Eckoh

always inspiring

Annual Report 2013


Eckoh
always inspiring

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01 Introduction

Highlights of the Year

Eckoh plc (AIM: ECK), the UK's leading provider of multi-channel customer service and secure payment solutions, is pleased to announce its final results for the year ended 31 March 2013.

Financial Highlights:

Revenue
£11m

up 6% to £11.0m
(FY12: £10.4m)

88% of FY13 revenue is of a recurring nature (FY12: 87%)

Gross Profit
£8.3m

up 5% to £8.3m
(FY12: £7.9m)

Gross margin of 76%
(FY12: 76%)

Operating Profit
£1.5m

Adjusted* Operating profit increased by 18% to £1.5m
(FY12: £1.3m)

EBITDA**
£2.4m

EBITDA* increased by 9% to £2.4m (FY12: £2.2m)

Cash Generated
+67%

Cash generated from operating activities increased by 67% to £2.5m
(FY12: £1.5m)

Cash Balance
£8.5m

Strong debt free financial position with a cash and short term investment balance up to £8.5m (FY12: £6.4m)

Dividend
0.25p

The Board recommends a full year dividend of 0.25 pence per share for the year ended 31 March 2013
(FY12: 0.2 pence per share)

* Adjusted Operating Profit is Operating Profit excluding expenses relating to share option schemes

**EBITDA is the profit before tax adjusted for depreciation, amortisation, finance income, finance expense and expenses relating to share option schemes

Operational Highlights:

Strong new customer traction during the year driven by both direct and indirect sales initiatives

- Group now services 50 corporate clients an uplift of 11 new clients on the previous year
- Channel Partners BT, Azzurri Communications, a global payment service provider and Serco now generating significant new business interest
- New 3 year partnership with a UK leader in BPM and outsourcing solutions

Demand for payment services continues to underpin customer growth, including:

- 3 year contracts with Whitbread and CIMA
- 3 year contracts with one of the UK's leading financial services companies and a major high street retailer
- 2 year contract with Kiddicare

Successfully renewed contracts with blue chip customers including Vue, Power NI, Royal Mail, Ideal Shopping and Train Information Services Limited

On June 11th 2013 completed £6.3m acquisition of Veritape, a provider of PCI DSS compliant secure payment solutions

- Increases Eckoh's customer base from 50 to 121 clients
- Immediately earnings enhancing

Positive momentum generated by both our indirect and direct sales channels with significant levels of new business opportunities now in development

The Board are confident that the growth seen in recent periods will continue in the current year and beyond.

Overview

Eckoh is the UK's leading provider of multi-channel, customer service and secure payment solutions.

Our hosted solutions enable consumers to make enquiries, transactions or secure payments over the phone, web or mobile without having to interact with a contact centre agent. This reduces our client's operational costs and enables their agents to focus on complex enquiries.

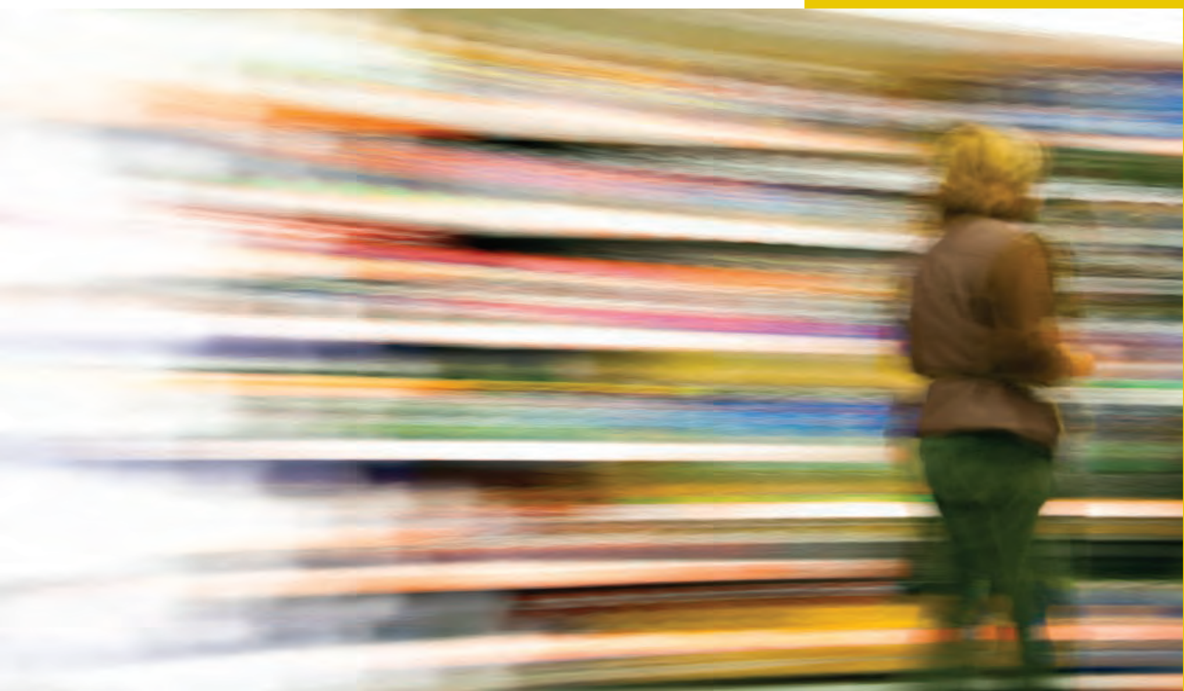
For services using advanced speech recognition, Eckoh is the largest provider in the UK with the infrastructure and scalability to handle up to 6,000 calls simultaneously. For clients, this means their calls will always be answered no matter how unpredictable the circumstances.

Eckoh is a Payment Card Industry Data Security Standards (PCI DSS) level one compliant service provider, annually processing over £300 million in card payments.

Eckoh processes around 30 million transactions per year across voice, web and mobile channels.

Typical applications include:

- Intelligent call routing
- Secure PCI DSS compliant card payments
- Customer identification and verification
- Real-time information
- Data capture
- Customer surveys
- Product purchase
- Balance enquiries, subscriptions and renewals
- Delivery tracking
- Ticket booking
- Outbound notifications
- Service outage notifications



Our Clients

Our clients include:

Utilities

- Affinity Water
- Bournemouth Water
- Dŵr Cymru Welsh Water
- Flow Energy
- Northumbrian Water
- Power NI
- South East Water
- South West Water
- Utilita
- Wessex Water

Travel

- Addison Lee
- BAA
- Gatwick Airport
- National Rail Enquiries
- Transport for London

Financial Services

- Barclays
- CIMA
- London Stock Exchange
- RCI Financial Services
- TD Waterhouse
- Paratus AMC

Outsourcing and Distribution

- GEOAmey
- Orbital Response
- Parcelforce Worldwide
- Royal Mail
- Rentokil Initial
- Serco

Telecoms

- BT
- O2
- Resilient Networks
- Spoke Interactive

Public Sector

- Central Office of Information
- Department of Health
- Defra - Rural Payments Agency
- Essex County Council
- Ministry of Justice

Leisure and Media

- Comic Relief
- IPSOS MORI
- Premier Inn
- Vue
- William Hill

Retail

- Electrolux
- Ideal Shopping Direct
- Kiddicare (Morrisons)
- Laura Ashley
- Luxup
- Tenpin
- The Garden Centre Group

For over 10 years, Eckoh has delivered customer service and payment solutions for leading brands across an unmatched range of industry sectors. With a heritage in phone services using speech recognition, over the decade our proposition has broadened to become fully multi-channel, encompassing services delivered over the phone, web and mobile channels. We now handle more interactions than any other company in our marketplace.

Eckoh typically works with the customer services divisions of large organisations, helping them become more efficient. These companies receive a high volume of customer enquiries which are typically handled by a live contact centre of between 50 to 2,000 agents that are either in-house or outsourced. It is this area of business upon which we target our service propositions.

Our clients generally contract with us for an initial three year period and the vast majority of them (more than 95%) renew their contracts with us at the end of their term. This extremely high retention level is testament both to the quality of the solutions we deliver and the on-going support and improvements we provide during the contract term through our Project and Account Management teams. They ensure that each client is valued, cared for appropriately and receives exceptional service.

The contractual arrangements usually involve a monthly or annual usage commitment based upon volumes of interactions, transactions or payments. This provides us with a regular and predictable level of revenue across the duration of the contract.

These recurring payments combined with committed monthly management fees represented 88% of the Group revenue for 2012/13 and gives the Company excellent visibility on future revenues.

08

SECTION

02 Customer Service

How Customer Service is Changing

A new empowered, self-serving customer

Just this year it was predicted that by 2015, people will use a tablet as their main computing device, replacing the home PC. In addition, 64% of people in the UK now own a smartphone. This unprecedented growth and demand for mobile information has led to a behavioural change in how people contact organisations for help.

> Across all demographics, voice is still the primary communication channel used, but is quickly followed by self-service channels.
>
> Forrester, January 2013

Customers are becoming more self-sufficient and are very willing to try and get the information they require on their own before talking to or interacting with a company representative. Where a phone number to a contact centre was historically the primary source of product and service information, this has now been absorbed into a large pool of communications options for the customer.

This doesn't mean to say that the voice channel is becoming a less important customer contact channel; just that it has been augmented by complementary ways of achieving the same goal. Despite the global recession the contact centre industry has continued to grow and is forecast to continue to do so over the coming years. People still want to speak to an agent, but instead of phoning for general queries which they can source from elsewhere, they phone for answers or assistance to more complex enquiries. This changing customer behaviour has had three major impacts on organisations:

- Consumers now expect self-service channels to answer their basic enquiries.
- Agents are now viewed as the trusted advisor, the expert and the hub that binds all the other channels together.
- As well as having a choice of contact points to an organisation (without being particularly loyal to any one in particular), customers want the option to start an interaction in one communication channel and finish it in another.

Organisations are evolving their customer service functions

Organisations are introducing more ways for their customers to be more self-sufficient when seeking information, placing orders and making payments. These include automated voice systems (using both touchtone and speech recognition); feature rich websites and mobile web; SMS and smartphone applications.

Contact centre agents are being given access to customer history to provide a richer interaction by building on information that has already been communicated by the customer. Agents are also being empowered to use communication tools such as webchat, email, SMS and social media to directly and conveniently converse with customers for service and support.

Combining all these elements to create a seamless customer experience is the challenge businesses are now facing. To date, multi-channel management has created communication silos that have often resulted in a disjointed service. Creating the agile service that customers want means standardising resolution and customer services processes, across all channels and touch-points.

Increasing self-service automation

Organisations realise that to provide the level of multi-channel service that customers now expect they have to optimise their contact centre environments. This includes automating tasks to increase agent productivity.

Eckoh has spent the last two decades refining such services and now provides an end-to-end proposition for contact centres. Using our technology, customers can now contact an organisation, locate a store, find real-time information about products and services, order and pay for them and receive confirmation of payment without physically needing to speak with an agent. These services are brought together under three main service propositions:

- Speech self-service solutions
- Multi-channel self-service solutions
- Secure payment solutions compliant with PCI DSS ("Payment Card Industry Data Security Standards")

Creating the agile service that customers want means standardising resolution and customer services processes, across all channels and touch-points.

Speech Recognition
Gathering momentum

As customers become more self-sufficient they are also becoming more demanding, so as the time between requesting and receiving information is reduced, the idea of navigating through long menu systems, being put on hold, or being redirected incorrectly is regarded with increasing frustration.

As a mainstream technology speech recognition has come of age, and when incorporated with mobile technologies is now being viewed as perhaps the quickest way to obtain information by allowing people to simply ask for it verbally. People now understand the potential of speech and how to get the best outcome from using it. As such it is increasingly incorporated within everyday devices such as cars, phones, PCs and electrical goods.

Interactive phone services that rely on keypad entry (known as touchtone) have been widely used over many years by contact centres and businesses, but there continues to be a mixed response from customers about the usability of them. These services were typically designed and implemented many years ago and over time they have been augmented and changed, leading to a disjointed and frustrating experience. As people have become more comfortable speaking aloud to their devices, the traditional touchtone menus are either being replaced with advanced speech recognition systems or these are offered as an alternative. Speech solutions that use 'natural language' technology, where the user can say in detail what they need, have the ability to remove all of the layers of touchtone menu choices. This results in the caller getting their desired result much quicker and usually with greater accuracy.

It is undoubtedly true that not everyone enjoys using speech systems either and may have a negative view about how they perform. However, our experience is that these views have generally been formed from the use of poorly implemented solutions from many years ago. We find that where such a user is presented with a well-designed Eckoh solution that actually achieves their objective, their negative perceptions can very quickly be turned into a positive, almost evangelical attitude. This leads us to believe that the strong growth in the use of Eckoh's speech self-service solutions will continue.

To compete effectively in a market where brands are reviewed and critiqued publicly through social media channels, contact centres and businesses see the value of deploying advanced solutions to retain customers. A well designed speech recognition solution enables callers to speak to a system just as they would to a contact centre agent. The technology has evolved to make precise recognition of extremely large grammars viable, even in difficult environmental conditions. This makes it possible not just for the system to understand and respond to the caller accurately, but to do so in an intuitive and personalised manner.

Using the most advanced speech technologies, Eckoh has created a natural language application and dialogue called EckohASSIST which is delivered on a single phone number to the organisation and greets callers with the simple question "how can we help you?". The caller can describe the reason for their call in their own words and based on their reply they will be routed appropriately. Callers can now take control of their interaction, and in doing so it minimises any frustration and increases their confidence in the organisation's ability to provide them with the right service and support.

To achieve this simple, natural and effective customer experience, Eckoh uses the most advanced speech technology combined with complex statistical language models that know the probability of a particular organisation receiving one call type versus another. This approach not only provides a compelling and satisfying customer experience, but also delivers a significant cost saving to the organisation by ensuring that their customers get the most appropriate outcome from their call.

Our clients benefit from the latest self-service technologies of which advanced speech recognition is but one. Whilst our heritage has been in the development of many of the UK's most complex and most widely used speech solutions, in recent years our client's desire to deliver a coherent and consistent customer experience across all of their communication channels has provided Eckoh with an opportunity to broaden our offering into web and perhaps most importantly the mobile channel.

case study: Vue Cinemas

Vue Entertainment is a world class operator and developer of modern state-of-the-art multiplex cinemas. Vue currently operates 116 cinemas across the UK, Germany, Ireland, Denmark, Portugal and Taiwan. The Company has a mission to deliver unrivalled cinema experience with outstanding service provided by friendly and helpful people. Vue serves around 37 million customers per year.

With 80 cinemas in the UK alone Vue takes thousands of calls every day. To tie in with their mission to deliver outstanding service, be customer focused and innovative they wanted to improve the ease of the booking process for customers and the quality of the guest services. To achieve this, Vue wanted to reduce call waiting times for customers who want to book tickets and find basic film information, especially at peak times or when popular films are released.

The cinema information and ticket booking service provides Vue with a one-number telephone solution for its group of UK cinemas. Using Eckoh's advanced speech recognition technology, the automated service allows customers to request film information and screen times at their nearest cinema and book and pay for tickets in advance.

Callers can book from the extensive range of ticket and performance types across the Vue network, select where they would like to sit in the cinema and keep it as a personal preference. It also features increased levels of personalisation that offers callers option selections based upon their previous call patterns to help make the call experience faster and more intuitive. The market leading speech recognition solution is hosted on Eckoh's VoiceXML processing platform and receives over a million calls every year from Vue's customers.

“We have been working with Eckoh for almost a decade and they have consistently demonstrated an unrivalled level of flexibility, responsiveness, and expertise in the delivery of their telephony and contact centre services. Vue strives to set the highest customer service benchmarks for the cinema industry and as our partner, Eckoh has helped us to achieve that goal. We look forward to exploring other multi-channel services with them to provide a more satisfying experience for our customers.”

Steve Knibbs
Chief Operating Officer
VUE Cinemas

Multi-channel Self-service

Following the emergence of the affordable home PC and laptop at the beginning of the millennium, the more recent leaps in technology have given consumers mobile devices such as the smartphone and tablet which have a capability that often exceeds their home computers. These have provided consumers everywhere with the ability to call, browse the web, gather and send information, order and purchase products and services, and comment about their experience. The meteoric adoption of this portable consumer technology just in the last two years is only set to explode further with new devices and new ways of interacting already in development.

To keep up with the pace of innovation and to offer the latest functionality, companies are typically outsourcing requests to develop mobile apps and mobile optimised websites so that they can compete effectively and quickly. However, many of the organisations that are delivering these solutions have no expertise in other communication channels, particularly voice, and often ignore them altogether. This can lead to a solution that may work effectively in isolation but has no coherence when the customer moves from the mobile environment to interacting via the phone or web either at work or home.

Customers are now demanding interaction with organisations via mobile devices and want to fulfil the same goals as they would with a PC or on the phone. So to compete effectively in the market, organisations need to facilitate this level of service and provide the means to be contacted in this way so that customers can, at the swipe of their finger:

- use their geographical location to receive location dependant information and offers,
- register, order and pay for products and services,
- personalise the way that they receive information based on preferences and location,
- create call back/support requests; and
- receive value-added services and incentives.

But an even bigger challenge facing customer services departments is that they have to do more with less financial investment. Efficiency is still the dominant objective. As customer touch points grow, department heads know that they have to devise a strategy that includes automating as many common enquiries and payments as possible to free up their agents for other tasks and keep costs down. And this is where Eckoh comes in.

As well as our automation expertise in the voice channel through speech enabled technology, Eckoh has evolved its portfolio to include web and mobile technology that offers organisations a large range of multi-channel, self-service solutions. We have successfully provided clients with the means to complement their existing contact centre technologies with web and mobile applications for customers.

Eckoh can enable businesses to interact with their customers through any contact channel they prefer including phone, web, mobile, smartphones and other devices. Services can also be highly personalised, recognising customers from previous interactions, and meeting their needs using information already known about them. This ensures that which ever channel the customer uses to interact, their experience remains consistent and their information and personal preferences are always available in real time.

case study:
Utilita

Utilita is an independent UK company, licensed by Ofgem and Ofcom to supply gas and electricity, servicing some 15,000 customers and growing. The Company wanted to offer their customers more choice in how they pay for gas and electricity. In particular, they wanted a way for pre-pay meter customers to make payments for electricity and gas, securely over the web and using their phone.

Utilita customers that have pre-pay meters can purchase electricity or gas using the EckohPAY web service. Customers are pre-identified through a unique meter ID detailed on their top-up card. The card authorisation and settlement is handled in real-time and the customer is issued with a code, which is sent via SMS directly to the meter to activate the purchased electricity or gas.

Customers can also register their mobile number online and when they want to 'top-up', they send an SMS message with their electric or gas card number and the amount they wish to pay to a dedicated shortcode. Once the details are validated and authorised, the customer is issued a code to activate the purchased electricity or gas.

utilita
get smart energy

"We wanted to implement technology to enhance the service we provide to our customers. Eckoh's proven experience in our industry and customer-centric approach to their solutions provides us with every confidence that the service will continue to prove very successful both for our customers and for Utilita."

Bill Bullen
Managing Director and Founder
Utilita

Payment Card Industry Data Security Standards (PCI DSS)

Since the PCI DSS were introduced in 2006, there has been increasing pressure on the contact centre industry to meet these standards. But while some merchants are embarking on compliance programmes, others are not treating it as high priority or changing their processes fast enough to meet industry standards. Some merchants are even choosing to ignore PCI compliance altogether, confident that their existing processes fulfil the criteria of secure phone payments.

But it isn't just the payment card industry or providers that want tighter security. Consumers are demanding more technology-based ways to keep their payment card details secure when paying over the phone and web.

Owing to recent bad press, and bad experiences, consumers are now more aware of the measures they need to take to avoid identity theft and fraud, and are not prepared to take any risks with their personal information. Around one third of respondents admitted to being a victim of credit card fraud.

EckohPROTECT

Real-time payments with contact centre agents where card details are kept private.

Many contact centres are changing their approach to how they deal with customer information to meet the pressure to comply with PCI DSS Standards. However, while most merchants are endeavouring to meet increasing customer security demands and protect their customers' data, others do not see PCI compliance as a necessary step to achieve this.

Of contact centres surveyed in 2012, 93% either had a PCI Compliance programme underway or are planning one. The remaining 7% admitted that they had no wish to become compliant but had made steps to increase the level of security around customer data. All contact centres tended to adopt one of the following strategies that had varying degrees of achieving PCI DSS compliance:

Denial – "Fraud won't happen to us"

17% of contact centres only use basic security as their main fraud deterrent, using manual processes and training to ensure correct handling of payment information. When breached, it often spells financial and reputational disaster for the organisation involved.

Segmenting – separate payments areas, clean rooms, pausing recordings

42% of contact centres use additional security to segment the payment process within the contact centre. These methods may work and are used extensively however they are still open to human error. Additionally, standards and regulations are continually evolving, making gaps to achieve compliance ever wider.

Protecting – outsourcing the risk to PCI compliant service providers

13% of contact centres use external vendor technology, or third party cloud-based solutions that can be applied to the whole contact centre. Cloud-based solutions are proving to be the

In an independent study, Eckoh surveyed a sample of 1,000 UK consumers to gauge their attitude to making payments over the phone, with some interesting results.

- 86% of consumers did not trust contact centre workers to keep their personal and card payment details secure when paying over the phone, believing that some agents may commit fraud by stealing their data. "I prefer talking to UK based centres, but still I don't trust them enough to give them my card details over the phone."
- Over half of consumers said that they would feel more secure if a technology based solution was involved in the contact centre agent transaction process. "If it's an automatic system (and legitimate), there is no human who can pass on/steal my information."

case study:
Kiddicare

"EckohPROTECT is just what we were looking for at Kiddicare. We were really impressed with Eckoh's credentials, their PCI DSS Level One status and their confidence at meeting our challenging implementation deadlines. We're looking forward to providing a secure yet convenient payment service that delivers an excellent customer experience."

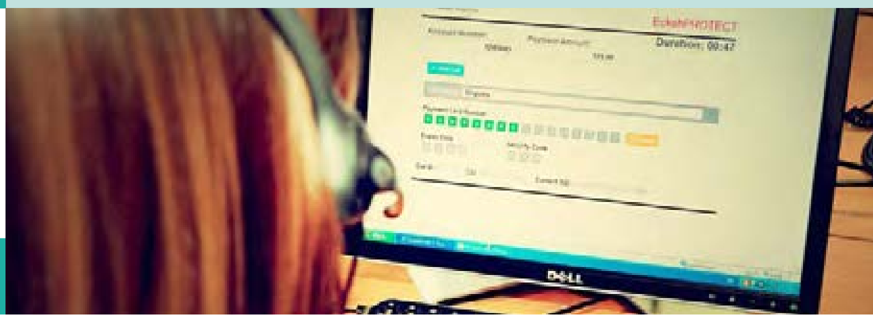
Ken Platt
Head of Multi-Channel
Morrisons.com

Acquired by Morrisons in 2011, Kiddicare prides itself on delivering an outstanding hassle free shopping experience both in store and online. One such example is their extended next day delivery promise by allowing customers to place online orders as late as 7pm for guarantee delivery the following working day. Their commitment to their customers means they are now the UK's number one online baby shop with 400,000 customers placing an order with them in the last 12 months.

Most of Kiddicare's customers pay for goods online, but Kiddicare wanted to expand the shopping experience to offer payments via telephone. Aware of PCI DSS compliance, they wanted to ensure that any payments made by customers were secure and met Payment Card Industry regulations. They also wanted to offer the option of paying through their existing contact centre agents as well as an automated system.

By using Eckoh as their PCI DSS compliant service provider, Kiddicare is able to avoid a long and detailed part of the compliance process and quickly implemented a secure card payment service for their customers. In addition, EckohPROTECT enables callers to make payments with contact centre agents who can verbally guide them through the payment process.

kiddicare.com
part of the MORRISONS family



most resilient form of PCI compliance available to contact centres. Of our sample, 9% of contact centres had adopted such solutions with a further 13% considering this approach as part of their future compliance programme.

Owing to the complexity of the annual PCI DSS audit, more contact centres are opting to outsource the requirement to PCI DSS service providers like Eckoh so that they can continue to run their core operation without distraction.

Eckoh is finding that their cloud- based payment solutions EckohPAY and EckohPROTECT are popular with clients and consumers alike, as callers can enter their card details using their telephone keypad and never have to pass their details verbally to someone they don't know. EckohPROTECT ensures that the contact centre agent is never exposed to cardholder data but does allow them to stay on the phone with the caller while they process their payment. As well as maintaining a good customer experience, the system masks the card data on the agent screen and blocks the DTMF tones from being recorded allowing call recording to continue. For organisations who are required for regulatory reasons to have uninterrupted call recording this can be a critical requirement.

As the Payment Card Industry Security Standards Council prefer to see robust technology based solutions, more organisations are realising the benefits of outsourcing this requirement for contact centres to Eckoh as it:

- helps to de-scope the PCI audit, and
- takes the burden of compliance away from the contact centre.

To make it easier for organisations to identify a compliant provider, Visa publishes a list of approved Level One Service providers. Eckoh has been a PCI DSS Level One compliant Service provider since 2010, taking over £300 million per year for clients.

Service overview

Multi-channel Customer Service Solutions

As the largest provider of hosted, multi-channel customer service solutions, Eckoh helps large organisations increase the efficiency of their contact centres. By removing the more routine interactions from the contact centre, we not only make servicing customer contact activity more manageable, but we free up agents to handle more detailed calls or requests.

- EckohASSIST An advanced speech recognition solution that identifies a caller's requirement by simply asking "How can I help you?".
- EckohADDRESS – Captures name and address information and other personal data.
- EckohCOMMERCE – Ordering goods and services.
- EckohID&V – Identifies and securely verifies callers.
- EckohINFO – Provides callers with real-time information (e.g. travel times)
- EckohLOCATE – Directs customers to stores or locations based on geographical location.
- EckohSECURE – Authenticates callers and customers using voice biometrics.
- EckohSURVEY – Enables contact centres to quickly create and deploy automated questionnaires.

PCI DSS Compliant Payment Solutions

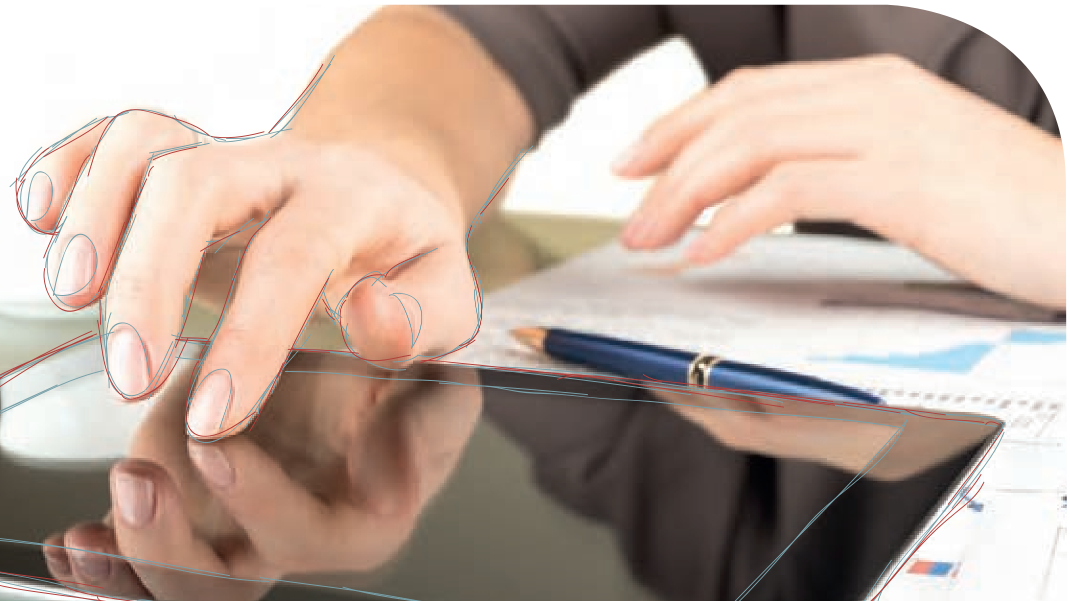
As a Level One PCI DSS compliant service provider since 2010, Eckoh provides a range of hosted solutions to process secure credit and debit card payments. We reduce the scope of a PCI compliance audit by making organisations eligible to complete one of the shorter Self-Assessment Questionnaire (SAQ) versions. This saves significant amounts of time and resources.

Agent Assisted Payments – the padlock for voice channels

- EckohPROTECT – a fully managed and hosted service that enables merchants to take payments securely over the phone through a contact centre agent. The agent can verbally guide the caller through the payment process, but the caller does not pass their details to the agent and card data is prevented from entering the contact centre environment.

Automated 24/7 payments

- EckohPAY - an automated payment solution that enables your customers to make secure card payments through their landline, web, SMS or smartphone 24 hours a day.
- EckohDONATE - a PCI DSS compliant solution especially developed for charitable organisations, that collects donations over the phone, web and mobile and includes gift aid verification to maximise donation value.



Our Technology

Eckoh continues to make significant investment in its VoiceXML cloud-based platform. Eckoh's self-service platform delivers highly available, scalable and secure multi-channel, self-service, automated solutions without the need for additional capital expenditure.

- PCI DSS Level One audit scope includes all areas of Eckoh's cloud offering.
- Deployed across multiple data centres the platform operates on an active-active basis ensuring resilience and scalable capacity for all services.
- Telephony connectivity is provided by the key tier one carriers and also supports OLO carrier termination and SIP.
- Web Connectivity provided by fully redundant links from multiple multi-homed ISPs.
- Fully meshed WAN connecting all sites.
- DR capabilities built in at core level with instant failover capabilities available.
- Bursting capacity available in an instant for unforeseen spikes and surges in inbound traffic.

Core technology is built on enterprise level technology, and Eckoh's developed bespoke system layers:

- Holly Connects – VXML.
- Cisco networking.
- EMC storage.
- F5 load balancers.
- Nuance speech recognition – with all ports speech enabled and all main languages available.
- Eckoh bespoke secure build web and application server farms.
- Mobile and web hosted solutions make full use of existing resilient and secure components ensure a true end user multi-channel experience.

Eckoh's product development and delivery teams have over a decade of experience delivering both bespoke automated solutions and developing packaged products to assist the contact centre industry.

What our clients think

For over 10 years, Eckoh has delivered self-service speech and payment solutions for leading brands across an unmatched range of industry sectors. We now handle more interactions than any other company in our marketplace. These are just a few examples of what our clients say about us.

National Rail Enquiries

"Eckoh's expertise, approach and professionalism are unquestionable and they have proven that they are the market leader in providing complex speech recognition services like TrainTracker."

Chris Scoggins, Chief Executive Officer, National Rail Enquiries

Power NI

"Eckoh's service really does make it easy for our customers. We're confident that their solutions will continue to deliver the highest levels of customer service over the next three years."

Graham Hunter, Power NI

Premier Inn

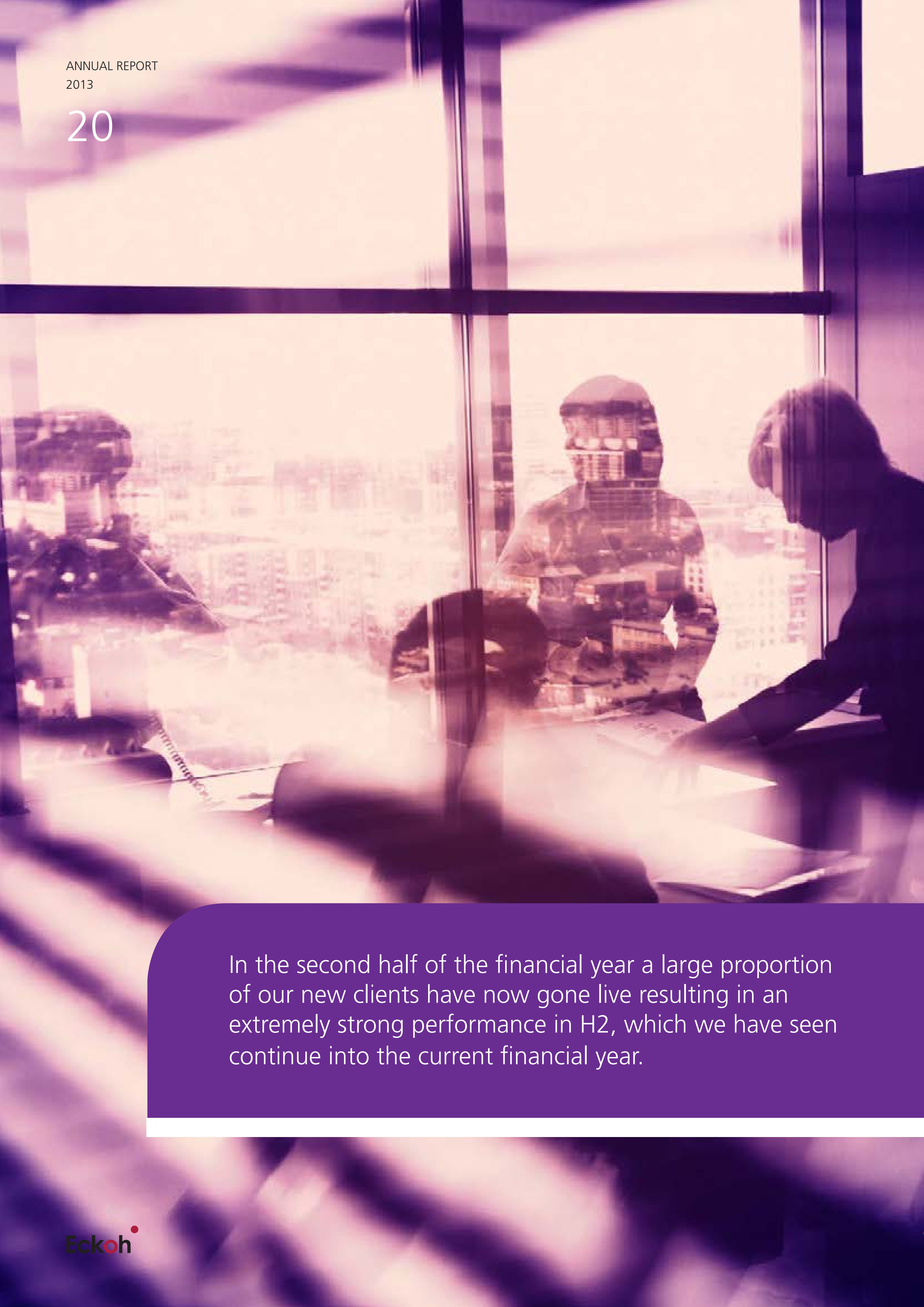
"Eckoh brings a great deal of expertise in the complex area of PCI DSS compliance and network management and as a trusted supplier they were the natural choice for us."

Siobhan Fagan, Head of Customer & Business Systems, Whitbread

Ideal Shopping

"Eckoh has proven over many years to be an extremely capable and reliable partner, consistently delivering the highest quality automated solutions. When you combine this with their innovative and flexible approach to our business, it made our decision to extend our relationship with them an easy one."

Mike Hancox, Chief Executive Officer, ISD



In the second half of the financial year a large proportion of our new clients have now gone live resulting in an extremely strong performance in H2, which we have seen continue into the current financial year.

SECTION

03 Business Review

Chairman's Statement

Chris Batterham

I am pleased to be able to report on another period during which significant progress has been made by Eckoh. The key strategic focus over the past 12 months has been to promote our proposition in the payment sector, to use that capability to secure a high number of significant client wins and to establish partnerships with organisations that can assist us in accelerating the growth experienced in recent years.

We have been successful in both of these strategic initiatives with an unprecedented number of new clients being won during the financial year increasing the client base of the Company from 39 to 50 clients. Several of these new client wins have come through partnerships established with the likes of BT, Serco, Azzurri Communications and a global payment service provider.

Going forward we would expect the trend of increasing client numbers to accelerate as these partner arrangements become further established. We are also excited about the prospects likely to be brought through our recently announced relationship with one of the UK's leading providers of business process outsourcing and business process management solutions. The commitment shown to the relationship by the partner is such that we have been guaranteed a minimum level of revenue from the partner over the course of the initial three years of the agreement. The early signs are that opportunities being brought by the partner will result in some large contract wins which will render the minimum revenue guarantee redundant.

Historically we have always been successful in selling additional services to our client base with growth largely being split evenly between new client wins and additional services being sold to existing clients. We are confident that we will be successful selling additional services to this larger base whether it is payment services through other channels or more traditional speech solutions.

The increasing profitability of Eckoh has seen cash reserves increase to £8.5m at 31 March 2013. This has enabled us to recommend a 25% increase in dividend to 0.25p per share (FY12: 0.2p per share). We are now in a healthy position to consider more dynamic options towards achieving our growth aspirations.

We are delighted to be able to announce the acquisition of Veritape Limited, completed on 10 June 2013, ("Veritape") for initial consideration of £6.3m rising to £10.6m provided Veritape are able to achieve profit before tax of £3.6m during the first twenty six months following acquisition. Veritape have quickly established their CallGuard proposition as an innovative proposition for rapidly de-scoping call centres from the requirement of the Payment Card Industry Data Security Standards and with the minimum of disruption to the client. Veritape have also been successful in winning contracts of significant size outside of the UK. CallGuard is an ideal solution for those looking for a secure solution that does not involve payments being handled on a hosted basis by a third party such as Eckoh and as such is extremely complementary to the current Eckoh offerings.

The broadening of the client base has undoubtedly led to an increase in the workload undertaken by our employees. It is to their credit that satisfaction levels from our new clients have been extremely high and I would like to take this opportunity to thank the workforce for their efforts over the last twelve months. I was pleased that the results of the 2013 Best Companies to Work For survey returned positive results with Eckoh being recognised as a two star employer by the employees responding to the survey.

We enter the new financial year highly confident about the prospects for the Company and with an expectation that the growth of the business will continue to be reflected in increasing value for shareholders.

Chris Batterham
Chairman

"We enter the new financial year highly confident about the prospects for the Company and with an expectation that the growth of the business will continue to be reflected in increasing value for shareholders."

Business Review

We are delighted to report on another year of operational progress for the Group in which we extended our in-direct channel relationships, broadened the number of clients taking multi-channel services, generated significant levels of contract wins for our new payment solutions and saw record levels of new clients wins.

Whilst our sales cycle on new prospects is becoming shorter than in previous years, it is still typical for a client to be contracted several months before their service goes live, triggering the flow of recurring revenue typically associated with our services and more than 85% of the contract value. In the second half of the financial year a large proportion of our new clients have now gone live resulting in an extremely strong performance in H2, which we have seen continue into the current financial year.

Alongside this operational progress we have concluded a strategically important acquisition of Veritape Limited. This transaction will ensure that our payment solutions can continue to meet the demands of our expanding client base whilst accelerating the growth of the Company over a sustained period by opening up new overseas markets that we can service from our UK base.

Market Overview

Our key target market continues to be those companies operating their own contact centres or using outsourced contact centre providers. It is a popular misconception that contact centres are in decline and only serve to answer incoming customer calls. In the UK alone there are over 5,500 contact centres with around 780,000 agent seats and it is forecast that the outsourced sector will grow at around 4% per annum up to 2017*. Within these centres there is now a multiplicity of ways to interact with customers including proactive outbound contact, email, text, webchat and social media, and this is leading to a requirement that contact centre agents are skilled in a variety of activities. As a result the agent role is evolving into more of a 'trusted advisor'.

This trend is increasing the cost of training, recruiting and employing suitable employees, which is in turn seeing a growing need for companies to maximise the efficiency of these staff and ensure they are focused on the more complex and valuable activities. The wide variety of self-service multi-channel solutions that Eckoh supplies provides our clients with the ability to achieve this goal and to ensure that the touchpoints with their customers are personal, intuitive, effective and efficient. This means that where customers do need to interact with an advisor it is driven by the complexity of the enquiry rather than the need to complete or verify a rudimentary task.

With UK contact centres processing over £2 billion in credit card transactions annually they are an obvious target for external data attacks and have a heightened risk of fraud committed by insiders. In a OnePoll study of 1,000 adult consumers commissioned by Eckoh in December 2012, 85% of participants expressed concern that their card details could be stolen by a contact centre agent. According to Europol, in 2011 around 60% of payment card fraud losses, totalling 900 million euros, were caused by card-not-present fraud with the main sources of illegal data originating from data breaches.** Eckoh's payment solutions enable organisations to achieve PCI DSS compliance much more easily and by removing card data from the agents themselves we also remove the risk of internal fraud. In 2011, 96% of those organisations who were victims of data breaches were found not to be PCI DSS compliant, emphasising the importance that PCI compliance has in preventing data attacks.

Of those organisations that were victims of data breaches in 2011, 96% who were subject to PCI DSS were not compliant, emphasising the importance of achieving compliance to prevent such breaches. ***

* Contact Babel – The UK Contact Centre Decision Makers Guide 2012

** EUROPOL Situation Report - Payment Card Fraud 2012

*** Verizon 2012 Data Breach Investigations Report

Nik Philpot

Operational Review

We have been consistent in recent periods about where our strategic focus lies. As our business expands, we remain focused on a number of strategic growth drivers:

- Maximise our Level One Payment Card Industry Data Security Standards ("PCI DSS") status through our payment products EckohPROTECT and EckohPAY
- Continue to expand and strengthen our indirect sales channels whilst continuing to invest in our direct sales capabilities
- Increase incremental sales and cross selling opportunities from our existing customer base by expanding the range of multi-channel services
- Continue to innovate through new product development to maintain our market leading position
- Focus on generating strong levels of organic revenue growth whilst continuing to evaluate bolt-on acquisition opportunities

To that end, we outline below the considerable progress the Group has made in these key areas.

Maximise our Level One PCI DSS Status

It is the demand in the payment sector that undoubtedly provides the greatest opportunity for the future growth of Eckoh. In the 2012/13 financial year, 80% of the new contracts won were predominantly for payment services. Whilst these services are generally quicker to sell and implement than our traditional speech services and more latterly multi-channel services, they do have a typically lower margin value. However, the payment services contribute significantly to the profitability of the Company and more importantly establish relationships with large organisations that enable us to cross sell our wider customer service solutions.

We continue to see a trend for organisations that take card payments to be put under increasing pressure by Banks and Payment Service Providers to become PCI DSS compliant. Given the PCI process can be both long and expensive by outsourcing to Eckoh, an accredited service provider, organisations can address the broader security concerns whilst reducing expenditure.

The drive towards PCI compliance is still at the early stages with the majority of organisations and outsourced contact centres not yet having addressed the issue. The pressure applied by financial institutions will increase over the next few years presenting an exciting opportunity to Eckoh. The acquisition of Veritape announced today creates a broader 'PCI DSS platform' from which Eckoh can offer a full suite of solutions that can satisfy the requirements of any potential customer.

Expansion of Indirect Sales Channels and Investment in Direct Sales

Since renewing our strategic relationship with BT in October 2011 on a non-exclusive basis, we have been actively seeking to establish relationships with other channel partners in order to help us accelerate organic growth. Over the course of the past 12 months we have been able to announce a number of contract wins which have been assisted by these relationships.

In May 2012 we announced a Reseller Agreement with a leading Global Payment Service Provider who has assisted us in winning contracts for payment services with Kiddicare, the Chartered Institute of Management Accountants (CIMA) and a major high street retailer. We have also won contracts through our relationships with BT, Azzurri Communications and Serco during the period.

Going forward, we are confident that our most recently announced partnership with one of the UK's leading providers of business process outsourcing ('BPO') and business process management ('BPM') solutions will deliver a large volume of high value opportunities. This agreement is unique amongst Eckoh's indirect relationships in being underpinned by a minimum level of revenue, which indicates the level of confidence both parties have in the future success of the partnership.

The indirect channel is expected to increase the annual volume of new clients, but our direct channel continues to secure some of the largest and most significant contracts. The 3-year agreement with Premier Inn for payment solutions, which started generating revenue at the end of January 2013, was the largest new contract that Eckoh secured during the period and is expected to make Premier Inn the second largest revenue-generating client this year. The direct sales team which currently consists of four sales people will increase by 50% as a result of the Veritape acquisition and is supported by a larger marketing budget than the previous year.

Expanding the Range of Multi-channel Services

Eckoh now has the ability to cross sell and upsell across a complementary suite of services to more clients than ever before. Our sales teams have been very successful in following up initial deployments with further incremental sales growth through cross selling over the life of the contract. Our heritage and reputation has been built on providing voice-based services, particularly those using speech recognition technologies and we are undoubtedly the market leader in this field. However, it is vital that Eckoh is recognised as a multi-channel provider to ensure that we are also considered by companies looking to deploy customer service solutions in any of the communication channels.

Of the clients that Eckoh currently has under contract as might be expected the vast majority (96%) take services that are delivered over the voice channel. But 35% of these companies also take either web or mobile services and an additional 10% have a complete multi-channel solution. The payments area is leading the way in driving the uptake of multi-channel solutions, as it is common for new clients to contract initially with Eckoh for a telephony payment solution and for web and mobile payment solutions to be added shortly thereafter. Crucially for Eckoh, the business model of recurring revenue generated by minimum guaranteed levels of transactions extends successfully across multiple channels, as well as offering the client protection against any future channel shift from their customers.

Innovate Through New Product Development

The design of our products increasingly looks to leverage the benefits that working with multiple channels provides. We have, for example, enhanced the Addison Lee booking service to utilise the geographical location of the mobile phone that the customer is calling from to pinpoint their pick up location more quickly. Whilst in turn we have provided the Addison Lee drivers a mobile service which allows them to check their status and to log on and off for jobs without needing to speak to the central car control unit. This has reduced contacts into the unit by around 80%.

EckohROUTE, our latest multi-channel product innovation that we are deploying into Premier Inn, will allow the client to manage through a web interface the way that their inbound calls are routed and distributed. This real time management tool delivers complete control to the client and ensures that their contact centre operations are utilised as efficiently as possible.

Consumers in this multi-channel world expect customer service to be agile, starting an interaction in one communication channel and being able to complete it in another. The interaction needs to convey consistent and personalised data to the customer irrespective of their choice of touchpoint. This is more challenging to achieve than it sounds, but if companies choose to work with a single multi-channel supplier such as Eckoh, the sharing and interrogation of the data to enhance the customer's experience is more straightforward and at a lower cost to the business. It is vital that we can demonstrate tangibly our vision of 'seamless' customer service, so this year we are increasing our investment in research and development to ensure that our product development keeps ahead of the pace of change within the area of customer contact.

Acquisition of Veritape

On June 11th 2013 we announced the acquisition of Veritape, a UK based specialist in PCI DSS compliant call recording software and on premise secure payment solutions. We believe that this acquisition provides Eckoh with the ability to offer a complete PCI compliant payment solution whatever the requirements. Our experience in successfully selling our EckohPAY and EckohPROTECT hosted payment solutions to our client base leads us to believe an even broader payment portfolio will offer significant opportunities for incremental sales growth.

The initial consideration comprises of £5.2m payable in cash funded by existing cash resources from the combined entity and £1.1m payable by the issue of 7,095,044 new Eckoh ordinary shares. Additional deferred consideration of up to a maximum of £4.3m, payable in cash of £1.7m and new Eckoh ordinary shares of £2.6m, is dependent on the achievement of certain profit before tax targets.

To earn the entire deferred consideration a profit before tax of £3.6m must be achieved over the 26 month period beginning 1 July 2013.

Veritape's main payment offering 'CallGuard' is a solution which is self-installed on a client's premises which immediately enables payments to be made over the telephone without credit card details being shared with the agent or stored by the call recording software. The simplicity of CallGuard has enabled Veritape to successfully sell their solution in both the UK and overseas with over half their business in the last 12 months coming from international markets. Eckoh believe that Veritape can assist Eckoh in globalising our own proposition.

Whilst CallGuard has driven much of the growth in the past two years, Veritape also have a well-established call recording solution that we believe can be combined with Eckoh's speech recognition platform to assist us in answering a growing demand for speech analytic solutions.

In addition to these products, Veritape have also developed 'OneProx' that will allow merchants to be de-scoped completely from cardholder data, which can reduce the costs of PCI DSS compliance considerably. Importantly, OneProx requires no integration with existing payment processes or IT systems, and avoids complex and time-consuming implementation projects.

With over 70 clients, including Carnival plc, E.ON, Ford, Connextions, Trulia, Jaguar LandRover, LBM and Atos Origin, already using a Veritape solution this provides an immediate cross selling opportunity for Eckoh's multi-channel solutions and the breadth of payments solutions that Eckoh will now be able to provide on an international basis clearly supports the rationale for combining these two growing companies.

veritape
call recording made simple

Current Trading and Outlook

Eckoh experienced an extremely strong period of trading during the second half of 2012/13 with a record number of new clients being deployed, which will generate recurring revenues over the full twelve month period ahead.

The positive momentum generated from the new indirect sales channels has led to a sales pipeline value that is at its highest ever level, fuelled by both our payment solutions and our multi-channel customer service portfolio. The addition of Veritape will broaden our customer base, extend our product range and allow us to sell more easily to international markets. This earnings enhancing acquisition will offer immediate cross selling opportunities for Eckoh and will further strengthen an already buoyant sales pipeline.

The combination of these factors gives the Board every confidence that the growth seen in recent periods will continue in the current year and beyond.

Our experience in successfully selling our EckohPAY and EckohPROTECT hosted payment solutions to our client base leads us to believe an even broader payment portfolio will offer significant opportunities for incremental sales growth.

Financial Review

Revenue and Margin

Revenue increased by 6% to £11.0m (2011/2: £10.4m) in the year while the gross margin remained at 76% resulting in a 5% increase in margin to £8.3m (2011/2: £7.9m). The quality of these revenues has improved considerably with an active base of 50 different clients (2011/2: 39) at the end of the financial year and being represented by 88% by revenue of a recurring nature (2011/12: 87%).

Profitability Measures

Despite servicing a rapidly increasing number of clients, Eckoh continues to benefit from beneficial levels of operational gearing. The table below indicates that revenue has increased by 65% over the past five financial years and margin has increased by £4.0m or 94%. Over the same period adjusted administrative expenses have only increase by £1.6m or 31%. This has led to an increase in adjusted operating profit from a loss of £0.9m to a profit of £1.5m.

	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Turnover	10,985	10,392	9,003	7,923	6,674
Gross profit	8,294	7,895	6,663	5,697	4,279
Administrative Expenses	7,180	6,788	6,036	6,231	6,034
Expenses relating to share options schemes	(375)	(150)	(75)	(44)	(53)
Non Recurring Administrative Expenses	-	-	-	(653)	(811)
Adjusted* Administrative Expenses	6,805	6,638	5,961	5,534	5,170
Operating profit / (loss)	1,114	1,107	627	(534)	(1,755)
Adjusted* Operating profit / (loss)	1,489	1,257	702	163	(891)

*excludes non-recurring administrative expenses and expenses relating to share options schemes

This increase in profitability is further reflected in the cash generation seen from the business. Over the past five financial years, the company has converted a Loss before Interest, Tax, Depreciation and Amortisation of £1.1m to an EBITDA of £2.4m.

	2013 £'000	2012 £'000	2011 £'000	2010 £'000	2009 £'000
Profit before tax	1,188	1,256	(615)	(197)	(1,373)
Amortisation of intangible assets	276	349	290	157	121
Depreciation	656	505	446	529	474
Expenses relating to share options schemes	375	150	75	44	53
Net interest receivable	(74)	(49)	1,104	(337)	(382)
Adjusted EBITDA	2,421	2,211	1,300	196	(1,107)

This trend in profitability and cash generation has seen Eckoh accumulate cash and short term investments of £8.5m at 31 March 2013 (31/3/12: £6.4m). Having a large cash reserve gives comfort to many of the blue chip organisations that Eckoh contract with that it is financially secure. The Veritape transaction will result in an immediate cash outflow of £4.0m, but will allow us to retain an appropriate cash reserve. A dividend of 0.25p per share (FY12: 0.2 pence per share) will be recommended to shareholders and will result in a further cash outflow of £0.5m.

Board of Directors

Nik Philpot – Chief Executive Officer

Nik joined the Board in February 1999, appointed COO and Deputy CEO in September 2001 and appointed CEO in September 2006. Nik was a co-founder of Symphony Telecom and formerly worked for British Telecom. As a founder of Eckoh he has created the UK's largest provider of multi-channel customer service and secure payment solutions for the contact centre industry. Nik has over 25 years experience in the voice services industry.

Chris Batterham – Non-executive Chairman

Chris qualified as an accountant with Arthur Andersen and has significant experience in the technology based business environment, including the flotation of Unipalm on the London Stock Exchange. Currently on the boards of a number of companies including SDL plc, Iomart plc and Office2Office plc, Chris brings a wealth of experience in the strategic development of companies in the IT sector.

Adam Moloney – Group Finance Director

Adam has been Finance Director at Eckoh for nine years and has seen the Group through a period of continuous change over that time. Prior to joining the company in 2003 he worked in senior financial roles for a number of organisations and immediately prior to joining Eckoh, was Manager of Finance and Operations for the UK arm of New York based IT hardware reseller, Resilien Inc.

Clive Ansell – Non-executive Director

Clive joined the Board in July 2009 and is currently the CEO of Systems and Applications at Tribal Group plc. Formerly, he had held several senior executive and strategic roles at BT, worked as a Strategic Consultant to the Board of Royal Mail, spent three years as an Executive Board Director of Japan Telecom, and led major M&A projects in the US. Clive is an Oxford graduate, a Non-executive Director of Arqiva, the communications infrastructure and media services company and sits on the boards of a number of charities and business representative groups.

Directors' Report

The Directors of Eckoh plc present their annual report, together with the audited financial statements of the Company and the Group for the year ended 31 March 2013.

Principal Activity

The principal activity of Eckoh plc and its subsidiary undertakings ("the Group") is the provision of speech recognition services and outsourced automated solutions for customer contact centres. The Chairman's Statement (page 22) and the Business Review (pages 22 to 26) report on the progress made in the financial year under review.

The principal subsidiary undertakings are listed on page 64.

Results and Dividends

The audited financial statements and related notes for the year ended 31 March 2013 are set out on pages 46 to 71. The Group's profit for the year is set out in the Consolidated Statement of Comprehensive Income on page 46.

The Group's financial risk management is discussed in note 3. The Directors' regularly assess the Group's key commercial risks, which are considered to be the competitive market sector and the stability of the infrastructure which supports the Group's products and services. Commercial risks are managed through the introduction of new products and services and by maintaining high levels of customer service. Infrastructure stability is managed through 24 hour technical monitoring and an approach to continuous improvements of the operations of the Group.

Post Balance Sheet Events

On 10 June 2013, the Group completed the acquisition of Veritape Limited, a provider of PCI DSS compliant call recording software and on premise secure payment solutions for initial consideration of £6.3m.

The initial consideration comprises of £5.2m of initial cash consideration to be funded by existing cash finances from the combined entity and £1.1m payable in Eckoh shares. Additional deferred consideration of up to £4.3m payable in cash of £1.7m and £2.6m of Eckoh shares dependent on the achievement of profit before tax targets can be earned. To earn the entire deferred consideration, profit before tax of £3.6m must be achieved over the first 26 month period following 1 July 2013.

As the acquisition was finalised on the day that the accounts were signed, completion accounts have yet to be prepared and full disclosure cannot be provided in these statements.

Also, post year end the Directors are recommending a dividend for the year of 0.25 pence per share that will be paid on 20 September 2013 to shareholders on the register at 23 August 2013, subject to approval at the Company's Annual General Meeting on 14 August 2013. Based on the shares in issue at the year end, this payment would amount to £0.5m.

Research and Development

The Group capitalised £0.2m (2012: £0.1m) of development expenditure during the year. The majority of this cost arose from the effort required to develop the product range along with enhancements to client services.

Financial Instruments

The financial instruments of the Group are set out in the Notes to the Financial Statements on pages 50 to 72. Please refer to note 2 for a summary of principal accounting policies; to note 3 for the Group's financial risk management policies in relation to liquidity risk or cash flow risk, interest rate risk and foreign currency risk, as well as capital management; to note 16 for credit risk and loans and other receivables; to note 17 for short-term investments; to note 18 for cash and cash equivalents and to note 19 for trade and other payables.

Related Party Transactions

Related party transactions are disclosed in note 24.

Significant Accounting Policies

The Significant Accounting Policies applied to the consolidated financial statements are included within note 2.

Annual General Meeting

The next Annual General Meeting of the Company will be held at 11:00 am on 14 August 2013. Details of the business to be proposed at the Annual General Meeting are contained within the Notice of Meeting, which accompanies this Report.

Directors

The current Directors of the Company are shown on page 29.

The articles of association require that at the Annual General Meeting one third, or as near as possible, of the Directors will retire by rotation. C M Batterham will retire by rotation and puts himself forward for re-election at the Annual General Meeting.

Directors' Interests

The interests of the Directors in the share capital of the Company and their options in respect of shares in the Company are shown below. No Director has had any material interest in a contract of significance (other than service contracts) with the Company or with any subsidiary company during the year.

Directors' Interests in Shares

The interests, all of which are beneficial, of the Directors (and their immediate families) in the share capital of the Company are set out below:

	11 June 2013 Ordinary shares of 0.25 pence each	31 March 2013 Ordinary shares of 0.25 pence each	1 April 2012 Ordinary shares of 0.25 pence each
N B Philpot (i)	4,379,873	4,379,873	3,052,000
A P Moloney	472,705	472,705	135,000
C M Batterham	950,000	950,000	750,000

Notes:

(i) N B Philpot's spouse is the beneficial owner of 80,000 shares which are included above.

Directors' Share Options

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

	Note	At 1 April 2012 (number)	Granted in year (number)	Forfeited in year (number)	Exercised in year (number)	At 31 March 2013 (number)	Exercise price (pence)	Earliest date for exercise	Latest date for exercise
N B Philpot	b	3,000,000	-	-	3,000,000	-	6.50	27.06.05	27.06.12
	a	380,710	-	-	380,710	-	7.88	07.10.07	07.10.14
	b	337,702	-	-	337,702	-	7.88	07.10.07	07.10.14
	b	1,000,000	-	-	1,000,000	-	8.75	13.09.08	13.09.15
	c	800,000	-	-	800,000	-	8.75	31.07.10	31.07.17
	b	200,000	-	-	200,000	-	8.75	31.07.10	31.07.17
	b	1,000,000	-	-	-	1,000,000	5.13	05.03.13	05.03.20
	d	3,000,000	-	3,000,000	-	-	0.25	30.06.13	30.06.20
	d	150,000	-	150,000	-	-	0.25	30.06.13	30.06.20
	e	380,643	-	-	380,643	-	0.00	30.06.12	30.06.21
	e	380,643	-	-	-	380,643	0.00	30.06.13	30.06.21
	e	-	247,000	-	-	247,000	0.00	30.06.13	30.06.22
	e	-	247,000	-	-	247,000	0.00	30.06.14	30.06.22
	f	-	2,843,988	-	-	2,843,988	0.00	01.01.14	01.01.23
	f	-	2,843,989	-	-	2,843,989	0.00	01.01.15	01.01.23
	f	-	2,843,989	-	-	2,843,989	0.00	01.01.16	01.01.23
	g	-	4,265,983	-	-	4,265,983	0.00	01.01.16	01.01.23
A P Moloney	a	250,000	-	-	250,000	-	8.50	28.02.08	28.02.15
	b	750,000	-	-	750,000	-	8.75	13.09.08	13.09.15
	c	900,000	-	-	900,000	-	8.75	31.07.10	31.07.17
	b	100,000	-	-	100,000	-	8.75	31.07.10	31.07.17
	b	1,000,000	-	-	-	1,000,000	5.13	05.03.13	05.03.20
	d	1,846,153	-	1,846,153	-	-	0.25	30.06.13	30.06.20
	e	238,020	-	-	238,020	-	0.00	30.06.12	30.06.12
	e	238,020	-	-	-	238,020	0.00	30.06.13	30.06.13
	e	-	167,200	-	-	167,200	0.00	30.06.13	30.06.22
	e	-	167,200	-	-	167,200	0.00	30.06.14	30.06.22
	f	-	1,421,994	-	-	1,421,994	0.00	01.01.14	01.01.23
	f	-	1,421,994	-	-	1,421,994	0.00	01.01.15	01.01.23
	f	-	1,421,995	-	-	1,421,995	0.00	01.01.16	01.01.23
	g	-	2,132,992	-	-	2,132,992	0.00	01.01.16	01.01.23

The information contained in this table has been audited.

Notes:

a) Granted under the Inland Revenue approved Appendix to the Eckoh plc Share Option Scheme (1999). The performance target attaching to these options is that the closing price of a share, on any day following the third anniversary of the date of grant, must be greater than the exercise price of the Option by RPI plus 15%.

b) Granted under the Eckoh plc Share Option Scheme (1999) but not qualifying for Inland Revenue approval. The performance target attaching to these options is that the closing price of a share, on any day following the third anniversary of the date of grant, must be greater than the exercise price of the Option by RPI plus 15%.

c) Granted under the Eckoh plc 2007 Enterprise Management Incentive ("EMI") Share Option Plan. The Performance target attached to these options is satisfied if the percentage growth in the Earnings per Share (before exceptional items and intangible asset amortisation) over the Prescribed Period comparing the Basis Year with the Latest Year is at least 5 per cent (compounded) per annum higher.

d) Shares that will ultimately vest are subject to the satisfaction of stretching Earnings per Share and Total Shareholder Return targets. All awards made under this plan were forfeited by participants during the year and replaced by awards made under the 2012 Eckoh plc Long Term Incentive Plan.

e) Granted under the 2010 Eckoh plc Bonus plan. Half of the bonus awards made to executives in respect of the two most recent financial years were made in the form of deferred shares with the calculation for the year ending 31 March 2012 to be finalised on 30 June 2012 ("calculation date"). The table to the left shows an estimate of the number of shares to be awarded at that date based on the share price at the year end. The deferred shares will vest in tranches of 50% on the first and second anniversary of the calculation date. Further details are available in the Remuneration report on page 40.

f) Granted under the 2012 Eckoh plc Long Term Incentive Plan ("2012 LTIP"). The number of shares that will ultimately vest are subject to the satisfaction of share price targets.

g) Granted under the 2012 Eckoh plc Long Term Incentive Plan ("2012 LTIP"). The number of shares that will ultimately vest are subject to the achievement of stretching share price targets at the conclusion of the three year vesting period.

Share Capital and Reserves

Details of changes in the authorised and issued share capital and reserves of the Company are shown in note 20 to the financial statements.

Share Schemes

The Directors believe that a key element in attracting, motivating and retaining employees of the highest calibre is employee involvement in the performance of the Group through participation in share schemes. By doing so, the Directors believe that employees' interests will be aligned with those of shareholders. Details of options granted under the share option schemes are set out in note 22 to the financial statements. All permanent employees are eligible to join a scheme.

Payments to Creditors

The Company and its subsidiaries have a variety of payment terms with their suppliers. The Group agrees payment terms with its suppliers when it enters into binding purchasing contracts for the supply of goods and services. The Group 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 2013 the amount of trade creditors shown in the balance sheet represents 65 days of average purchases for the Group (2012: 69 days). The Company had no trade creditors at 31 March 2013.

Statement of Disclosure of Information to Auditors

As far as the Directors are aware there is no information relevant to the audit of which the Company's auditors are unaware and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any such relevant information and to establish that the Company's auditors are aware of that information.

Auditors

Our auditors, KPMG Audit Plc has instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditors and resolution concerning their appointment will be put to the forthcoming AGM of the Company.

Shareholder Relations

The Company holds meetings with its major institutional investors and general presentations are given covering the interim and preliminary results. The Chairman, C M Batterham, has met with shareholders and brokers during the period under review. The Chairman is available to attend presentation meetings and other presentations on an ongoing basis. All Directors have access to the Company's nominated advisors who give feedback from shareholders and receive copies of broker update documents.

All shareholders have the opportunity to raise questions at the Company's Annual General Meeting, or leave written questions, which will be answered in writing as soon as possible. At the meeting the Chairman will give a statement on the Group's performance during the year, together with a statement on current trading conditions.

In addition to regular financial reporting, significant matters relating to the trading or development of the business are disseminated to the market by way of Stock Exchange announcements. The Company's Annual Report and Accounts, Interim Statements and other major announcements are published on the Company's corporate web site at www.eckoh.com.

Going Concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are a going concern. As part of its normal business practice the Group prepares annual and longer term plans and, in reviewing this information, the Company's Directors are satisfied that the Group and the Company have reasonable resources to enable them to continue in business for the foreseeable future. For this reason the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

Corporate Responsibility

Our Business

Eckoh is committed to running the business in an ethical and responsible manner and we focus our efforts on three distinct areas: workplace, community and environment.

In the Workplace

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

Eckoh is an equal opportunities employer. No applicants or employees will be unfairly discriminated against on the grounds of criteria unrelated to their job performance. We are proud of our high staff retention level and we often see people return to Eckoh after a short time of leaving the business.

Our people are proud to work for Eckoh which is demonstrated in its Best Companies Accreditation status. In 2013 we were awarded Two Star 'outstanding' status which recognises the strength of the Company's working practices and employee care. We are also profiled in the Best Companies Guide 2012, an annual reference report that offers a unique insight into the UK's top employers.

Development

We encourage our people to develop their skills and keep up to date with new technology, standards and processes. To build a high performance culture at Eckoh and support advancement, we have introduced a programme of training and development which is offered to every employee within the business.

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

Communication

We maintain our enthusiastic and motivated workforce through effective two-way communication. Staff members are regularly informed of matters, both positive and negative, that are affecting the business. This news is relayed with a feedback request through monthly presentations to staff by Directors and regular email bulletins. Managers are also encouraged to share progress information within team briefings.

Health, Safety and Accessibility

The health, safety and wellbeing of the people on our premises are our highest priority. We hold regular risk management reviews which scrutinise the safety of our working environment. We actively encourage staff to protect each other from potential harm and be aware of their surroundings, mitigating any risk of slips, trips or falls.

For employees or guests with reduced mobility, our offices are fully accessible with elevators to each floor. For those who choose to cycle or run as part of their daily commute, we have provided showers for their use and convenience. We actively encourage a healthy lifestyle and we have partnered with three local fitness centres that offer Eckoh discounted memberships.

In the Community

Eckoh recognises the importance of giving something back to the local community, as well as supporting national causes.

Voice

Following a series of fundraising initiatives, we presented a cheque for £6,568.76 for Voice, a national charity that aims to improve the lives of over 64,000 children and young people in care. Voice works directly with over 5,000 young people each year and all 64,000 children and young people in care benefit indirectly from the campaigning work. Voice also supports other professionals in the childcare field to improve practice by providing specialist advice and training services.

Iain Rennie Hospice at Home

During the year, Eckoh raised over £1,500 for our nominated charity, Iain Rennie Hospice at Home. The Hertfordshire based charity supports local families affected by life-limiting illness so that patients of all ages can stay at home for as long as possible. The charity was voted by Eckoh people as many had a personal connection to Iain Rennie Hospice, having helped staff and family members through some difficult times. Staff decided to donate money that would usually spent on Christmas cards to the charity.

Make A Wish Foundation

The opening week of two blockbuster films was an exceptionally busy time for Eckoh's contact centre which takes bookings for Vue Cinemas. However, the contact centre team decided to mark the occasion with a charity fund raising day themed around the "Skyfall" and "Twilight" movies. A day of fancy dress and various activities including games, cooked breakfast and cakes sale, movie poster auction, a raffle, quizzes and competitions all helped to raise over £500 for Make a Wish Foundation. Make a Wish Foundation was chosen by the contact centre team as it grants the wishes of children and young people aged between three and 17 that live with life threatening illnesses.

Comic Relief

On 15th March 2013, 60 employees, friends and family members at Eckoh dressed in 'onesies' and red noses to take calls on a voluntary basis for Comic Relief. Between 6pm and midnight, over 1,800 calls had been taken. Each year, Comic Relief relies on the contact centres of organisations and businesses around the country to boost the number of lines available for public donations. Eckoh wanted to take part this year to show its support, and had a fantastic response from employees for volunteers to give up their time to work into the night and raise money for Red Nose Day.

During the year, Eckoh has made charitable donations totalling £6,024 (2012: £2,531). The business of the Group does include the support of charities and their fund raising programmes, but this is operated solely on a commercial basis.

In the Environment

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

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

- Reduced business travel through the use of web and phone based conferencing systems
- Energy efficient and motion sensor lighting in our offices
- Comprehensive recycling programmes in all possible locations
- Photo copiers set to double-sided, black and white printing to reduce paper/ink use
- Provide reusable cups and glasses to reduce waste associated with disposable cups
- Encourage alternative methods of transport to travel to and from work e.g. cycle to work scheme.

By order of the Board

Adam Moloney
Company Secretary

10 June 2013

Eckoh understands the impact our business can have on the environment. From the efficient lighting in our offices to the Fairtrade coffee in our kitchen areas . . .

Corporate Governance

Compliance Statement

The Board of Eckoh plc recognises its responsibilities to maintain high standards of corporate governance throughout the Group. The Board continues to give careful consideration to the principles of corporate governance as set out in the UK Corporate Governance Code published by the Financial Reporting Council, although as a company listed on AIM it is not required to comply with the UK Corporate Governance Code. The Company is committed to complying with the UK Corporate Governance Code so far as is practicable and appropriate for a public company of its size and nature.

Board of Directors

The Chairman is responsible for the effective running of the Board of Directors. The Board currently has four members, comprising the Non-Executive Chairman, the Chief Executive, the Group Finance Director and a Non-executive Director. The Board has considered the independence of its Non-Executive Chairman, C M Batterham, and after due consideration, has concluded that he is independent. He does not have any involvement in the day-to-day management of the Company or its subsidiaries.

The biographical details of the Board members are set out on page 29.

There is a schedule of formal matters specifically reserved for the full Board's consideration, including a policy enabling Directors to take independent professional advice in the furtherance of their duties at the Company's expense. The Board programme is designed so that Directors have a regular opportunity to consider the Group's strategy, policies, budgets, progress reports and financial position and to arrive at a balanced assessment of the Group's position and prospects. In addition, strategic developments are on the agenda at each Board meeting and are subject to further ad hoc review by the Board as triggered by relevant external factors. Also, where appropriate, the Board programme also includes a day set aside purely for strategic review and planning.

The Company has a clear division of responsibility between the roles of Chairman and Chief Executive within the business.

The Non-Executive Chairman has a responsibility to ensure that the strategies and policies proposed by the Executive Directors are fully discussed and critically examined, not only with regard to the best long-term interests of shareholders, but also having regard to the Company's relationships with its employees, customers and suppliers. The Board and its Committees are supplied with information and papers to ensure that all aspects of the Company's affairs are reviewed on at least an annual basis.

Day-to-day management of the business is delegated to the Management Team, consisting of the two Executive Directors and certain senior managers, who meet monthly. The Board is dependent on the Management Team for the provision of accurate, complete and timely information and the Directors may seek further information where necessary. The Chairman is responsible for ensuring that all Directors are properly briefed on issues arising at Board meetings.

Under the Company's articles of association, each year at least one third of the Directors must retire and submit themselves for re-election by the shareholders at the Annual General Meeting. The communication accompanying the Company's Notice of Annual General Meeting sets out reasons for the Board's belief that the individual should be re-elected.

Board Committees

Certain responsibilities are delegated to the Remuneration and Audit Committees. Both committees have written terms of reference, which define their authorities, duties and membership.

Audit Committee Report

The Audit Committee is responsible for reviewing the following:

- accounting procedures and controls;
- financial information published by the Group, including the Annual Report, Preliminary & Interim Statements and on the Company's website;
- risk management and the effectiveness of the Group's system of internal financial control;
- the terms of reference for the Group's external valuers; and
- the results and effectiveness of the Company's external audit.

The Audit Committee formally met once during the period under review, with no absentees. A P Moloney, the Group Finance Director, attends all Audit Committee meetings by invitation and provides advice to the Committee where appropriate. The Chief Executive was invited to and attended the meeting. The Company's auditor attended the meeting and the Committee considered reports issued by them. The auditor has direct access to the Audit Committee without the presence of an Executive Director. The Committee reviews the effectiveness of the Company's internal financial controls by reference to reports from the external auditors. The Committee also reviews the scope and results of the external audit as well as its cost effectiveness.

The Audit Committee annually reviews the requirement for an internal full-time audit function. The Committee has decided that none is necessary at present. Instead, other monitoring processes have been applied to provide assurance to the Board that the system of internal control is functioning satisfactorily. Internal controls are discussed under the internal control and risk management section below.

Internal Control and Risk Management

The Directors formally acknowledge their responsibility for establishing effective internal control within the Company. In this context, control is defined as those policies, processes, tasks and behaviours established to ensure that business objectives are achieved most cost effectively, assets and shareholder value are safeguarded and laws, regulations and policies are complied with.

The Board has put in place a system of internal controls, set within a framework of a clearly defined organisational structure, with well understood lines of responsibility, delegation of authority, accountability, policies and procedures, which is supported by training, budgeting, reporting and review procedures.

A long-term business plan and an annual operating budget are prepared by management and are reviewed and approved by the Board prior to the commencement of each financial year. Monthly reporting and analysis of results against budget, risk assessment and related internal controls and forecasts are received, discussed by management and reported formally to the Board. Informal reviews take place more frequently.

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

Remuneration Committee Report

The principal objectives of the Remuneration Committee are to review the performance of the Executive Directors and make recommendations to the Board on matters relating to their remuneration and terms of employment.

Directors' remuneration for the financial year was as follows:

Name	Salary and fees £'000	Cash Bonus £'000	Other benefits £'000	2013 Total £'000	2012 Total £'000
C Ansell (i)	30	-	-	30	25
C M Batterham (ii)	45	-	-	45	40
A P Moloney (iii)	130	-	14	144	169
N B Philpot (iv)	207	-	2	209	270
Total	412	-	16	428	504

The information contained in this table has been audited.

Notes:

(i) C Ansell was appointed as a Non-Executive Director on 7 July 2009.

(ii) C M Batterham was appointed as Non-Executive Director on 15 July 2009 and further appointed as Non-Executive Chairman on 11 September 2009.

(iii) Included within the other benefits paid to A P Moloney is an employer pension contribution of £12,000 (2012: £12,000). The remainder of the other benefits paid to A P Moloney relate to private healthcare costs of £2,000 (2011: £1,000)

(iv) The amount of £2,000 (2012: £2,000) paid to N B Philpot within other benefits relate to private healthcare costs.

None of the Directors exercised any share options in the current or prior year.

Remuneration and service contracts

The remuneration of the Executive Directors is determined by the Remuneration Committee. Both Executive Directors have service contracts which are terminable on twelve months' notice. The service contracts for both Executive Directors have been reviewed for the 2013/4 financial year. A 2.5% pay increase has been awarded to both with effect from 1 April 2013.

It has also been agreed that a contribution of 10% of salary will be made to the pension of both Executive Directors.

Both Non-Executive Directors have service contracts terminable on six months' notice. The fees payable to the Non-Executive Directors were reviewed at the end of the 2012/3 financial year. Upon review, it was agreed that the fee paid to the Chairman was below market rate and was increased from £45,000 to £50,000 per annum with effect from 1 April 2013. The fee payable to C Ansell is to remain unchanged at £30,000 per annum.

Bonus Arrangements

The Bonus plan adopted allowed for awards based on achievement of a series of financial and non-financial targets weighted as follows;

Margin growth	30%
Operating profit	35%
Cash generation	15%
Non financial measures relating to the operations of the business	20%

To deliver a maximum payment bonus award of 100% of salary, targets must be exceeded by 15%. In the year ended 31 March 2013, performance against targets resulted in a bonus payment of 25% of salary being awarded to both Executive Directors. However, both Executive Directors agreed to forfeit these payments as no bonus payments were to be made in the year to the general workforce.

Long-Term Incentive arrangements for Directors

In June 2010 a Long Term Incentive Plan ("2010 LTIP") was adopted by the Board.

Part 1 of the plan awarded nominal value options to participants upon achievement of stretching earnings per share targets over a three year period. Vesting of these options were also subject to a Total Shareholder Return target being achieved over the corresponding period.

Part 2 of the plan released value to participants in the event that there is a change of control in the business at a value which is significantly in excess of the market value of the Company at the date of the award made in June 2010. Any change of control was required to be completed before June 2013 otherwise the award under Part 2 of the 2010 LTIP would lapse.

During 2012, independent professional advice was obtained to review the 2010 LTIP. The review concluded that the 2010 LTIP strongly incentivised Management to seek a disposal of the business before June 2013 which was not considered to be in the best interests of shareholders. It was agreed that a replacement Long Term Incentive Plan should be adopted which would recognise the value created since the adoption of the 2010 LTIP when the share price of the Company was 4.875 pence. The new plan should also provide incentives for the generation of further shareholder value over the next three year period.

The new Long Term Incentive Plan was adopted by the Board on 19 December 2012 ("2012 LTIP"). All awards made under the 2010 LTIP were forfeited by participants and replaced by nil cost share options ("Base Awards") which are subject to their continued employment and the satisfaction of certain share price performance conditions. The Base Awards will vest in three equal amounts on the anniversary of the grant in each of the next three years and are subject to claw back under certain events, including if the future share price on vesting has fallen by greater than 10% on the previous year.

Executive Directors can also earn a maximum of an additional 50% of the Base Award depending on the achievement of challenging share price targets within three years. The maximum award can only be achieved in the event that the share price hits a target of 28 pence per share by the end of 2015.

Further details of the awards made are disclosed in the Directors share options section of the Director's report on page 32.

Nomination Committee

The Nomination Committee meets at least once a year and is responsible for reviewing the size, structure and composition of the Board and making recommendations to the Board if it considers that any changes are required. It has a formal procedure for appointments to the Board.

Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the group and parent company financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the EU;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that its financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

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

Independent Auditor's Report
to the Members of Eckoh plc

We have audited the financial statements of Eckoh plc for the year 31 March 2013, which comprise the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position, Consolidated Statement of Changes in Equity, Consolidated Statement of Cash Flows, Company Balance Sheet and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and Auditor

As explained more fully in the Directors' Responsibilities Statement, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit, and express an opinion on, the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

A description of the scope of an audit of financial statements is provided on the Financial Reporting Council's website at www.frc.org.uk/auditscopeukprivate.

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2013 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

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

Mark Matthewman
Senior Statutory Auditor

for and on behalf of KPMG Audit Plc, Statutory Auditor

10th June 2013

Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

SECTION

04 Financial Review

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2013

	Notes	2013 £'000	2013 £'000	2012 £'000	2012 £'000
Continuing operations					
Revenue	4		10,985		10,392
Cost of sales			(2,691)		(2,497)
Gross profit	4		8,294		7,895
Administrative expenses before expenses relating to share options schemes		(6,805)	(6,805)	(6,638)	(6,638)
Profit from operating activities before expenses relating to share option schemes			1,489		1,257
Expenses relating to share option schemes		(375)	(375)	(150)	(150)
Total Administrative expenses	4	(7,180)		(6,788)	
Profit from operating activities	5		1,114		1,107
Finance expense	17		-		-
Finance income	8		74		49
Profit from sale of investment	9		-		100
Profit before taxation			1,188		1,256
Taxation	10		720		1,320
Total comprehensive income for the year attributable to the equity holders of the parent company			1,908		2,576
Profit per share (pence)	11				
Basic earnings per 0.25p share			0.93		1.29
Diluted earnings per 0.25p share			0.89		1.23

Consolidated Statement of Financial Position

for the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Assets			
Non-current assets			
Intangible assets	12	311	386
Property, plant and equipment	13	1,184	1,488
Deferred Tax Asset	10	2,040	1,320
		3,535	3,194
Current assets			
Inventories	15	-	19
Trade and other receivables	16	3,331	3,583
Short-term investments	17	3,000	1,000
Cash and cash equivalents	18	5,497	5,370
		11,828	9,972
Total assets		15,363	13,166
Liabilities			
Current liabilities			
Trade and other payables	19	(2,204)	(2,261)
		(2,204)	(2,261)
Non-current liabilities			
Provisions	21	(43)	(43)
		(43)	(43)
Net assets		13,116	10,862
Shareholders' equity			
Share capital	20	522	499
ESOP Reserve		(128)	-
Capital redemption reserve		198	198
Share premium		1,331	695
Currency reserve		(41)	(41)
Retained earnings		11,234	9,511
Total shareholders' equity		13,116	10,862

The financial statements were approved by the Board of Directors on 10 June 2013 and signed on its behalf by:

Adam Moloney
Group Finance Director

Company Registration Number 3435822

Consolidated Statement of Changes in Equity

as at 31 March 2013

	Share Capital £'000	ESOP reserve £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Currency reserve £'000	Total shareholders equity £'000
Balance at 1 April 2011	499	-	198	695	7,030	(41)	8,381
Total comprehensive income for period	-	-	-	-	2,576	-	2,576
Other comprehensive income - exchange differences	-	-	-	-	(200)	-	(200)
Share based payment charge	-	-	-	-	105	-	105
Balance at 31 March 2012	499	-	198	695	9,511	(41)	10,862
Balance at 1 April 2012	499	-	198	695	9,511	(41)	10,862
Total comprehensive income for period	-	-	-	-	1,908	-	1,908
Dividends paid in the year	-	-	-	-	(407)	-	(407)
Shares issued under the share option schemes	23	-	-	636	-	-	659
Shares transacted through Employee Benefit Trust	-	(128)	-	-	(38)	-	(166)
Share based payment charge	-	-	-	-	260	-	260
Balance at 31 March 2013	522	(128)	198	1,331	11,234	(41)	13,116

Consolidated Statement of Cash Flows

for the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Cash flows from operating activities			
Cash generated in operations	26	2,520	1,507
Interest paid		-	-
Taxation	10	-	-
Net cash generated in operating activities		2,520	1,507
Cash flows from investing activities			
Purchase of property, plant and equipment	13	(352)	(645)
Purchases of intangible fixed assets	12	(201)	(128)
Proceeds from sale of investment in associate	9	-	100
Increase decrease in short-term investments	17	(2,000)	(683)
Interest received		74	49
Net cash utilised in investing activities		(2,479)	(1,307)
Cash flows from financing activities			
Dividends paid		(407)	(200)
Issue of shares		659	-
Shares acquired by Employee Benefit Trust		(166)	-
Net cash generated in / (utilised) in financing investing activities		86	(200)
Increase in cash and cash equivalents		127	-
Cash and cash equivalents at the start of the period	18	5,370	5,370
Cash and cash equivalents at the end of the period	18	5,497	5,370

Notes to the Financial Statements

for the year ended 31 March 2013

1. Basis of preparation

The consolidated financial statements of Eckoh plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU ("endorsed IFRS"). These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at 31 March 2013 as endorsed by the EU.

In the current year the Group has adopted the following standards and interpretations:

h) Disclosures – Transfers of Financial Assets (Amendments to IFRS 7 – effective 1 July 2011)

i) Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 – effective 1 January 2012)

None of these have had a material impact on the results or financial position of the Group.

The following Adopted IFRSs have been issued but have not been applied by the Group in these financial statements. Their adoption is not expected to have a material effect on the financial statements unless otherwise indicated:

j) Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (mandatory for year commencing on or after 1 July 2012).

k) Amendments to IAS 19 'Employee Benefits' (mandatory for years commencing on or after 1 January 2013).

l) Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2013).

m) IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2014).

n) IFRS 11 Joint Arrangements and Amendments to IAS 28 (2008) Investments in Associates and Joint Ventures (mandatory for year commencing on or after 1 January 2014).

o) IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2014).

p) IFRS 13 Fair Value Measurement (mandatory for year commencing on or after 1 January 2013).

q) Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014).

r) Annual Improvements to IFRS 2009-2011 cycle (mandatory for year commencing on or after 1 January 2013).

s) Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (mandatory for year commencing on or after 1 January 2014).

t) Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (mandatory for year commencing on or after 1 January 2014). IFRS 9 Financial Instruments (mandatory for year commencing on or after 1 January 2015).

The Directors' review newly issued standards and interpretations in order to assess the impact (if any) on the financial statements of the Group in future periods.

These financial statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union ("EU") and effective at 31 March 2013.

These Consolidated Financial Statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit and loss.

Going Concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are a going concern. As part of its normal business practice the Group prepares annual and longer term plans and, in reviewing this information, the Company's Directors are satisfied that the Group and the Company have reasonable resources to enable them to continue in business for the foreseeable future. For this reason the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

The Consolidated Financial Statements are presented in Pounds Sterling, which is the Company's functional currency. All financial information presented has been rounded to the nearest one thousand.

The principal accounting policies, which have been consistently applied, are described below.

2. Summary of principal accounting policies

Critical accounting policies, estimates and judgements

The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's 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 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:

Revenue recognition	note 2
Intangible assets	note 12
Trade and other receivables	note 16
Share based payment	note 22

Basis of consolidation

(a) Business combinations

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

The Group measures goodwill at the acquisition date as:

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

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

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

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

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

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

(b) Non-controlling interests

For each business combination, the Group elects to measure any non-controlling interests in the acquiree either:

- at fair value; or
- at their proportionate share of the acquiree's identifiable net assets, which are generally at fair value.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners. Adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary. No adjustments are made to goodwill and no gain or loss is recognised in profit or loss.

(c) Subsidiaries

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

(d) Loss of control

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

(e) Transactions eliminated on consolidation

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

Intangible assets

(a) Goodwill

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

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

(b) Intangible assets

Intangible assets acquired by the Group are capitalised at the fair value of the consideration paid and amortised over their expected useful economic lives. The expected useful economic life of intangible assets is assessed for each acquisition as it arises, and is generally assumed to be three years.

(c) Research and development

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

Amortisation is charged to administrative expenses in the income statement.

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

Impairment of non-financial assets

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

Property, plant and equipment

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

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

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

Fixtures and equipment – between 3 and 5 years

Leasehold improvements – over the term of the lease

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

Financial assets

Financial assets include investments in companies other than Group companies, trade and other receivables (see separate policy) financial receivables held for investment purposes, treasury shares and other securities. A permanent impairment is provided as a direct reduction of the securities account.

The Group classifies its financial assets in the following categories: available for sale investments and loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification is determined by management at initial recognition.

(a) available-for-sale investments:
are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included within non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date and they are carried at fair value.

(b) loans and receivables:
are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. Trade and other receivables which principally represent amounts due from customers and other third parties, are carried at original invoice value less an estimate made for bad and doubtful debts. They are included within current assets, with the exception of those with maturities greater than one year, which are included within non-current assets. Loans and receivables are included within trade and other receivables in the balance sheet.

Gains and losses arising from investments classified as available-for-sale are recognised in the Income Statement when they are sold or when the investment is impaired.

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the Income Statement. Impairment losses recognised in the Income Statement on equity instruments are not reversed through the Income Statement.

An assessment for impairment is undertaken annually. Management consider the financial information in respect of entities from which receivables are due.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Inventories

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

Trade and other receivables

Trade and other receivables are stated at amortised cost less provision for impairment. A provision for the impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. Other receivables are stated at amortised cost less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term investments, with maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Short-term investments

Short-term investments comprise funds which have been invested in short-term deposit accounts with maturities of less than twelve months and amounts held in escrow. Credit and liquidity risk management is described in note 3.

Equity

Equity comprises the following:

Share capital represents the nominal value of ordinary shares.

ESOP reserve represents the par value of ordinary shares held by the Employee Share Ownership Plan.

Capital redemption reserve represents the maintenance of capital following the share buy back and tender offer.

Share premium reserve represents consideration for ordinary shares in excess of the nominal value.

Currency reserve represents exchange differences arising on consolidation of Group companies with a functional currency different to the presentation currency.

Retained earnings represents retained profits less losses and distributions.

Dividends

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the shareholders. Interim dividends are recognised when paid.

Foreign currency transactions

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The Consolidated Financial Statements are presented in Sterling, which is the group companies functional and presentation currency.

(b) Group companies

The results and position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rates of exchange ruling at the balance sheet date;

(ii) income and expenses are translated at the average exchange rates. If however the average exchange rate is not a reasonable approximation of the exchange rates prevailing on the date of the transactions, the income and expenses are translated at the exchange rates at the transaction dates; and

(iii) resulting exchange differences are recognised as a separate component of equity.

Differences on exchange arising from the retranslation of the net investment in foreign entities are taken to shareholders equity on consolidation. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and as such are translated at the closing rate.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability.

Employee Benefits

(a) Pensions

The Group operates a group personal pension scheme. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions payable are charged in the income statement in the year in which they are incurred.

(b) Bonus schemes

The Group recognises a liability and an expense for bonuses payable to:

i) employees based on a formula derived from management assessment of individual performance; and

ii) senior management and executive directors based on achievement of a series of financial and non-financial targets. A provision is recognised where there is a past practice that has created a constructive obligation.

(c) Share-based payments

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

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

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

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

(d) Employee Share Ownership Plan

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

Revenue recognition

Revenue represents the fair value of the sale of goods and services, net of Value-Added Tax, and after eliminating sales within the Group. Revenue is recognised as follows:

- Speech Solutions build fee revenue is recognised on delivery and acceptance of the speech application. In the event that work on a project which results in a build fee has commenced but not completed within an accounting period, revenue is recognised in line with the percentage that the project is complete at the end of the accounting period. The percentage of completion is calculated by taking the costs incurred on the project at the end of an accounting period and expressing that as a percentage of the total estimated costs that are anticipated to be incurred in order to complete the project.
- Call revenue from speech services is recognised on a transaction basis, when the Group has determined that users have accessed its services via a telephone carrier network and/or the Group's telecommunication call processing equipment connected to that network.
- In the event that build, call and maintenance revenue are included in the same contract, each component part is separately valued and individual component revenues are recognised when that component is delivered.

Non-recurring items

The Group presents as non-recurring items on the face of the Income Statement those material items of expenditure which, because of their nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholder to understand the elements of financial performance in the period, so as to facilitate comparison with prior periods.

Finance fee income

Finance fee income is credited to the Income Statement over the term of the loan so that the amount credited is at a constant rate on the carrying amount of the receivable.

Associate

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the Consolidated Balance Sheet at their fair value. The Group's share of post-acquisition profits and losses is recognised in the Consolidated Income Statement, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised as goodwill and included in the carrying amount of the associate. The carrying amount of investment in associate is subject to impairment in the same way as goodwill arising on a business combination described above.

Taxation

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

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

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

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

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

Where cash payments are received from HM Revenue and Customs relating to claims for investment tax credits relating to Research and Development relief, they are recognised in the Statement of Comprehensive Income when they are received as a credit to taxation.

Financial liabilities

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

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

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale;
- Management is committed to a plan to sell;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- An active programme to locate a buyer has been initiated;
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed during the year are included in the Consolidated Statement of Comprehensive Income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the Consolidated Statement of Comprehensive Income (including the comparative period) as a single line which comprises the post tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets/ disposal groups constituting discontinued operations.

3. Financial risk management

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

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

Liquidity risk

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

Interest rate risk

The Group principally finances its operations through shareholders' equity and working capital. The Group had no borrowings during the year, and its only material exposure to interest rate fluctuations was on its cash and short-term deposits.

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

	2% decrease in interest rates £'000	2% increase in interest rates £'000
(Decrease)/increase in fair value of short-term investments	(130)	130
Impact on income statement: (loss)/gain	(130)	130

Foreign currency risk

Since the closure of Group subsidiary in France undertaken in June 2010, no cash or assets are held in foreign currencies. Very few transactions undertaken by the Company are in a currency other than Sterling. No sensitivity analysis is provided in respect of foreign currency risk as the risk is considered to be immaterial.

Capital management

The Board's policy is to maintain a strong capital base with the joint objectives to maintain investor, creditor and market confidence and to sustain future development of the business. Capital comprises all components of equity (i.e. share capital, capital redemption reserve, share premium and retained earnings). The Board manages the capital structure and makes adjustments as required in the light of changes in economic conditions. The Board may return capital to shareholders, issue new shares or sell assets in order to maintain capital.

Credit risk management is described in note 16.

Categories of financial assets and financial liabilities

	Loans and receivables	
	2013 £'000	2012 £'000
Current financial assets		
Trade receivables (note 16)	1,295	1,564
Other receivables (note 16)	28	134
Short-term investments (note 17)	3,000	1,000
Cash and cash equivalents (note 18)	5,497	5,370
Total current financial assets	9,820	8,068
Total financial assets	9,820	8,068

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost and comprise trade payables of £1,064,000 (2012: £1,047,000) and other payables of £9,000 (2012: £208,000). See note 19 for further details.

4. Segment analysis

The Group's continuing operations are considered to represent a single integrated business with only one reportable segment. Internal financial reporting within the Group is prepared on an individual customer basis, rather than on a product basis; however management consider all customers to have similar characteristics, and, therefore, financial analysis and decision-making is performed at an aggregated level rather than customer level. In addition, there are no material foreign entities and revenue is derived entirely from the UK therefore segmental information by geographical area is not presented.

	2013 £'000	2012 £'000
Revenue	10,985	10,392
Gross profit	8,294	7,895
Administrative expenses	(7,180)	(6,788)
Net interest receivable	74	49
Profit from sale of investment	-	100
Profit before taxation	1,188	1,256
Taxation	720	1,320
Profit after taxation	1,908	2,576

In 2012/13, there were two customers that individually accounted for more than 10% of the total revenue of the continuing operations of the Company (2011/12: two customers). Revenue from the largest customer totalled £2,395,000 (2011/12: £2,430,000) with the second largest customer generating revenue of £1,260,000 (2011/12: £1,323,000).

5. Profit from operating activities

	2013 £'000	2012 £'000
The Group's profit from operating activities is arrived at after charging:		
Employee benefits expense (note 6)	3,536	3,251
Depreciation (note 13)	656	505
Amortisation (note 12)	276	349
Operating lease payments – property (note 25)	502	588

6. Employee benefits expense

	2013 £'000	2012 £'000
Wages and salaries	2,769	2,650
Less: Internal development costs capitalised in the year	(161)	(109)
Amortisation of internal development costs	201	227
Social security costs	462	372
Pension costs	5	6
Share based payments	260	105
	3,536	3,251

The Directors' Report on page 30 provides further details on the Directors' emoluments. The average number of people (including Executive Directors) employed by the Group during the year was:

	2013 number	2012 number
Technical support	35	30
Customer services	12	10
Administration and management	27	25
	74	65

Excluded from the table above are 20 (2011/12: 27) full time equivalent casual call centre employees who cost £243,000 (2011/12: £333,000) in the year.

7. Auditor remuneration

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

	2013 £'000	2012 £'000
Fees payable for the audit of the parent company and consolidated accounts	15	15
Fees payable for other services:		
The audit of subsidiary undertakings comprising continuing operations	26	25
Total fees payable to the Group's auditor	41	40

The fees payable for the audit of the parent company and consolidated accounts are borne by a subsidiary undertaking.

8. Finance income

Continuing operations

	2013 £'000	2012 £'000
Bank interest receivable	74	49
	74	49

9. Profit on sale of investment

Eckoh plc acquired a 27.5% holding in Telecom Express Limited ("TE") on 27 May 2010 and a place on the board. On 16 March 2012, this holding was sold back to Telecom Express for £100,000 to be paid in three equal instalments on 1 June 2012, 3 August 2012 and 1 February 2013. As the investment had been fully impaired in 2010, the sale of the investment back to Telecom Express generated a profit of £100,000 in the prior year.

10. Taxation

Tax recognised in profit and loss

	2013 £'000	2012 £'000
Current tax expense/(credit)		
Current year	-	-
Adjustments in respect of prior periods	-	-
	-	-
Deferred tax credit		
Origination and reversal of temporary differences	-	-
Recognition of previously unrecognised tax losses	(720)	(1,320)
	(720)	(1,320)
Total tax credit	(720)	(1,320)

No taxation was recognised directly in equity.

Continuing operations

	2013 £'000	2012 £'000
Profit / (loss) for the year	1,908	2,576
Total tax credit	(720)	(1,320)
Profit / (loss) excluding tax	1,188	1,256
Profit / (loss) multiplied by rate of corporation tax in the UK of 24% (2012: 26%)	285	327
Effect of expenses not deductible for tax purposes	65	(17)
Effect of income not taxable for tax purposes	(123)	-
Adjustments in respect of prior periods	-	-
Utilisation of tax losses	(1,120)	-
Deferred tax not recognised	84	(1,740)
Effect of tax rate adjustment on closing recognised deferred tax balance	89	110
Tax credit for the year	(720)	(1,320)

Recognition of deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2013 £'000	2012 £'000	2013 £'000	2012 £'000	2013 £'000	2012 £'000
Tax losses carried forward	2,040	1,320	-	-	2,040	1,320

The ongoing growth of the business into increasing profitability has provided sufficient evidence that £2,040,000 (2012: £1,320,000) of deferred tax assets in respect of trading losses will be recoverable, and is therefore being recognised as an asset on the statement of financial position.

Movement in deferred tax balances during the year

	2013 £'000	2012 £'000
Balance at 1 April	1,320	-
Recognised in income statement	720	1,320
Recognised in Other Comprehensive Income	-	-
Balance at 31 March	2,040	1,320

Unrecognised deferred tax assets

There are unprovided deferred taxation assets totalling £1,985,000 (2012: £3,239,000) in respect of trading losses and £7,205,000 (2012: £7,509,000) in respect of capital losses of which £5,156,000 (2012: £5,380,000) are restricted. In addition, there are other temporary timing differences resulting in unprovided deferred tax assets of £733,000 (2012: £697,000), comprising Accelerated Capital Allowances of £651,000 (2012: £571,000) and Short Term Temporary differences of £82,000 (2012: £126,000).

In the 2012 & 2013 Budgets, the Chancellor announced a reduction in the main rate of corporation tax from 24% to 21%, to be phased in over three years as follows:

- With effect from 1 April 2013 - 23%
- With effect from 1 April 2014 - 21%
- With effect from 1 April 2015 - 20%

Under IFRS, deferred tax is measured by reference to the rates which are enacted or substantively enacted at the balance sheet date. The reduction in the corporation tax rate to 23% was substantively enacted on 3 July 2012, and therefore the potential deferred tax asset has been calculated at this rate.

The further reductions to 21% and 20% are not expected to be substantially enacted until July 2013 and therefore have not been reflected in the deferred tax calculations for this period.

11. Earnings per share

Basic earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares of 205,568,912 (2012: 199,759,576) in issue during the year ended 31 March 2013 after adjusting for shares held by the Employee Share Ownership Plan of 9,156 (2012: 9,156) and the profit for the period attributable to equity holders of the parent of £1,188,000 (2012: £2,576,000).

In calculating diluted earnings per share, the weighted average number of ordinary shares in issue, after adjusting for shares held by the Employee Share Ownership Plan and Employee Benefit Trust, is further adjusted to include the dilutive effect of potential ordinary shares. The potential ordinary shares represent share options granted to employees where the exercise price is less than the average market price of ordinary shares in the period. The total number of options in issue is disclosed in note 23. The dilutive effect of potential ordinary shares outstanding at the end of the year is 10,393,000 (2012: 9,740,000).

Denominator

	2013 £'000	2012 £'000
Weighted average number of shares in issue in the period	205,569	199,760
Shares held by employee ownership plan	(9)	(9)
Shares held in Employee Benefit Trust	(810)	-
Number of shares used in calculating basic earnings per share	204,750	199,751
Dilutive effect of share options	10,393	9,740
Number of shares used in calculating diluted earnings per share	215,143	209,491

12. Intangible assets

Group

	Goodwill £'000	Internally developed computer software £'000	Other intangible assets £'000	Total £'000
Cost				
At 1 April 2011	15,922	1,529	20	17,471
Additions	-	128	-	128
At 31 March 2012	15,922	1,657	20	17,599
Additions	-	201	-	201
At 31 March 2013	15,922	1,858	20	17,800
Amortisation				
At 1 April 2011	15,922	922	20	16,864
Charge for the year	-	349	-	349
At 31 March 2012	15,922	1,271	20	17,213
Charge for the year	-	276	-	276
At 31 March 2013	15,922	1,547	20	17,489
Carrying amount				
At 31 March 2013	-	311	-	311
At 31 March 2012	-	386	-	386

Included within the carrying value of intangible assets is £61,000 (2012: £185,000) capitalised in respect of the costs incurred to enable Eckoh plc to become a Payment Card Industry Data Security Standard (PCI DSS) compliant level one service provider. This investment has strengthened security around the infrastructure and procedures within the business enabling it to handle credit card transactions for clients in a secure manner. These costs are being amortised over three years until October 2013.

13. Property, plant and equipment

	Fixtures and equipment £'000
Cost	
At 1 April 2011	6,174
Additions	645
At 31 March 2012	6,819
Additions	352
At 31 March 2013	7,171
Depreciation	
At 1 April 2011	4,826
Charge for the year	505
At 31 March 2012	5,331
Charge for the year	656
At 31 March 2013	5,987
Carrying amount	
At 31 March 2013	1,184
At 31 March 2012	1,488

The carrying amount of property, plant and equipment includes £nil (2010: £nil) in respect of assets held under finance lease contracts. The depreciation charge in respect of assets held under finance lease was £nil (2010: £nil).

14. Investment in subsidiary undertakings

The following are the principal subsidiary undertakings of the Group, which are included in the consolidated financial statements:

Subsidiary undertakings	Country of incorporation	Principal activities	Percentage of share capital held
Eckoh UK Limited	England and Wales	Speech Solutions	100%
Eckoh France SAS	France	Non trading	100%(i)
Eckoh Enterprises Limited	England and Wales	Dormant	67% & 33%(i)
Eckoh Projects Limited	England and Wales	Non trading	100%
Avorta Limited	England and Wales	Dormant	100%(i)
Eckoh Technologies Limited	England and Wales	Dormant	100%(i)
Intelliplus Group Limited	England and Wales	Dormant	100%
Intelliplus Limited	England and Wales	Non Trading	100%(i)
Medius Networks Limited	England and Wales	Non Trading	100%(i)
Telford Projects Limited	England and Wales	Dormant	100%
Swwwoosh Limited	England and Wales	Dormant	100%(i)
365 Isle of Man Limited	Isle of Man	Dormant	100%(i)

(i) Share capital held by a subsidiary undertaking.

All companies have March year-ends. All trading companies operate principally in their country of incorporation.

15. Inventories

	2013 £'000	2012 £'000
Work in progress	-	19
	-	19

16. Trade and other receivables

Current

	2013 £'000	2012 £'000
Trade receivables	1,295	1,564
Less: provision for impairment of receivables	-	-
Net trade receivables	1,295	1,564
Other receivables	28	134
Prepayments and accrued income	2,008	1,885
	3,331	3,583

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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's trade and other receivables. Concentrations of credit risk with respect to trade receivables are limited due to working capital practices of the market sector and the Group; and the nature of the Group's customer base. The working capital practices of the market sector within which the Group operates are such that the majority of the trade receivables balance is due from the telephony carriers under a self bill agreement. The reputable nature of the Group's current customer base limits exposure to credit risk. At 31 March 2013, there are no trade receivables that are past due but not impaired (2012: nil). Management believe that the current provision for the impairment of receivables need not be increased on the basis of their historic experience and current knowledge of customers and amounts due.

17. Short-term investments

	2013 £'000	2012 £'000
Sterling	3,000	1,000
	3,000	1,000

	2013 £'000	2012 £'000
Fixed rate	3,000	1,000
Floating rate	-	-
	3,000	1,000

The short term investment at fixed rate represents amounts held with Natwest Bank for a fixed period of time. Short-term deposits held during the year have an average maturity of 12 months (2012: 9 months) with an average interest rate of 2.39% (2012: 1.04%).

18. Cash and cash equivalents

	2013 £'000	2012 £'000
Sterling	5,497	5,370
	5,497	5,370

	2013 £'000	2012 £'000
Floating rate	5,497	5,370

Cash and cash equivalents comprise cash held by the Group. Surplus cash is placed in an interest bearing account. The average interest rate on the interest bearing account during the year was 0.50% (2012: 0.65%).

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

19. Trade and other payables

	2013 £'000	2012 £'000
Trade payables	1,064	1,047
Other payables	9	208
Other taxation and social security	454	399
Accruals and deferred income	677	607
	2,204	2,261

All of the amounts above are payable within one year and trade payables that are more than three months old at the year-end represent £1,000 (2012: £13,000).

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

20. Share Capital

Allotted called up and fully paid

Share type Ordinary shares of 0.25p each	Number of shares	Nominal Value £'000
At 1 April 2012	199,759,576	499
Shares issued under share option schemes	9,229,957	23
At 31 March 2013	208,989,533	522

The total authorised number of shares is 1,000,000,000 ordinary shares with a nominal value of 0.25 pence per share. All ordinary shares in issue are fully paid. The holders of the ordinary shares are entitled to receive dividends, if declared, and are entitled to vote at general meetings of the Company. There were no changes to the authorised share capital during the period. Potential ordinary shares are disclosed in note 22.

21. Provisions

	Provisions for Dilapidations £'000	Total £'000
At 1 April 2012	43	43
Provided/(utilised) in year	-	-
At 31 March 2013	43	43

The dilapidation provision will not be payable until the end of the lease on the Group's Telford House offices in 2015. The effect of discounting is not material and therefore has not been included within the calculation for the dilapidation provision.

22. Share based payment

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

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

The Eckoh plc ***Share Incentive Plan*** ('the SIP') was introduced in April 2007. Under the SIP, employees can buy partnership shares worth up to up to £1,500 per annum and receive matching shares in the ratio of 2:1 by completing the partnership/matching share agreement. The purchase price will be the prevailing market price on that day when the shares are purchased. The SIP trustees buy shares twice a year. Subject to continuing employment, within three years of purchase partnership shares can be withdrawn from the SIP with a corresponding charge to income tax and national insurance however the associated matching shares cannot be withdrawn within the first three years. Subject to continuing employment, between three and five years of the purchase date, both partnership and matching shares can be withdrawn from the SIP with a corresponding charge to income tax and national insurance. Subject to continuing employment, five years after the purchase date, both partnership and matching shares can be withdrawn from the SIP without a corresponding charge to income tax and national insurance. Both partnership and matching shares can be withdrawn from the SIP within five years of the purchase date without a corresponding charge to income tax and national insurance subject to employment terminating for certain reasons as specified under the SIP rules.

The Eckoh plc 2010 ***Long Term Incentive Plan*** ("2010 LTIP") was introduced in June 2010. Awards under the plan are made in two parts. Part 1 awards are in the form of options exercisable at 0.25 pence, which vest dependent on performance against Earnings per share targets set at the beginning of each financial period. None of the Part 1 awards are released until three years have elapsed during which targets relating to Total Shareholder Return must also be achieved. The Part 1 awards have a matching mechanism whereby additional awards are made to match any purchase of shares made by recipients up to a cap of 25% of the Executive's remuneration. Part 2 awards are made to Executive Directors and key management in the event that the Company undergoes a change of control ("trigger event"). The value of part 2 awards is dependent on the increase in value obtained for shareholders from a trigger event in comparison to the value of the Company shares at the date of award. As there is currently no probability of a "trigger event" taking place before the lapse date of the awards of 30 June 2013, no charge was made to the Statement of comprehensive income in respect of Part 2 of these awards. Further information is available in the Remuneration Report on page 40 and in the Directors Report on page 30.

The 2010 Eckoh plc ***Bonus Scheme*** paid half of any bonus payable to executives and key management personnel in the form of deferred nil cost share options. The awards relating to the 2010/11 financial year were made on 30 June 2011 ("calculation date") with further detail available in the Remuneration Report on page 40. An award relating to the 2011/12 financial year is expected to be made on 30 June 2012 ("calculation date"). The deferred share options will vest in two halves 12 and 24 months following the calculation dates.

The Eckoh plc 2012 ***Long Term Incentive Plan*** ("2012 LTIP") was introduced in December 2012 and replaced the 2010 LTIP introduced in June 2010. Base Awards were made to participants to reflect the value generated for shareholders since the introduction of the 2010. These awards will vest in three equal tranches of the grant date provided share price targets are achieved and the participant remains employed with the company. Match awards can be further awarded three years after the original award date provided share price targets have been satisfied.

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

	5 March 2010	8 June 2011	26 March 2012	8 June 2012
Share price (pence)	5.0	8.00	10.875	11.125
Exercise price (pence)	5.13	8.125	11.0	11.25
Number of employees	21	2	13	2
Shares under option	4,500,000	1,000,000	1,275,000	300,000
Vesting period (years)	3	3	3	3
Expected volatility	43%	48%	42%	40%
Option life (years)	10	10	10	10
Expected life (years)	3	3	3	3
Risk free rate	2.83%	4.00%	2.75%	2.75%
Expected dividends expressed as a dividend yield	-	-	-	-
Fair value per option (pence)	1.56	3.13	3.15	3.18

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

The fair value of awards made under the 2010 LTIP scheme was measured using a model using the Monte Carlo method, taking into account the terms and conditions upon which the awards were made. The fair value of awards made under the Bonus scheme was measured using the QCA-IRS option valuer based on the Black-Scholes formula. The fair value per award granted and the assumptions used in the calculation are as follows:

	30 June 2010	28 February 2011
Award type	LTIP	LTIP
Share price (pence)	4.875	7.125
Exercise price (pence)	0.25	0.25
Number of employees	2	1
Shares under option	4,846,153	150,000
Vesting period (years)	3	2.34
Expected volatility	43%	43%
Option life (years)	10	9.34
Expected life (years)	3	2.34
Risk free rate	1.38%	1.61%
Expected dividends expressed as a dividend yield	-	-
Fair value per option (pence)	2.53	4.98

	30 June 2010	30 June 2010	30 June 2011	30 June 2011
Award type	Bonus	Bonus	Bonus	Bonus
Share price (pence)	4.75	4.75	11.00	11.00
Exercise price (pence)	0.00	0.00	0.00	0.00
Number of employees	4	4	4	4
Shares under option	831,794	831,794	633,228	633,228
Vesting period (years)	2	3	2	3
Expected volatility	43%	43%	43%	43%
Option life (years)	10	10	10	10
Expected life (years)	2	3	2	3
Risk free rate	1.38%	1.38%	4.0%	4.0%
Expected dividends expressed as a dividend yield	-	-	-	-
Fair value per option (pence)	4.75	4.75	11.00	11.00

The fair value of awards made under the 2012 LTIP scheme was measured using a model using the Monte Carlo method, taking into account the terms and conditions upon which the awards were made. The fair value of Match awards made under the 2013 LTIP scheme was measured using a model based on the Black-Scholes formula. The fair value per award granted and the assumptions used in the calculation are as follows:

	1 January 2013	1 January 2013	1 January 2013	1 January 2013
Award type	LTIP	LTIP	LTIP	LTIP Match
Share price (pence)	14.25	14.25	14.25	14.25
Exercise price (pence)	0.00	0.00	0.00	0.00
Number of employees	4	4	4	5
Shares under option	5,687,976	5,687,977	5,687,980	9,598,463
Vesting period (years)	1	2	3	3
Expected volatility	28%	28%	28%	28%
Option life (years)	10	10	10	10
Expected life (years)	1	2	3	3
Risk free rate	0.32%	0.39%	0.56%	0.56%
Expected dividends expressed as a dividend yield	0.70%	0.70%	0.70%	0.70%
Fair value per option (pence)	8.54	9.43	10.06	1.57

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

A reconciliation of option movements over the year to 31 March 2013 is shown below:

	2013 Number of share options	2013 Weighted average exercise price	2012 Number of share options	2012 Weighted average exercise price
Outstanding at 1 April	22,970,591	5.04	20,394,304	4.80
Granted	27,342,634	0.12	3,134,483	7.07
Exercised	(9,419,957)	7.08	-	-
Lapsed	(30,000)	10.75	(236,000)	7.79
Forfeited	(5,980,624)	1.23	(322,196)	5.87
Outstanding at 31 March	34,882,644	1.24	22,970,591	5.04
Exercisable at 31 March	4,050,776	5.37	8,999,632	7.91

	2013				2012			
Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of shares (000's)	Weighted average remaining life Expected	Weighted average remaining life Contractual	Weighted average exercise price (pence)	Number of shares (000's)	Weighted average remaining life Expected	Weighted average remaining life Contractual
0 – 0.5	0.00	28,757	2.7	9.7	0.17	7,546	1.4	8.4
4.5 – 6.5	5.13	3,760	-	6.9	5.13	4,150	0.9	7.9
6.5 – 8.5	8.11	541	1.1	7.7	7.07	4,820	0.5	2.5
8.5 – 10.5	8.65	250	-	3.4	8.72	5,150	-	4.4
10.5 – 12.5	11.05	1,575	2.0	9.0	10.99	1,305	2.9	9.8

The total charge for the year relating to employee share based payment plans was £260,000 (2012: £105,000) all of which related to equity-settled share based payment transactions.

23. Pension commitments

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

24. Related party transactions

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

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

Directors and key management includes the staff costs of the Directors' and the Management Team.

Directors and other key management

	2013 £'000	2012 £'000
Wages and salaries	608	710
Social security costs	78	90
Pension costs	12	12
Share based payments	243	91
	941	903

The aggregate Directors' emoluments are shown in the table below. An analysis of Directors' emoluments is included in the Directors' Report on page 30.

Directors

	2013 £'000	2012 £'000
Aggregate emoluments	407	513
	407	513

25. Operating lease commitments

The Group had total commitments under non-cancellable operating leases as follows:

Land and buildings

	2013 £'000	2012 £'000
Expiring within one year	471	234
Expiring within two to five years	1,171	284
	1,642	518

The principal property under operating lease is the Group's head office in Hemel Hempstead for which the annual operating lease charge is £103,000 for the ground and first floors. On 8 December 2011, an additional lease for the second floor of the same building was agreed. The annual operating lease charge for the additional floor is £52,000 with rent commencing on 24 July 2012. The term of the lease covers the period to 21 March 2015.

The Group also have an operating lease for a data centre in Heathrow, London at which some of its call processing platform is located. The term of the lease covers the period to July 2017 at a cost of £320,000 per annum.

26. Cash flow from operating activities

Cash flows from operating activities

	2013 £'000	2012 £'000
Profit after taxation	1,908	2,576
Profit on sale of investment in associate	-	(100)
Interest income	(74)	(49)
Increase in deferred tax asset	(720)	(1,320)
Depreciation of property, plant and equipment	656	505
Amortisation of intangible assets	276	349
Share based payments	260	105
Operating profit before changes in working capital and provisions	2,306	2,066
Decrease / (increase) in inventories	19	(15)
Decrease / (increase) in trade and other receivables	252	(486)
(Decrease) in trade and other payables	(57)	(58)
Net cash generated in operating activities	2,520	1,507

27. Events after the Statement of Financial Position Date

On 10 June 2013, the Group completed the acquisition of Veritape Limited, a provider of PCI DSS compliant call recording software and on premise secure payment solutions for initial consideration of £6.3m.

The initial consideration comprises of £5.2m of initial cash consideration to be funded by existing cash finances from the combined entity and £1.1m payable in Eckoh shares. Additional deferred consideration of up to £4.3m payable in cash of £1.7m and Eckoh shares to the value of £2.6m based on the share price at 10 June 2013, dependent on the achievement of profit before tax targets can be earned. To earn the entire deferred consideration, profit before tax of £3.6m must be achieved over the first 26 month period following 1 July 2013.

As the acquisition was finalised on the day that the accounts were signed, completion accounts have yet to be prepared and full disclosure cannot be provided in these statements.

Also, post year end the Directors are recommending that a final dividend for the year ended 31 March 2013 of 0.25 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 23 August 2013 with payment on 20 September 2013. The ex-dividend date will be 18 September 2013. 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 £0.5m.

Company Financial Statements

Prepared under UK GAAP

Company Balance Sheet

for the year ended 31 March 2013

	Notes	2013 £'000	2012 £'000
Fixed Assets			
Investments	ii	5,471	5,211
		5,471	5,211
Current assets			
Debtors: amounts falling due within one year	iii	70	40
Short-term investments	iv	3,000	1,000
Cash at bank and in hand		3,469	5,230
		6,539	6,270
Creditors: amounts falling due within one year	v	(118)	(9)
Net current assets		6,421	6,261
Total assets less current liabilities		11,892	11,472
Net assets		11,892	11,472
Capital and reserves			
Called up share capital	viii,ix	522	499
ESOP Reserve	ix	(128)	-
Capital redemption reserve	ix	198	198
Share premium account	ix	1,331	695
Share based payment	ix	700	440
Profit and loss account	ix	9,269	9,640
Total shareholders' funds		11,892	11,472

The financial statements were approved and authorised for issue by the Board of Directors on 10 June 2013 and signed on its behalf by:

Adam Moloney
Group Finance Director

Company Registration Number 3435822

Notes to the Company's Financial Statements

for the year ended 31 March 2013

Principal Accounting Policies

Basis of accounting

The financial statements for the Company have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom.

The following Accounting Standards have been issued, but have not been adopted by the Company in these financial statements.

u) In March 2013, the Financial Reporting Council (FRC) issued FRS 102, the main part of the new UK GAAP regime. This follows the issue in November 2012 of FRS 100 and FRS 101.

v) FRS 100 guides entities in their decision between reporting frameworks – effective for periods commencing on or after 1 January 2015, but with early adoption available.

w) FRS 101 allows the individual accounts of qualifying parent and subsidiary entities to be prepared under EU-IFRS recognition and measurement, but with reduced disclosures – effective for periods commencing on or after 1 January 2015, but with early adoption available.

x) FRS 102 is based on the IASB's IFRS for Small and Medium Sized Enterprises (IFRS for SMEs) and, similarly to FRS 101, allows for reduced disclosures in qualifying parent and subsidiary entities – effective for periods commencing on or after 1 January 2015, but with early adoption available.

Going Concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company is a going concern. As part of its normal business practice, the Company is included within annual and longer term plans prepared management, and, in reviewing this information, the Company's Directors are satisfied that the Company has reasonable resources to enable it to continue in business for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing these financial statements.

The principal accounting policies adopted by the Company are described below.

Investments

Long-term investments, held as fixed assets, are stated at cost less provision for any impairment in value.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Related party transactions

FRS 8 'Related Party Transactions' requires the disclosure of the details of material transactions between the reporting entity and related parties. The Company has taken advantage of exemptions under FRS 8 not to disclose transactions between wholly-owned Group companies.

Own shares held by ESOP Trust

Transactions of the Company-sponsored Employee Share Ownership Plan ('ESOP') Trust are treated as being those of the Company and are therefore reflected in the Company's financial statements. In particular, the trust's purchases and sales of shares in the Company are debited and credited directly to equity.

Share based payments

The Company operates a share option scheme which allowed certain Group employees to acquire shares in the Company. The fair value of share options granted is recognised within the staff costs of the relevant group company with a corresponding increase in equity. The fair value is measured at grant date and spread over the period up to the date when the recipient becomes unconditionally entitled to payment.

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

During the year the Company also introduced a new long term incentive plan. The fair value of the conditional awards of shares granted under the long term incentive plan determined at the date of grant. The fair value is then expensed on a straight line basis over the vesting period based on an estimate of the number of shares that will eventually vest. At each reporting date, the non-market based performance criteria and total shareholder return defined in the long term incentive plan will be reconsidered and the expense will be revised as necessary.

FRS 20 has been applied to all options granted after 7 November 2002 which have not vested on or before 1 January 2006. A deferred tax adjustment is also made relating to the intrinsic value of the share options at the balance sheet date.

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

Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by the shareholders. Interim dividends are recognised when paid.

Cash flow statement

The cash flows of the Company are included in the Consolidated Cash Flow Statement on page 49.

i. Operating expenses

Staff costs

Details of the Directors' emoluments are given in the Directors' Report on page 30. The Director's remuneration costs are borne by a subsidiary undertaking. The Company did not incur any staff costs during the year (2012: £nil). The average number of employees employed by the company during the year was 4 (2012: 4).

Services provided by the Group's auditor

Fees payable for the audit of the parent company and consolidated accounts of £15,000 (2012: £15,000) were borne by a subsidiary undertaking.

ii. Fixed asset investments

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
At 31 March 2012	11,722	475	12,197
Additions	-	260	260
At 31 March 2013	11,722	735	12,457
Impairment			
At 1 April 2012 and 31 March 2013	(6,986)	-	(6,986)
Net Book Value			
At 31 March 2013	4,736	735	5,471
At 31 March 2012	4,736	475	5,211

Subsidiary undertakings	Country of incorporation	Principal activities	Percentage of share capital held
Eckoh UK Limited	England and Wales	Speech Solutions	100%
Eckoh Projects Limited	England and Wales	Non trading	100%

The Company also holds 100% of the issued share capital of nine non-trading or dormant companies, not shown above. The details of these non-trading and dormant companies are listed at Companies House and are included in note 14 of the consolidated accounts.

All trading companies operate principally in their country of incorporation and have March year-ends.

The Directors have assessed the carrying values of the Company's investments in line with FRS 11 *Impairment*, and concluded that no impairment triggers exist that would require the Company's investment in Eckoh UK Limited to be further impaired. The investment in Eckoh Projects Limited has been fully returned in previous years and therefore has no current value.

Other investments represent additional investments in Eckoh UK Limited as a result of the share-based payments arrangements in place. As the Company grants options over its shares to employees of Eckoh UK Limited, the Company records an increase in its investment in Eckoh UK Limited, the details of which are disclosed further in note 22 of the Consolidated Financial Statements. The disclosure of these amounts has been reclassified between categories during the year.

iii. Debtors

	31 March 2013 £'000	31 March 2012 £'000
Other debtors	26	26
Prepayments and accrued income	44	14
Amounts due within one year	70	40

iv. Short-term investments

	31 March 2013 £'000	31 March 2012 £'000
Sterling	3,000	1,000
	3,000	1,000

	31 March 2013 £'000	31 March 2012 £'000
Fixed rate	3,000	1,000
	3,000	1,000

The short term investment at fixed rate represents an amount held with Natwest Bank for a fixed period of time. Short-term deposits held during the year have an average maturity of 12 months (2012: 9 months) with an average interest rate of 2.39% (2012: 1.04%).

v. Creditors: amounts falling due within one year

	31 March 2013 £'000	31 March 2012 £'000
Other creditors	118	9
	118	9

vi. Provisions for liabilities and charges

	31 March 2013 £'000	31 March 2012 £'000
Total unprovided deferred tax assets are as follows:		
Tax losses available	2,512	2,639
Other temporary differences	-	18
Unprovided deferred tax asset	2,512	2,657

No deferred tax asset has been recognised on the grounds that there is insufficient evidence that the asset will be recoverable.

vii. Profit and loss account

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company alone. During the year ended 31 March 2013 the Company made a profit of £74,000 (2012: £1,478,000).

viii. Share capital

Allotted, called up and fully paid

Share type Ordinary shares of 0.25p each	Number of shares	Nominal Value £'000
As at 1 April 2012	199,759,576	499
Shares issued under share option schemes	9,229,957	23
As at 31 March 2013	208,989,533	522

ix. Share capital and reserves

	Share capital £'000	ESOP reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Share based payment £'000	Profit and loss account £'000
Balance at 1 April 2012	499	-	198	695	440	9,640
Profit for the year	-	-	-	-	-	74
Dividends paid in year	-	-	-	-	-	(407)
Shares issued under share option schemes	23	-	-	636	-	-
Shares acquired by Employee Benefit Trust	-	(128)	-	-	-	(38)
Share option charge	-	-	-	-	260	-
Balance at 31 March 2013	**522**	**(128)**	**198**	**1,331**	**700**	**9,269**

x. Share options and share based payments

Share options and share based payments are disclosed in note 22 to the Consolidated Financial Statements.

xi. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 8 that transactions between wholly owned Group companies do not need to be disclosed.

xii. Events after the balance sheet date

On 10 June 2013, the Group completed the acquisition of Veritape Limited, a provider of PCI DSS compliant call recording software and on premise secure payment solutions for initial consideration of £6.3m.

The initial consideration comprises of £5.2m of initial cash consideration to be funded by existing cash finances from the combined entity and £1.1m payable in Eckoh shares. Additional deferred consideration of up to £4.3m payable in cash of £1.7m and Eckoh shares to the value of £2.6m based on the share price at 10 June 2013, dependent on the achievement of profit before tax targets can be earned. To earn the entire deferred consideration, profit before tax of £3.6m must be achieved over the first 26 month period following 1 July 2013.

As the acquisition was finalised on the day that the accounts were signed, completion accounts have yet to be prepared and full disclosure cannot be provided in these statements.

Also, post year end the Directors are recommending that a final dividend for the year ended 31 March 2013 of 0.25 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 23 August 2013 with payment on 20 September 2013. The ex-dividend date will be 18 September 2013. 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 £0.5m.

Shareholder information

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

Directors and Company Secretary

C.M. Batterham – Non-executive Chairman

C. Ansell – Non-executive Director

N.B. Philpot – Chief Executive Officer

A.P. Moloney – Group Finance Director and Company Secretary

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