee survey, which allows our employees to provide feedback on a broader basis. We take the feedback seriously and work with employees through focus groups on action plans for improvements.

Eckoh's strength lies in the expert knowledge of our people. It is vital that our employees understand, and are passionate about, our products and technologies. Every new employee to Eckoh undergoes a detailed and thorough induction plan. The induction not only welcomes them to the business, but it provides them with a comprehensive overview of Eckoh, insight into our market proposition, our range of products, the security requirements of the Payment Card Industry Data Security Standard (PCI DSS), the organisational structure and our commercial model. Every induction plan is tailored to the individual's role, setting them up to be successful in their new role.

We encourage our people to continue to develop their skills and keep up-to-date with new technology, standards and processes. Training needs are identified through the regular check-in that team members have with their line managers. Training can be a mixture of on-the-job training, external courses and internally run management development courses.

Given the nature of our business there are regular security awareness initiatives and training sessions for employees across the business.

We encourage young school leavers, who may have been working in our UK contact centre, to progress from their roles as agents to junior roles in the organisation. In the last year we have had a number of success stories where employees have been appointed into junior roles or have progressed from these junior roles into more senior positions within the organisation.

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

A fair remuneration policy is adopted across Eckoh and we offer a comprehensive benefits package to our employees, based on the local market conditions.

In order to provide a wider population of employees with an opportunity to become Eckoh Shareholders, which promotes alignment to Shareholder interests and aids recruitment and retention, we operate a Share Incentive Plan (SIP) for UK employees and an Employee Stock Purchase Plan (ESPP) for US employees. These share option plans were launched in the financial year ended 31 March 2017 for the SIP and 31 March 2019 for the ESPP.

At Eckoh, our employees are encouraged and supported to give something back to our local community. We do this through supporting local and national causes, raising money for charity. Each Christmas, Eckoh employees choose a charity they would like to support. Last Christmas the UK team chose to support DENS, helping build lives, which is a charity for people local to the UK office in Hemel Hempstead. The aim of the charity is to be the first port of call for people in Dacorum who are facing homelessness, poverty and social exclusion. The US team chose to support The Salvation Army, whose services are diverse and responsive to the realities of life in the communities we serve. In total the money donated through money raised by employees and a Company contribution was £1,538 for DENS and \$1,500 for The Salvation Army. A number of employees based in the US Omaha office also adopted a family at Christmas through The Salvation Army.

In addition, and in response to the humanitarian crisis in Ukraine in March, Eckoh contributed £10,000 to the Disasters Emergency Committee (DEC) and also matched contributions made by employees, giving a total donation from Eckoh and our employees of £26,900.

Eckoh UK Limited

Directors' Report for the year ended 31 March 2022

Environment

Eckoh aims to minimise the environmental impacts of its business activities and its employees. Sustainable business practices will play an increasingly important part of our ability to grow and continue to be successful. As a technology Company we are not involved in any energy-intensive manufacturing processes nor do we generate significant waste. Our services are provided to our clients either through the cloud or via our hosted platform, our largest energy consumption comes from our data-centres rather than our offices. Whilst our environmental impact is low compared with other sectors, we do recognise that sustainability is a constantly evolving issue and we recognise the need to respond appropriately and reduce our contribution to global climate change.

The COVID-19 pandemic brought with it a number of operational changes, including many that reduced our environmental impact. These included a significant reduction in business travel, especially trans-Atlantic flights or interstate flights in the US. We have developed a more flexible hybrid working model since returning to our offices both in the UK and US, which will enable employees to work from home more of the time, thereby reducing the impact of commuting upon the environment and we will ensure that we continue as a business to adopt, where possible, the behaviours that make a difference.

We do not provide company vehicles to employees or Directors or operate any form of vehicle fleet and offer our UK employees a cycle to work scheme to promote healthy living practices and further reducing pollution from daily commuting.

Within our offices, we engage in recycling programmes, wherever possible, within the parameters of our offices. All our offices and communal working areas lights are LED, with energy efficient and motion sensor lighting, thus reducing the electricity the Company uses on an on-going basis.

We encourage our teams to adopt digitalisation and go paperless and we have reduced the usage of printers and photocopiers.

In the year to 31 March 22 we have started to measure our energy use and impact under the Standard Energy and Carbon Reporting (SECR) regulations. From next year we will be required to report our usage and will do so with our comparatives for the year just finished. Through this energy reporting we will look to identify ways of reducing and offsetting our carbon emissions.

Directors' and Officers liability insurance and indemnification of Directors

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

Payments to creditors

The Company has a variety of payment terms with its suppliers. The Company agrees payment terms with its suppliers when it enters into binding purchasing contracts for the supply of goods and services. The Company seeks to abide by these payment terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At 31 March 2022, the amount of trade creditors shown in the balance sheet represents 87 days of average purchases for the Company (FY21: 126 days).

Statement of Directors' responsibilities

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the Group Financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law).

Eckoh UK Limited

Directors' Report for the year ended 31 March 2022

Under company law, Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing the financial statements, the Directors are required to:

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

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

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

Directors' confirmations

In the case of each Director in office at the date the Directors' report is approved:

- so far as the Director is aware, there is no relevant audit information of which the Company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

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

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

Disclosure of information to auditors

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

Independent auditors

The independent auditors, PricewaterhouseCoopers LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

On behalf of the Board



C G Herbert
Director

25 October 2022

Eckoh UK Limited
Telford House, Corner Hall
Hemel Hempstead
Hertfordshire
HP3 9HN

Independent auditors' report to the members of Eckoh UK Limited

Report on the audit of the financial statements

Opinion

In our opinion, Eckoh UK Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 March 2022; the Statement of comprehensive income and the Statement of changes in equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

Conclusions relating to going concern

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

Reporting on other information

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

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

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

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

Strategic report and Directors' Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 March 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the financial statements and the audit

Responsibilities of the directors for the financial statements

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

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

Auditors' responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to UK tax regulations and the requirements of Companies Act 2006, and we considered the extent to which non-compliance might have a material effect on the financial statements. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to management recording inappropriate journal entries and the risk of bias in accounting estimates and judgements. Audit procedures performed by the engagement team included:

- Enquiring of management and those charged with governance, and inspection of policy documentation, as to the company's high-level policies and procedures to prevent and detect fraud as well as enquiries around actual and potential litigation and claims;
- Enquiring of those charged with governance as to whether management have knowledge of any actual, suspected or alleged fraud;
- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation; and
- Assessing the reasonableness of key accounting estimates (because of the risk of management bias), including challenging assumptions and judgements made by management in their significant accounting estimates.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

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

Other required reporting

Companies Act 2006 exception reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Matthew Mullins (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
Watford
25 October 2022

Eckoh UK Limited

Statement of comprehensive income for the year ended 31 March 2022

| | Note | 2022 £000 | 2021 £000 |
|--|------|---------------|---------------|
| Revenue | 3 | 20,042 | 19,309 |
| Cost of sales | | (3,004) | (2,737) |
| Gross profit | | 17,038 | 16,572 |
| Administrative expenses | | (12,767) | (12,723) |
| Operating profit | | 4,271 | 3,849 |
| Finance income / (charges) | 6 | 25 | (3) |
| Profit before taxation | 4 | 4,296 | 3,846 |
| Tax on profit | 7 | (1,094) | (662) |
| Profit and total comprehensive income for the financial year | | 3,202 | 3,184 |
| Other comprehensive income | | | |
| Foreign currency translation differences | | 92 | - |
| Total comprehensive income for the year attributable to the equity holders of the Company | | 3,294 | 3,184 |

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The notes on pages 17 to 30 form part of these financial statements.

Eckoh UK Limited

Balance sheet as at 31 March 2022

| | Note | 2022 £'000 | 2021 £'000 |
|--------------------------------|------|----------------|-----------------|
| Assets | | | |
| Non-current assets | | | |
| Intangible assets | 8 | 1,571 | 1,591 |
| Property, plant and equipment | 9 | 766 | 1,054 |
| Right-of-use leased assets | 10 | 530 | 883 |
| Deferred tax assets | 7 | 1,101 | 2,802 |
| Long-term debtor | 13 | 1,906 | 734 |
| | | 5,874 | 7,064 |
| Current assets | | | |
| Inventories | 12 | 15 | 20 |
| Trade and other receivables | 13 | 32,236 | 25,162 |
| Cash and cash equivalents | | 95 | 6,560 |
| | | 32,346 | 31,742 |
| Total assets | | 38,220 | 38,806 |
| Liabilities | | | |
| Current liabilities | | | |
| Trade and other payables | 14 | (8,901) | (10,687) |
| Lease liabilities | 10 | (362) | (353) |
| | | (9,263) | (11,040) |
| Non-current liabilities | | | |
| Lease liabilities | 10 | (186) | (539) |
| | | (186) | (539) |
| Net assets | | 28,771 | 27,227 |
| Shareholders' equity | | | |
| Called up share capital | 15 | 55 | 55 |
| Capital redemption reserve | | 6,986 | 6,986 |
| Retained earnings | | 21,730 | 20,186 |
| Total equity | | 28,771 | 27,227 |

The notes on pages 17 to 30 form part of these financial statements.

The financial statements on pages 14 to 30 were approved by the Board of Directors on 25 October 2022 and signed on its behalf by:



C G Herbert
Director

Company Registration Number 02796531

Eckoh UK Limited

Statement of changes in equity for the year ended 31 March 2022

| | Called up share capital £000 | Capital redemption reserve £000 | Retained earnings £000 | Total equity £000 |
|--|---------------------------------------|--|------------------------------|-------------------------|
| Balance at 1 April 2020 | 55 | 6,986 | 18,133 | 25,174 |
| Profit for the financial year and total comprehensive income | - | - | 3,184 | 3,184 |
| <i>Transactions with owners recorded directly in equity</i> | | | | |
| Dividends paid | - | - | (1,547) | (1,547) |
| Share based payment charge | - | - | 301 | 301 |
| Deferred tax on share options | - | - | 115 | 115 |
| Balance at 31 March 2021 | 55 | 6,986 | 20,186 | 27,227 |
| Profit for the financial year | - | - | 3,202 | 3,202 |
| Other comprehensive income | - | - | 92 | 92 |
| Total comprehensive income for the year | - | - | 3,294 | 3,294 |
| <i>Transactions with owners recorded directly in equity</i> | | | | |
| Dividends paid | - | - | (1,603) | (1,603) |
| Share based payment charge | - | - | 445 | 445 |
| Deferred tax on share options | - | - | (592) | (592) |
| Balance at 31 March 2022 | 55 | 6,986 | 21,730 | 28,771 |

Eckoh UK Limited

Notes forming part of the financial statements for the year ended 31 March 2022

General Information

Eckoh UK Limited (the "Company") is a private company limited by shares, incorporated and domiciled in England and Wales. The address of the Company's registered office is Telford House, Corner Hall, Hemel Hempstead, HP3 9HN. The Company is a provider of Secure Payment products and Customer engagement solutions.

1 Basis of Preparation

1.1 Statement of compliance

These financial statements were prepared in accordance with Financial Reporting Standard 101 *Reduced Disclosure Framework ("FRS 101")* and the requirements of the Companies Act 2006. The amendments to FRS 101 (2014/15 Cycle) issued in July 2015 and effective immediately have been applied.

1.2 Basis of preparation and Summary of significant accounting policies

The financial statements have been prepared on a going concern basis, in accordance with applicable Accounting Standards and under the historical cost accounting rules. The accounting policies have been applied consistently, other than where new policies have been adopted. The principal accounting policies adopted are set out below. The Financial Statements have been prepared in sterling, which is the functional currency of the Company. Monetary amounts in these financial statements are rounded to the nearest £000.

No new or revised accounting standards were adopted in the year. In April 2021, the IFRS Interpretations Committee issued a new interpretation in relation to accounting for customisation and configuration costs of cloud computing arrangements. Following a detailed review, it was confirmed that the new interpretation does not materially impact the accounting treatment for costs incurred in the business.

There are a number of other amendments and clarifications to IFRS effective in future years, which are not expected to significantly impact the Group's consolidated results or financial position.

1.3 Exemption from consolidation

The Company is exempt by virtue of s400 of the Companies Act 2006 from the requirement to prepare group financial statements. These financial statements present information about the Company as an individual undertaking and not about its group.

1.4 Exemptions for qualifying entities under FRS 101

In preparing these financial statements, the Company applies the recognition, measurement and disclosure requirements of International accounting standards but makes amendments where necessary in order to comply with Companies Act 2006 and has set out below where advantage of the FRS 101 disclosure exemptions has been taken.

The Company's parent undertaking, Eckoh plc includes the Company in its consolidated financial statements. The consolidated financial statements of Eckoh plc are prepared in accordance with International Financial Reporting Standards and are available to the public and may be obtained from Telford House, Corner Hall, Hemel Hempstead, Hertfordshire, HP3 9HN.

In these financial statements, the Company has applied the exemptions available under FRS 101 in respect of the following disclosures:

- a Cash Flow Statement and related notes;
- Comparative period reconciliations for share capital, tangible assets, and intangible assets;
- Disclosures in respect of transactions with wholly owned subsidiaries;
- Disclosures in respect of capital management; and
- The effects of new but not yet effective IFRSs.

Eckoh UK Limited

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

1 Basis of Preparation (cont'd)

As the consolidated financial statements of Eckoh plc include the equivalent disclosures, the Company has also taken the exemptions under FRS 101 available in respect of the following disclosures:

- IFRS 2 *Share Based Payments* in respect of group settled share based payments
- Certain disclosures required by IFRS 13 Fair Value Measurement and the disclosures required by IFRS 7 *Financial Instrument Disclosures*.

The Company proposes to continue to adopt the reduced disclosure framework of FRS 101 in its next financial statements.

1.5 Government Grants

The Company has received government assistance as a result of the COVID-19 pandemic in the form of contributions towards employee costs. For Government assistance which meets the definition of a Government grant, under IAS 20 the Company applies the income approach to account for the grants received. As such, the grant is recognised in the Income Statement as a reduction of the related costs incurred. In the period ending 31 March 2022, grant income of £12k, (FY21: £303k) relating to claims made for Contact Centre Agents, who are employed on Zero-hour contracts, was received. There are no unfulfilled conditions or other contingencies attached to this government assistance.

2. Summary of Principal Accounting Policies

2.1 Critical accounting estimates and judgements

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

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

2.2 Intangible assets

Research and development

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

Other intangible assets

Other intangible assets, such as the costs for the application and grant of patents that are acquired by the Company are stated at cost less accumulated amortisation and less accumulated impairment losses. The amortisation costs are shown within the administrative expenses of the Company.

Amortisation is charged to administrative expenses in the income statement.

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

Eckoh UK Limited

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

2. Summary of Principal Accounting Policies (cont'd)

2.3 Property, plant and equipment

Property, plant and equipment is stated at cost or fair value on acquisition less accumulated depreciation and accumulated impairment losses. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life on a straight-line basis, as follows:

Fixtures, fittings and equipment 3-6 years (or the remaining term of the lease)

Depreciation methods, useful lives and residual values are reviewed at each balance sheet date.

2.4 Financial Assets

Financial assets comprise investments in equity and debt securities, trade and other debtors, cash and cash equivalents, loans and borrowings, and trade and other creditors.

Trade and other receivables

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

Cash and cash equivalents

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

2.5 Inventories and work in progress

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

2.6 Financial Liabilities

All financial liabilities held by the Company are measured at amortised cost and comprise trade payables of £1,385k (FY21: £1,693k), other payables of £6k (FY21: £6k), other taxation and social security of £701k (FY21: £498k), accruals and contract liabilities of £6,294k (FY21: £7,033k) and amounts owing to Group undertakings £515k (FY21: £657k). Lease liabilities are £548k in total (FY21: £892k), with current lease liabilities of £362k and non-current lease liabilities of £186k.

Foreign currency transactions

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

Eckoh UK Limited

Notes forming part of the financial statements for the year ended 31 March 2022 (*continued*)

2. Summary of Principal Accounting Policies (cont'd)

2.8 Leases

Following the implementation of IFRS 16 Leases, from 1 April 2019, each lease is recognised as a right-of-use asset with a corresponding liability at the date at which the lease asset is available for use by the Group. Interest expense is charged to the consolidated income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability. The right-of-use asset is depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis.

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

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

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

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in the consolidated income statement, a franking machine and the rental of a storage unit.

2.9 Employee benefits

Pensions

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

Bonus schemes

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

Share based payments

From time to time on a discretionary basis, the Board of Directors of Eckoh Plc, the parent company, award high-performing employees bonuses in the form of share options. As the Company's parent grants rights to its equity instruments to the Company's employees, which are accounted for as equity-settled in the consolidated financial statements of the parent, the Company accounts for these share-based payments as equity-settled. The options are subject to a three-year vesting period and their fair value is recognised as an employee benefits expense within staff costs with a corresponding increase in equity over the vesting period. The proceeds received are credited to share capital and share premium when the options are exercised. Any amounts recharged by the parent are recognised as a recharge liability with a corresponding debit to equity.

Eckoh UK Limited

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

2. Summary of Principal Accounting Policies (cont'd)

2.10 Revenue recognition

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

(i) Secure Payment solutions and hosted services

Due to the unique nature of the Secure Payments solution and clients' reliance on Eckoh's PCI-DSS Level 1 compliance, the delivery and on-going support and maintenance of the Secure Payments solution under IFRS 15 is one single performance obligation. Therefore, revenue for implementation fees for our hosted Secure Payments solution and our hosted Customer Contact services; and revenue for hardware and implementation fees for our hosted or onsite Secure Payments solution are typically received at the beginning of the contract and held on the balance sheet as contract liabilities. This revenue is recognised evenly over the period of the contract from the point of delivery of the solution to the client. Costs directly attributable to the delivery of the hardware, the implementation fees and the sales commission costs are held as contract assets and released over the contract term from the point of delivery of the solution to the client.

In addition to the initial set-up costs, there are on-going support and maintenance and running costs of the service. In the UK, clients have a variety of commercial models including fixed fees and transactional arrangements, the revenue, whether it is the fixed monthly fee or based on transactions is recognized in the month it relates to.

(ii) Coral product

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

(iii) Third party support services

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

2.11 Taxation

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Eckoh UK Limited

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

2. Summary of Principal Accounting Policies (cont'd)

2.11 Taxation (Cont'd)

Tax on the profit or loss for the year comprises current and deferred tax. Tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity or other comprehensive income, in which case it is recognised directly in equity or other comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided in full, using the liability method on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the temporary difference can be utilised.

3 Revenue

Revenue by Geography

| | 2022 £000 | 2021 £000 |
|--------------------------|---------------|---------------|
| United Kingdom | 18,117 | 17,788 |
| United States of America | 1,786 | 1,288 |
| Rest of the World | 139 | 233 |
| Total Revenue | 20,042 | 19,309 |

| | 2022 £'000 | 2021 £'000 |
|---|---------------|---------------|
| Timing of revenue recognition | | |
| Services transferred at a point in time | 15,890 | 16,376 |
| Services transferred over time | 4,152 | 2,933 |
| | 20,042 | 19,309 |

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' | 2,746 | 2,648 |
| Contract assets which are included in 'Trade and other receivables' | 1,552 | 1,936 |
| Contract liabilities which are included in 'Trade liabilities' | (4,418) | (5,998) |
| | (120) | (1,414) |

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 earned not yet invoiced.

Eckoh UK Limited

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

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 period are as follows:

| | 31 March 2022 | | 31 March 2021 | |
|--|-----------------------------|----------------------------------|-----------------------------|----------------------------------|
| | 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 | - | 3,224 | - | 2,613 |
| Current year billings recognised in contract liabilities | - | 2,019 | - | 3,582 |
| Cost of sales recognised that was included in the contract assets balance at the beginning of the period | 1,079 | - | 893 | - |
| Costs deferred in current year and unbilled revenue included in contract assets | 745 | - | 1,078 | - |

| Contract costs | 31 March 2022 £'000 | 31 March 2021 £'000 |
|------------------------------|---------------------------|---------------------------|
| Deferred implementation fees | 745 | 1,078 |
| Deferred hardware costs | - | - |
| | 745 | 1,078 |

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

Transaction price allocated to the remaining performance obligations

The total amount of revenue held in contract liabilities and allocated to unsatisfied performance obligations is £4,418k (FY21: £5,998k). We expect to recognise approximately £2,743k (FY21: £2,790k) in the next 12 months, £1,640k (FY21: £3,173k) 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 Company's revenue is transactional in nature or is invoiced monthly for support and maintenance and these are not included in the contract liabilities.

Eckoh UK Limited

Notes forming part of the financial statements for the year ended 31 March 2021 *(continued)*

4 Profit before taxation

| | 2022 | 2021 |
|---|--------------|--------------|
| | £000 | £000 |
| Profit before taxation is stated after charging: | | |
| Depreciation of property, plant and equipment (note 9) | 476 | 493 |
| Amortisation of intangible assets (note 8) | 392 | 398 |
| Depreciation of leased assets (note 10) | 353 | 408 |
| Inventory recognised as an expense (note 12) | 1 | 10 |
| Employee benefits expense (note 5) | 8,844 | 9,220 |

Services provided by the Company's auditors

During the year the Company obtained the following services from the Company's auditors, detailed below:

| | 2022 | 2021 |
|-------------------------------------|-------------|-------------|
| | £000 | £000 |
| Audit of these financial statements | 74 | 64 |

5 Employees' and directors' emoluments

The monthly average number of persons (including directors) employed by the Company during the year, analysed by category was:

| | 2022 | 2021 |
|-------------------------------|---------------|---------------|
| | Number | Number |
| Technical support | 60 | 65 |
| Customer services | 28 | 29 |
| Administration and management | 36 | 51 |
| | 124 | 145 |

Staff costs for the above persons:

| | 2022 | 2021 |
|--|--------------|--------------|
| | £000 | £000 |
| Government grants receivable towards employee costs | (12) | (311) |
| Wages and salaries | 7,654 | 8,053 |
| Less: Internal development costs capitalised in the year | (343) | (379) |
| Amortisation of internal development costs | 327 | 253 |
| Social security costs | 590 | 1,109 |
| Other pension costs | 183 | 194 |
| Share based payments | 445 | 301 |
| | 8,844 | 9,220 |

Eckoh UK Limited

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

5 Employees' and directors' emoluments (cont'd)

Directors' remuneration

| Name | Salary and fees £000 | Benefits ¹ £000 | Pension ² £000 | Annual bonus £000 | 2022 Total £000 | 2021 Total £000 |
|-------------|----------------------------|-------------------------------|------------------------------|-------------------------|-----------------------|-----------------------|
| N B Philpot | 326 | 17 | - | 48 | 391 | 338 |
| C G Herbert | 189 | 14 | 19 | 55 | 277 | 218 |
| | 515 | 31 | 19 | 103 | 668 | 556 |

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

Retirement benefits under money purchase schemes are accruing to 1 Directors (FY21: 1). Retirement benefits under defined benefit schemes are accruing to no Directors (FY21: none).

The number of Directors who exercised share options was none (FY21: none).

6 Finance income /(charges)

| | 2022 £000 | 2021 £000 |
|---|----------------------|----------------------|
| Interest receivable | | |
| Bank interest received | 5 | 8 |
| Income from shares in Group undertaking | 41 | 5 |
| | 46 | 13 |
| | 2022 £000 | 2021 £000 |
| Lease interest payable | (21) | (16) |
| | (21) | (16) |

7 Tax on profit

| | 2022 £000 | 2021 £000 |
|--|--------------|--------------|
| Recognised in the statement of comprehensive income: | | |
| <i>UK Corporation tax</i> | | |
| Current tax on income for the period | - | - |
| Adjustments in respect of prior periods | (15) | - |
| Total current tax | (15) | - |
| <i>Deferred tax</i> | | |
| Origination and reversal of temporary differences | 1,450 | 657 |
| Reduction in tax rate | (380) | - |
| Adjustment in respect of prior periods | 39 | 5 |
| Total deferred tax | 1,109 | 662 |
| Tax on profit | 1,094 | 662 |

Eckoh UK Limited

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

7 Tax on profit (cont'd)

The tax assessed for the year is higher (2021: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

| | 2022 | 2021 |
|---|--------------|------------|
| | £000 | £000 |
| Profit before taxation | 4,296 | 3,846 |
| Tax using the UK corporation tax rate of 19% (2021: 19%) | 816 | 731 |
| Non-deductible expenses | (9) | 30 |
| Adjustment in respect of prior periods – Deferred Tax | 39 | 5 |
| Adjustment in respect of prior periods – Current Tax | (15) | - |
| Group relief | - | (11) |
| Impact of difference between current and deferred tax rates | 129 | - |
| Effect of rate change on deferred tax opening balance | (380) | - |
| Additional deduction for R&D expenditure | - | (93) |
| Deferred tax impact of share options | 514 | - |
| Total tax charge for the year | 1,094 | 662 |

| | 2022 | 2021 |
|---|--------------|------------|
| | £000 | £000 |
| Tax recognised directly in equity: | | |
| Deferred tax recognised directly in equity credit | (592) | 115 |
| Total tax recognised directly in equity credit | (592) | 115 |

| | 2022 | 2021 |
|--------------------------------------|--------------|--------------|
| | £000 | £000 |
| Deferred tax assets | | |
| Property, plant and equipment assets | 220 | 249 |
| Short term timing differences | 64 | 954 |
| Tax value of loss carry-forwards | 817 | 1,599 |
| Net tax assets | 1,101 | 2,802 |

Movement in deferred tax balances during the year:

| | 2022 | 2021 |
|--------------------------------|--------------|--------------|
| | £000 | £000 |
| Balance at 1 April | 2,802 | 3,349 |
| Recognised in income statement | (1,109) | (662) |
| Recognised in equity | (592) | 115 |
| Balance at 31 March | 1,101 | 2,802 |

Eckoh UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 *(continued)*

| 8 Intangible assets | Development costs | Patents | Total |
|--|----------------------|------------|--------------|
| | £000 | £000 | £000 |
| <i>Cost</i> | | | |
| Balance at 1 April 2021 | 4,210 | 280 | 4,490 |
| Additions | 364 | 8 | 372 |
| Balance at 31 March 2022 | 4,574 | 288 | 4,862 |
| <i>Accumulated amortisation and impairment</i> | | | |
| Balance at 1 April 2021 | 2,750 | 149 | 2,899 |
| Amortisation for the year | 358 | 34 | 392 |
| Balance at 31 March 2022 | 3,108 | 183 | 3,291 |
| <i>Net book value</i> | | | |
| At 31 March 2021 | 1,460 | 131 | 1,591 |
| At 31 March 2022 | 1,466 | 105 | 1,571 |

The amortisation charge is recognised within the administrative expenses line.

| 9 Property, plant and equipment | Fixtures, fittings and equipment |
|--|-------------------------------------|
| | £000 |
| <i>Cost</i> | |
| Balance at 1 April 2021 | 7,704 |
| Additions | 188 |
| Balance at 31 March 2022 | 7,892 |
| <i>Accumulated depreciation and impairment</i> | |
| Balance at 1 April 2021 | 6,650 |
| Depreciation charge for the year | 476 |
| Balance at 31 March 2022 | 7,126 |
| <i>Net book value</i> | |
| At 31 March 2021 | 1,054 |
| At 31 March 2022 | 766 |

Eckoh UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 (*continued*)

10. Leases

The Company leases equipment either in the datacentres or in the offices.

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

| | Equipment £'000 |
|---------------------------------|----------------------------|
| <i>Cost</i> | |
| Balance at 1 April 2020 | 549 |
| Additions | 1,137 |
| Disposals | (518) |
| Balance at 31 March 2021 | 1,168 |
| Additions | - |
| Balance at 31 March 2022 | 1,168 |
| <i>Accumulated depreciation</i> | |
| Balance at 1 April 2020 | 395 |
| Charge for the year | 408 |
| Disposals | (518) |
| Balance at 31 March 2021 | 285 |
| Charge for the year | 353 |
| Balance at 31 March 2022 | 638 |
| <i>Net book value</i> | |
| At 31 March 2021 | 883 |
| At 31 March 2022 | 530 |

| | 2022 £'000 | 2021 £'000 |
|--------------------------|-----------------------|-----------------------|
| Lease liabilities | | |
| Current | 362 | 353 |
| Non-current | 186 | 539 |
| | 548 | 892 |

| | 2022 £'000 | 2021 £'000 |
|--|-----------------------|-----------------------|
| Lease interest and expenses | | |
| Interest expense (included in finance costs) | (21) | (16) |

The total cash outflow for leases in 2022 was £353k (FY21: £478k), made up of principle lease payments of £322k (FY21: £461k) and lease interest payments of £21k (FY21: £16k).

Eckoh UK Limited

Notes forming part of the financial statements for the year ended 31 March 2022 (continued)

11 Investments

The Company has the following investments in subsidiaries, for which the cost and provision at the start and end of the year is nil.

| | Country of incorporation | Class of shares held | Ownership 2022 % | Ownership 2021 % |
|-------------------------|-----------------------------|-------------------------|---------------------|---------------------|
| Eckoh France SAS | France | Ordinary | 100 | 100 |
| Intelliplus Limited | United Kingdom | Ordinary and special | 100 | 100 |
| Medius Networks Limited | United Kingdom | Ordinary | 100 | 100 |

Aggregate of capital and reserves and profit or loss for the year is nil in all three entities. Eckoh France SAS ceased trading on 30 June 2010 and Intelliplus Limited and Medius Networks Limited are both non-trading companies.

12 Inventories

| | 2022 £000 | 2021 £000 |
|----------------|--------------|--------------|
| Finished goods | 15 | 20 |
| | 15 | <u>20</u> |

The cost of inventory recognised as an expense during the year was £1k. Inventory is stated after a provision of £14k (FY21: £19k).

13 Trade and other receivables

| | 2022 £000 | 2021 £000 |
|---|---------------|---------------|
| Trade receivables | 2,794 | 2,708 |
| Less: Loss allowance | (48) | (60) |
| Net trade receivables | 2,746 | 2,648 |
| Amounts owed by group undertakings | 26,417 | 18,035 |
| Prepayments and contract assets | 3,073 | 4,479 |
| | 32,236 | 25,162 |
| Long-term assets | | |
| Amount receivable from group undertakings | 1,906 | 734 |
| | 1,906 | 734 |

All trade receivables in the current and prior year are stated after a loss allowance of £48k (FY21: £60k). Amounts owed by group undertakings are unsecured and payable on demand.

| Gross trade receivables – ageing | 2022 £'000 | 2021 £'000 |
|----------------------------------|---------------|---------------|
| Current | 2,067 | 2,310 |
| 1-30 days | 568 | 293 |
| 31-60 days | 61 | 22 |
| 61-90 days | 13 | 1 |
| Over 90 days | 85 | 82 |
| | 2,794 | 2,708 |

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

Eckoh UK Limited

Notes forming part of the financial statements
for the year ended 31 March 2022 (*continued*)

14 Trade and other payables

| | 2022 | 2021 |
|------------------------------------|--------------|---------------|
| | £000 | £000 |
| Trade payables | 1,385 | 1,693 |
| Amounts owed to group undertakings | 515 | 657 |
| Taxation and social security | 701 | 498 |
| Other payables | 6 | 6 |
| Accruals and contract liabilities | 6,294 | 7,833 |
| | 8,901 | 10,687 |

Amounts owed to group undertakings are non-interest bearing, unsecured and payable on demand.

As set out in note 3, £1,629k (FY21: £3,207k) of the contract liabilities are due in more than one year.

15 Called up share capital

| | Allotted, issued and fully paid | | | |
|----------------------------|---------------------------------|--------|------|------|
| | 2022 | 2021 | 2022 | 2021 |
| | Number | Number | £000 | £000 |
| Ordinary shares of £1 each | 55,264 | 55,264 | 55 | 55 |

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

Capital redemption reserve

The capital redemption reserve comprises the amount paid to the Company by shareholders, in cash or other consideration, over and above the nominal value of the shares issued to them.

16 Ultimate parent Company

The Company is a subsidiary undertaking of Eckoh plc which is the ultimate parent Company in England and Wales.

The smallest and largest Group in which the results of the Company are consolidated is that headed by Eckoh plc. No other Group Financial Statements include the results of the Company. Copies of the financial statements of Eckoh plc are available to the public and can be obtained from Telford House, Corner Hall, Hemel Hempstead, Hertfordshire, HP3 9HN.