Eckoh

Annual Report 2014

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ANNUAL REPORT
2014

02

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01 Strategic Report

Highlights of the Year

Eckoh plc (AIM: ECK), a global provider of secure payment products and customer service solutions, is pleased to announce its final results for the year ended 31 March 2014.

Financial Highlights:

Revenue
£14m

up 28% to £14.0m (FY13: £11.0m)

including organic growth of 16%

Gross Profit
£10.2m

up 23% to £10.2m (FY13: £8.3m)

Adjusted *Operating Profit
£2.2m

Adjusted* Operating profit increased by 48% to £2.2m (FY13: £1.5m)

EBITDA**
£3.2m

EBITDA** increased by 32% to £3.2m (FY13: £2.4m)

Comprehensive Income
£0.3m

Total comprehensive income of £0.3m (FY13: £1.9m)

Cash Generated
+91%

Cash generated from operating activities increased by 91% to £4.8m (FY13: £2.5m)

Cash Balance
£7.3m

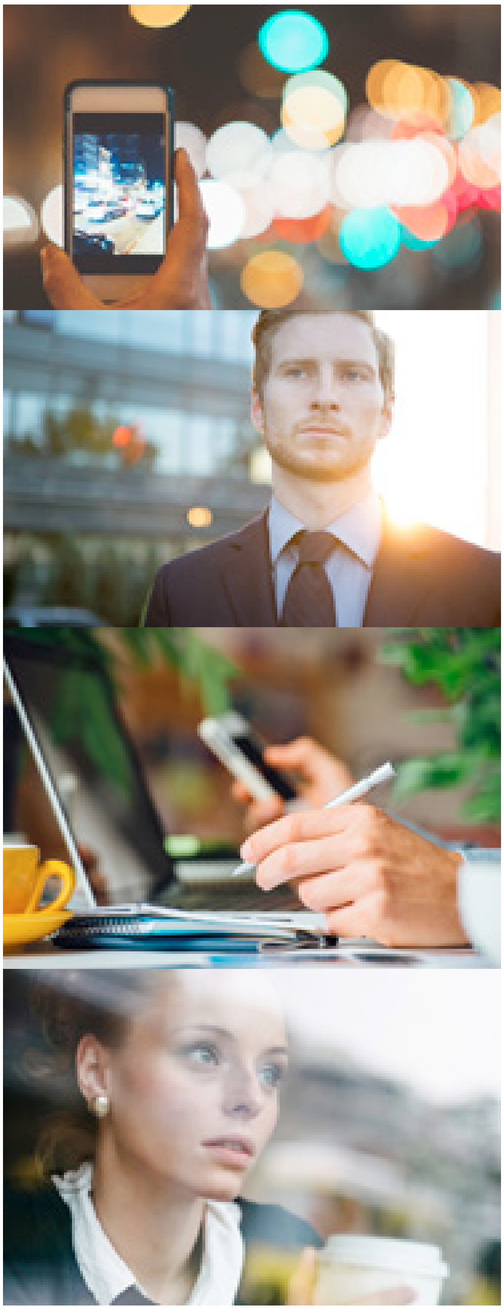
Cash and short term investment balance remains strong at £7.3m (FY13: £8.5m) following £3.6m cash outflow from acquisition of Veritape Limited ('Veritape') in June 2013

Dividend
0.3125p

The Board recommends a 25% increase in full year dividend to 0.3125 pence per share for the year ended 31 March 2014 (FY13: 0.25 pence per share)

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

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



Operational Highlights:

Strong trading performance from both core Eckoh business and Veritape

- Combined hosted and on premise payments proposition is driving high levels of sales opportunities in the UK and internationally

Capita partnership already gaining market traction

- New client mandates include Yodel and Telefonica UK (O2)

New payment contracts secured in the period include 5 multi-year contracts with companies in the FTSE250

100% renewal of 12 clients with contracts expiring in the period including Affinity Water, Barclays, Utilita, BAA and two government agencies

US opportunity to provide secure payment solutions continues to gather significant momentum

- Subsidiary trading entity Eckoh Inc. now in operation
- US website now live - http://www.eckoh.us/

Current Trading:

5-year Exclusive Distributor Agreement with large US partner

Patent awarded for Eckoh CallGuard product

Chairman's Statement

Chris Batterham

"We go confidently into the new financial year with the strong business fundamentals that have driven growth to this point supplemented by the opportunity to accelerate growth through our new partnership arrangements and our US expansion."

I am delighted to report that the year to 31 March 2014 has been another year of significant progress for Eckoh with adjusted* pre-tax profits rising to £2.2m – a 48% increase on the prior year.

The year commenced with the acquisition of Veritape Limited and the announcement of a partnership agreement with Capita Customer Management. Both have contributed to the substantial growth experienced in the year. As we ended the financial year, we were establishing our first steps towards a presence in the USA with the creation of Eckoh Inc that we believe will be important in driving further growth in the years ahead.

In April 2013 we were able to announce a three-year partnership deal with one of the UK's leading providers of Business Process Outsourcing and Management solutions. In August 2013, we were able to disclose the identity of this partner as Capita Customer Management ("Capita") when we won our first contract under the agreement for a five-year contract to provide technology support to one of their clients, a UK distribution business. In November 2013 we announced that we had been successful in securing our largest ever contract, a ten-year contract to provide a suite of self service applications to Telefonica UK (O2). We remain confident that the Capita channel will deliver a number of large contracts in the years ahead as we continue to work closely with them on opportunities with both existing and prospective clients of theirs.

The announcement in June 2013 of our acquisition of Veritape Limited was also important in the growth of the Company. The Veritape proposition enabled Eckoh to be able to provide secure payment solutions that are physically located at the premises of our clients. Perhaps more importantly, Veritape had been successful in winning contracts outside of the UK and particularly into the US market. The US market for providing solutions to handle credit card payments in a secure manner is less developed than that in the UK and is therefore a real opportunity for Eckoh.

In November 2013, Eckoh Inc was incorporated in the US just weeks before one of the largest credit card breaches occurred when Target, a large US retailer, announced that the details of over 40 million credit and debit cards had been stolen from their systems. The financial implications of that breach have been huge and have led US businesses to review whether similar breaches could occur. Although we are still in the early stages, we are confident that a significant opportunity exists in the US to accelerate the growth of the Eckoh group.

Alongside these key initiatives, we continue to win new clients in the UK to enable organic growth in the business to continue. With continuing growth in profits and cash flow, we are able to propose an increase in our dividend of 25% to 0.3125 pence per share.

We were also pleased towards the end of 2013 to be recognised as " Company of the Year" at the Hertfordshire Business Awards and to receive two other awards for HR excellence. We realise that the success of the business has been largely driven by the excellent employees we have. We invest significant time and effort in recruiting the best talent available and retaining them. I would like to take this opportunity to thank our employees for their role in another successful year.

We go confidently into the new financial year with the strong business fundamentals that have driven growth to this point supplemented by the opportunity to accelerate growth through our new partnership arrangements and our US expansion.

Chris Batterham
Chairman

* excludes expenses relating to share options schemes and acquisitions

Business Review

Introduction

We are pleased to report another strong 12 months of trading for the Group buoyed by the positive impact of Veritape and the excellent progress in our core Eckoh business. As highlighted in our Interim statement in November 2013, we identified three critical catalysts for growth, which were:

- The integration of Veritape (acquired in June 2013)
- Our secure payment products portfolio
- Ongoing development of new indirect sales channels

We are delighted to be able to report not only on the successful and ongoing execution of these initiatives but also the implementation of new strategic plans that we anticipate will underpin further growth in shareholder value, beyond that which has already been delivered over the past year.

The main new strategy for this year is our establishment and acceleration of growth in the largest payments market in the world, the US. We believe that the opportunity for deploying our payment products has strengthened further as a result of recent adverse publicity in the market relating to data breaches. This has now fuelled a re-evaluation of card and data security processes that has coincided with us establishing a market presence, which leads us to believe that significant sales growth can be delivered over time.

Therefore, our near term growth strategy has evolved to the following:

- Establish and expand our US footprint to capitalise on secure payment opportunities
- Leverage channel partners in both UK and US markets
- Maximise international opportunity for the combined Eckoh and Veritape product line
- Bring the new payment product OneProx to market
- Continue to invest in R&D to underpin next generation product development and maintain market leading position
- Continue to evaluate acquisition opportunities

Operational Review

Our strong growth achieved during 2013/4 is underpinned by new contract wins primarily for payment services in addition to two significant deals secured through our new partnership with Capita Customer Management ("Capita") for customer service solutions. The first of these Capita contracts was a five-year agreement to provide automated tracking and re-delivery services to Yodel, the UK's largest parcel delivery Company who were an existing client of Capita.

The second in particular demonstrates our close partnership with Capita in which we supported them in their successful bid to secure a ten-year contract with Telefonica UK (O2) worth £1.2 billion. Eckoh's contract is worth a small proportion of the overall value, at a minimum of £11m over ten years, but it represents our most valuable contract to date and highlights the significant impact Capita, and other channel partners can have on our business.

We continue to work alongside Capita, on a number of other new business opportunities for both existing and prospective clients, providing them with a specialist technology capability. Our commitment to the partnership is such that we now have four full time employees dedicated to securing and managing new contracts. Whilst we expect the number of contracts won through the Capita channel to be relatively low in volume, we are confident that each contract would immediately be amongst our largest in terms of monetary value with significant impact to the Group.

Nik Philpot

"The launch of our US subsidiary is another important milestone for the Group as we look to capitalise on our strong presence in the secure payment market in the UK."

The PCI DSS requirements for organisations who take card payments when the cardholder is not present, such as those transactions made over the phone, web or on a mobile device, are extensive and involve significant risks. Eckoh's secure payment products help resolve this problem and we continue to make excellent sales progress, securing a number of lucrative contracts with blue chip organisations. These include a 5-year contract with a global financial services Company who provide pre-paid credit cards, through which we have already deployed services in 14 different languages. Then more recently in April we announced three payments contracts with companies in the FTSE 250 including two retailers and a logistics organisation. In total the new contracts won during the period deliver aggregated value of over £17m.

Our high levels of recurring revenue (82%) are derived not only from our pricing model but also on our proven ability to retain clients and maintain pricing through multiple contact renewals. Many of our clients have been with us for a decade yet we continue to broaden and enhance their service where possible. In the year we renewed 100% of the 12 contracts that came up for renewal, which equated to over 20% of our pre-Veritape client base and included a number of our most significant clients. Our acquisition of Veritape has in part changed our traditional sales model. Veritape's model has been to charge a large upfront fee with a 15% support and maintenance agreement thereafter. This has slightly eroded our overall recurring revenues (by 6%), however, we have now established a rental option for Veritape product lines which should see the recurring base increase again over time.

During the year, we have made significant investment in the business focusing our efforts on Research and Development ('R&D') to ensure that Eckoh's solutions satisfy an evolving market requirement. To that end we have recruited three employees solely focused on accelerating our R&D efforts. This is further supported by the continuing expansion of our mobile team that has enabled the Group to make further progress in assisting and advising clients in providing mobile services to their customers. Going forward, we would expect these teams to collaborate on projects that more directly relate to payment-based activity, a significant growth opportunity for the Group.

The Market Opportunity

Eckoh's diverse products are now used across multiple sectors and service large and fast growing end markets. Over the past decade Eckoh's business model has evolved considerably ensuring that high levels of recurring revenue are matched by long-term and durable customer relationships.

We originated as a provider of automated speech recognition solutions that enable consumers to easily self-serve over the telephone, rather than having to speak to a contact centre agent. To this day Eckoh is still considered to be the market leader in designing, deploying and hosting complex speech applications in the UK. Over time Eckoh has developed a portfolio of multi-channel products that allow clients to deploy an Eckoh automated service over the phone, web or mobile channel. Currently more than half of Eckoh's clients take services that encompass at least two channels of delivery, the combination of phone and mobile being the most common.

Since 2010, when Eckoh first achieved the Payment Card Industry Data Security Standards ('PCI DSS') Level 1 Service Provider status, the importance of PCI DSS as a global standard has grown and with it the pressure on companies to comply. In the same period, Eckoh has developed and launched a number of payment products designed to help these companies to outsource to us the huge challenge of PCI compliance. The importance we place on this payment proposition as a driver for Eckoh's future growth prospects was demonstrated when we acquired Veritape, another specialist in the provision of secure payment products, in June 2013. This acquisition has enabled us to offer to deploy PCI compliant services for our clients in either our hosted environment or on the client's premises.

This combination of secure payment products with our broad portfolio of customer service solutions is extremely complementary. However, looking forward we expect the two to converge into an even more unified proposition. Whilst

Eckoh can and does host customer service applications from across the globe on our UK platform, the payment products provide us with arguably the more straightforward opportunity to internationalise the business. A payment service has far fewer cultural and language differences and the variation between client deployments is relatively limited. As a result, our R&D efforts will focus not only on continuing to develop and enhance the payment services but also the customer service applications that are more aligned to operating alongside payments. We are also working on delivering these services through a technical framework, designed specifically for an omni-channel world where consumers can interact seamlessly between communication channels. These applications include the identification and verification of the customer, financial orientated information enquiries, the ability to easily review and authorise payment transactions, and the personalisation and segmentation of purchasing behaviour to maximise customer value.

US Market Expansion

Following the full integration of Veritape, which was acquired in June 2013, Eckoh began to focus on the US market. Management believed there was a significant sales opportunity in the US where Veritape had already secured its largest client. Connextions, a large business outsource provider, now owned by healthcare provider Optum, had installed the CallGuard On-Site product into multiple contact centres across America. As PCI DSS is a global standard, US organisations taking card payments over the phone also need a solution that enables them to become PCI compliant and prevent their contact centre agents from getting access to card information. At present, there are no US-based companies who provide these solutions. It was also clear that US organisations prefer to contract with other US companies, we therefore made the decision to establish a US company and Eckoh, Inc. was incorporated in November 2013.

In February 2014 the same month we hired our first US employee, Target Corporation, the second largest discount retailer in the US after Wal-Mart, disclosed that it had suffered a data breach that had resulted in the details of over 40 million credit and debit cards being compromised. This was arguably the most significant breach in US history. They have since disclosed that they have incurred expenses of over $60m directly arising from the breach and that profit from the fourth quarter fell by almost 50% compared to the previous year. This has also resulted in the resignation of the CEO and CIO. It is estimated that the overall impact on Target and related third party organisations could ultimately reach one billion dollars.

As the market for customer service solutions is advanced and competitive in the US, Eckoh has decided to focus on our secure payment portfolio. Our marketing strategy is focused on fraud as well as PCI DSS drivers and we have consolidated all payment solutions under the CallGuard brand, where we have CallGuard On-site and CallGuard Hosted as the primary solutions. We also expect to launch later in the year an additional hosted solution, currently

There are around 5.7m contact centre agents in the US and research suggests that around 70% of these taking card payments over the phone.

called OneProx, which is a framework for protecting card information inside a merchant's IT environment. With OneProx, sensitive card data is either tokenised or encrypted prior to entering a merchant's IT systems, and stays secure throughout the transaction. Prior to transactions being authorised, Eckoh reverses the tokenising or encryption, and submits the customer's card details to the payment service provider as normal. OneProx is a particularly lightweight implementation, in many cases involving no change for the merchant. It is equally applicable to payments made through contact centres, on websites, through mobile devices, and in stores. We view this product, which has patents pending, as a tremendous addition to our offering and one that will broaden our addressable market.

Our current investment into the US market at this point is relatively modest with only a small number of employees who are largely supported by the UK operation. But we announced yesterday a significant and exclusive five year distribution contract with a US partner, one of the leading providers of business process outsourcing and communication services in the US. This agreement, which commences in July and is expected to be fully operational from October, has minimum revenue payments to Eckoh over the term of totalling $24m, which become payable based on achieving certain annual sales criteria. The partnership gives us access to a significant number of the very largest organisations in the US, many of whom are handling millions of card transactions. It will also provide us with extensive hosted platform capability in the US for delivering the CallGuard Hosted and OneProx products to the market. The need to invest more meaningfully in our US operation will be driven by both the scale of the direct sales pipeline and the speed with which the partnership delivers customers.

We have launched our US website (www.eckoh.us) and have seen US sales enquiries increase substantially since the Target breach became public. Several of these enquiries have already moved to Proof of Concept stage and we would expect to see a proportion of these then moving to contract.

The US Contact Centre market is around 10 times the size of the UK, based purely on the number of agents employed. There are around 5.7m contact centre agents and research suggests that around 70% of these are taking card payments over the phone. With the opportunity for Eckoh's products being in its infancy we are confident that we will see significant growth coming from the US over the coming years. Once we can demonstrate that we can successfully scale the business through this approach it opens up the opportunity of taking the model to other territories where contact centre services and card not present transactions are significant.

Current Trading and Outlook

Looking further into the future, it is clear that smartphone and tablet devices will ultimately replace the desktop or home PC as the tool of choice from which consumers will interact with the organisations with whom they transact. This has led to the huge and on-going investment by global companies such as Apple, Google, Microsoft and Amazon into developing interfaces that allow consumers to interact through both text and voice. As an organisation that specialises in designing applications that use text and voice entry we believe we are extremely well placed to benefit from this global investment that will help drive consumer behaviour over the next five years.

Many of the contracts secured in the second half of the year contributed little or no revenue to the strong results seen in the second half of the 2013/4 financial year. These services will all be fully implemented in the first half of 2014/5 and will lead to further revenue and margin growth in the year ahead.

We are very pleased to announce that we have been successful in having our patent awarded for the technology built into the CallGuard On-Site product. This validation of our innovation and ground-breaking payment products will only strengthen our ability to take market share in this global market for PCI compliant solutions.

We enter the new financial year with every expectation that we will be able to execute on the high volume of pipeline opportunities that currently exist. In addition to the usual fluid pipeline of activity, we are confident about the potential for further large contracts coming through Capita and the opening of the US market, which whilst in its infancy, is a significant market opportunity for the Group.

Financial Review

Revenue and Margin

2013/4 saw a period of strong growth in revenue arising from both organic growth in the existing Eckoh business and the addition of Veritape revenue. Revenue excluding Veritape grew by 16% from £11.0m to £12.7m. Veritape contributed revenue of £1.3m in the 9 months they were included within the Group.

Included within Administrative Expenses was £1.2m of expenses relating to the acquisition including the amortisation of £1.0m of acquired intangible assets. We also saw £1.3m (2013: £0.4m) of expenses arising from the accounting of share option schemes. Much of this expense arose from the 148% increase seen in the share price during the year from 15.75p to 39.12p. Combined these additional expenses drove a non-adjusted operating loss of £0.2m (2013: operating profit of £1.1m).

Excluding those costs relating to the acquisition and share options, Operating Profits grew by 48% to £2.2m from £1.5m.

	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000
Turnover	14,035	10,985	10,392	9,003
Gross profit	10,215	8,294	7,895	6,663
Administrative Expenses	10,425	7,180	6,788	6,036
Expenses relating to share options schemes	(1,247)	(375)	(150)	(75)
Amortisation and expenses relating to acquisitions	(1,165)	-	-	-
Adjusted* Administrative Expenses	8,013	6,805	6,638	5,961
Operating profit / (loss)	(210)	1,114	1,107	627
Adjusted* Operating profit / (loss)	2,202	1,489	1,257	702

*excludes expenses relating to share options schemes and acquisitions

Despite the inclusion of Administrative Expenses of Veritape and investment in headcount to support Capita and Research & Development activity, Adjusted Administrative Expenses only increased by 18% to £8.0m demonstrating the operational gearing inherent in the business. This is further illustrated in the tables above and below where the trend for accelerating profit is evident. This increase in profitability is further reflected in the cash generation seen from the business. Adjusted EBITDA grew by 25% to £3.2m in the year.

	2014 £'000	2013 £'000
Profit before tax	(1,367)	1,188
Amortisation of intangible assets	1,306	276
Depreciation	678	656
Acquisition costs	175	-
Expenses relating to share options schemes	1,247	375
Finance expense	1,214	-
Net interest receivable	(57)	(74)
Adjusted EBITDA	3,196	2,421

This cash generation further strengthened the debt free balance sheet with cash ending the year at £7.3m (31/3/13: £8.5m) despite a cash outflow of £3.6m from the Veritape acquisition and a £0.5m dividend payment. The Board remains extremely confident about the prospects of the business and is proposing an increase in the dividend to be paid in September of 25% to 0.3125p per share.

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 that is demonstrated in its Best Companies Accreditation status. In 2014 we were awarded One Star 'very good' status that recognises the strength of the Company's working practices and employee care.

In 2014 we were awarded One Star 'very good' status that recognises the strength of the Company's working practices and employee care.

We were also recognised for a Human Resources Excellence Award at the 2013 Hertfordshire Business Awards and for a "Success Through People" Award at the regional Business Excellence Awards 2013.

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 that is offered to every employee within the business. Specifically, we have organised a Management Development Programme for our people managers to enhance their management skills to be an effective manager and to motivate and lead their teams to deliver our key business objectives. This is viewed as an aspirational programme for employees taking the step into management. Since 2013, we have also implemented an NVQ programme for employees within our contact centre.

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. Employees attend regular employee forum meetings at which they can contribute suggestions for how the working environment can be improved.

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 that 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. We also provide free fruit for all our staff to encourage health and wellbeing.

In the Community

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

Woodfield School

In July 2013, 25 Eckoh employees worked for a day in the grounds of Woodfield School for children aged three to nineteen with severe learning difficulties. Our efforts were focussed on improving the grounds of the school to enable the children to enjoy being able to safely enjoy being outdoors.

Weeds and overgrown vegetation were removed during the day while some of our more talented employees created playground art and games for the children to enjoy.

Longdean School, Hemel Hempstead

Our Human Resources department represented Eckoh at Longdean School, Hemel Hempstead at an Employability Skills day for 135, year 10 pupils on 8th May 2014.

The event was organised in conjunction with Dacorum Borough Council with the aim of helping pupils become more employable to help shape the future generation and pass on valuable advice. Our HR team worked with the pupils to identify their talents and skills and gave helpful advice on preparing for the world of work. The pupils also practiced interviewing and the HR team helped to identify career aspirations and what may be available to them in future years.

The activities were designed to be fun and engaging for the pupils and included interviewing facilitators, putting themselves in the mind of an employer looking at CVs for a new trainee, critiquing them and looking in more detail at their own CVs and giving advice. The second session concentrated on interview skills with mock interviews and also a fun "speed interviewing" game. The pupils came away with lot of helpful feedback and advice directly from employers about what they look for in a CV, covering letter, what makes a successful candidate and how to interview well.

Angela Cooke from Longdean School said, *"The day was a tremendous success, the feedback from students was overwhelmingly positive and they all felt they had learned a lot from the experience."*

Christmas Foodbank Initiative

In December 2013, Eckoh staff organised a Food Bank initiative for the homeless in the Hemel Hempstead area. Many employees brought in non–perishable items of food, which were distributed to the Trussell Trust where the food was sorted and stored at the local bank. Volunteers checked the items that were given to local people in need or crisis.

Sport Relief

Eckoh again provided support to the Sport Relief fund raising effort enabling telephone donations to be made throughout the year but especially on the main fund raising evening during March when donations were handled using our EckohDONATE service which enabled donations to be made when live agents were too busy to take calls during high volume periods. Eckoh staff entered into the spirit of the event by participating in a 'Bake off' and raised £230 for the charity.

Meningitis Research Foundation

Eckoh made a donation of £545 during the year in memory of the granddaughter of one of our longest serving employees who tragically passed away after suffering the disease on New Year's Day 1996 at just four years old. Jessè would have been 21 in October 2013.

Save the Children

Eckoh staff paid £1 to participate in the Christmas Jumper day for Save the Children and raised £45 for the charity.

Children in Need

Eckoh staff organised a cake sale with homemade cakes and raised £306.

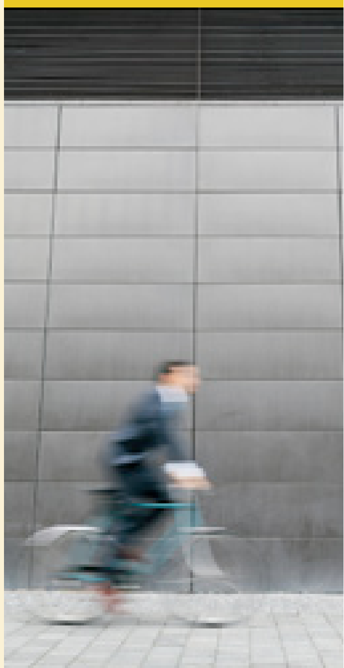
During the year, Eckoh has made charitable donations totalling £1,376 (2013: £6,204). The business of the Group does include the support of charities and their fund raising programmes, but this is operated solely on a commercial basis.

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 fair-trade coffee in our kitchen areas, we carefully consider the purchases we make and encourage our suppliers to be equally considerate in the way they conduct their business.

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

- 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

9 June 2014

SECTION

02 Contact Centre Market Review

Overview

Eckoh is a global provider of secure payment products and customer service solutions.

Eckoh is a leader in secure payment technology, specialising in assisting organisations that take payments securely when the payment card is not present, for example over the phone, web or mobile. Each year we process over £800 million in card payments for clients in accordance with Payment Card Industry Data Security Standards (PCI DSS). As a PCI DSS Level One Compliant Service Provider, more organisations every year trust Eckoh to protect their contact centre and customers from payment card fraud and breaches.

In addition to our payments products we have a portfolio of customer service solutions that target organisations with contact centres. These services enable organisations to manage their customer communications more efficiently and securely. Our multi-channel products give customers the ability to make enquiries, get information or make transactions over the phone, web or mobile without needing to interact with a contact centre agent or advisor. This significantly reduces operational costs, streamlines contact centre processes and reduces inbound call queues.

Our services include:

Secure PCI DSS compliant card payments

- Secure agent-assisted payments (premised and hosted)
- Automated payments (phone, web and mobile)
- E-commerce transactions (web and mobile apps)

Customer Service Solutions

- Intelligent call routing using advanced speech recognition
- Customer identification and verification
- Real-time information provision
- Customer data capture
- Customer surveys
- Product reservation and/or purchase
- Balance enquiries, subscriptions and renewals
- Delivery tracking
- Outbound notifications

Our Clients

For over 10 years, Eckoh has delivered secure payment and customer service for leading brands across an unmatched range of industry sectors. With a strong 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. In the UK 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 that are handled by a live contact centre of between 100 to 2,000 agents that are either in-house or outsourced. It is this area of business upon which we target our service propositions.

Teams are committed to ensuring that each client feels valued and cared for, and receives exceptional service

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

The contractual arrangements usually involve a monthly or annual use 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 82% of the Group revenue for 2013/14 and gives the Company excellent visibility on future revenues.

Since the Veritape acquisition in 2013, our key cross-sector clients now jointly include some well-known names in their respective industries:

Financial Services
- Barclays
- CIMA
- Collinson Group
- Intasure
- Lapithus
- London Stock Exchange
- RCI Financial Services
- Paratus AMC

Health Care
- Optum

IT/Telecoms
- ATOS
- BT
- O2
- Resilient Networks
- Spoke Interactive

Leisure & Media
- Carnival Cruises
- Comic Relief
- Exodus
- Ipsos MORI
- Premier Inn
- Vue
- William Hill

Outsourcing & distribution
- Clearanswer
- CPM
- GEOAmey
- Parcelforce Worldwide
- Royal Mail
- Rentokil Initial
- Sensee
- Serco
- Stream Global

Public Sector
- Department of Health
- Defra - Rural Payments Agency
- Essex County Council
- Fareham Borough Council
- Hampshire County Council
- Ministry of Justice

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

Retail
- Electrolux
- Ford
- Ideal Shopping Direct
- Jaguar
- Kiddicare (Morrisons)
- Tenpin
- The Garden Centre Group

Housing/estates
- Mobile Mini
- Trulia

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

The State of the Global Contact Centre Market

The global contact centre market currently accounts for about $150 billion in annual revenue market and is projected to reach $337.8 billion by 2018. This growth is driven primarily by increasing corporate focus on providing efficient customer service as a part of business development. Third party outsourcing accounts for 20% of this market.[1]

The US telephone contact centre industry alone represents 51% of the total contact centre market. It includes about 4,200 companies with a combined annual revenue of approximately $16 billion.[2]

To take full advantage of the sizeable opportunities available internationally, in 2014 Eckoh incorporated a US subsidiary and launched its secure payment products into what is the largest global contact centre market.

The Multi-Channel Contact Centre

Multi-channel adoption in contact centres is on a steep trajectory, driven by the growing use of social and mobile as alternative communication channels. This doesn't mean that more traditional channels, such as phone, email and the Web are being replaced; instead they are experiencing a revival as functionality increases throughout all channels. Within the next 12-24 months, volume growth is expected with email (46%), social media (38%) and voice (32%) anticipating the largest growth areas .

However, many organisations are realising that the answer to providing great customer service isn't just about offering every conceivable mode of contact available. It's about how they manage the customer interaction across all these channels; and capture the history and context of the customer's journey through each one.

Providing a seamless customer service is at the top of contact centre agendas across the globe

If customers cannot find their answer through self-service, they will ultimately turn to a person for help i.e. the contact centre agent. People still very much want the option to speak with an agent, but instead of phoning for general queries which they can source from elsewhere, they now call for answers or assistance to more complex enquiries that need the help of an expert.

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.

[1] Global Industry Analysts, Inc. (GIA), 2014
[2] Deloitte Global Contact Centre Survey, 2013

- As well as having a choice of contact points to an organisation (without being loyal to any one in particular), customers want the option to start an interaction in one communication channel and finish it in another.

Providing a seamless customer service is at the top of contact centre agendas across the globe and this has spurred critical developments to emerge that allow customers to access and move between channels.

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:

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

Last year, in response to these market changes, Eckoh revealed its strategy to expand its services to offer a multi-channel portfolio. This strategy has paid off, securing several sizeable multi-channel service contracts with existing clients. Contracts for self-service automation services have also been signed with clients of our strategic partner Capita Customer Management.

Case Study:

Yodel

Automated customer self-service 24/7 parcel tracking and redelivery.

Yodel is the UK's leading parcel carrier delivering over 135 million parcels a year on behalf of the country's top retailers.

Eckoh provides Yodel with an automated customer information line that allows shoppers to track their order and change delivery arrangements by phone on a 24 hour, no queue basis. The automated information line uses advanced speech recognition and caller identification technologies to recognise repeat callers, anticipate their information requests and offer personalised information about their particular parcels.

The new IVR solution has increased the number of ways consumers are able to contact Yodel and led to an improved customer service offering available 24/7/365. The system frees up contact centre agents to focus on more complex or higher value calls, and since implementation, caller interaction levels have been in excess of 90% and brought significant benefits and improvements:

- Callers can speak to an agent from the main menu with minimal delay.
- The percentage of abandoned calls has reduced by 50% as more callers choose to use the new service.
- Around 60% of all calls through the IVR are serviced without any need for a live agent to be involved, increased from 32% on the previous system.
- Calls that go direct to an agent have reduced from c.60% to 10%, far exceeding initial expectations.

Eckoh provides Yodel with an automated customer information line that allows customers to track parcels and change delivery arrangements by phone on a 24 hour, no queue basis.

Evolving Speech Channels

There is now a growing reliance for contact centres to use innovative information technology options and adoption of the latest technology in-call routing, VoIP, ACD, automatic speech recognition (ASR), computer-telephony integration, interactive voice response (IVR) systems and CRM tools.

Many large organisations have implemented a whole range of customer service channels, but as the most important and most expensive, their contact centre is often hampered by long and complex menu systems. The challenge for customers is that however familiar they may be with the system trying to reach an agent is often a long ordeal. And for the new breed of 'on-demand', less patient and less forgiving consumer, waiting is not an option.

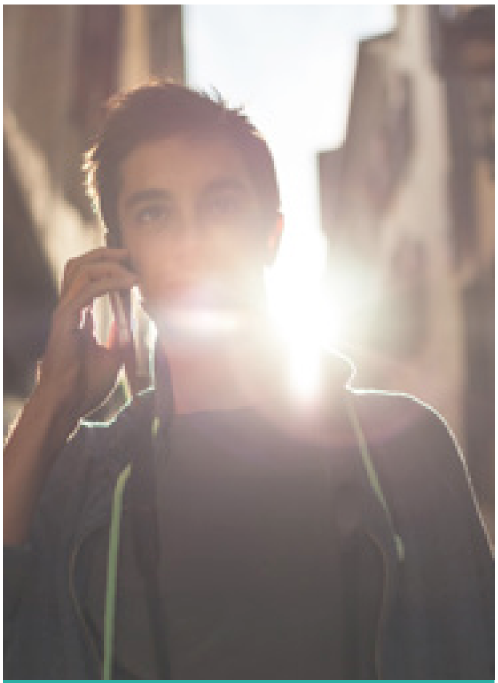
Today, agents are expected to be armed with a customer's most recent search, order and purchase history, no matter which channel they used.

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.

Eckoh's natural language application and dialogue, EckohASSIST, delivers a single phone number to the organisation and greets callers with the simple question "how can I help you?" In their own words, the caller can say why they are calling and will be routed to the correct destination, based on their reply.

EckohASSIST removes lengthy menus altogether. This not only means that callers can take more control of their interaction, but in doing so, it minimises any frustration and increases their confidence in the organisation they're phoning. If it is difficult to confirm the caller's requirement automatically, the spoken audio is streamed instantly to a 'hidden' contact centre agent who can classify the call manually and assist the service. 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.

Whilst Eckoh's 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 an opportunity to broaden our offering into web and perhaps most importantly the mobile channel. Our clients now benefit from the latest self-service technologies of which advanced speech recognition is but one.



£11 Million Speech Recognition Deal with Tier One UK Telecoms Operator

In 2013, Eckoh announced that it has secured its largest value contract to date. A ten-year contract worth a minimum of £11 million to provide a suite of self-service applications to a large tier 1 UK telecoms operator. The contract, secured in partnership with Capita Customer Management, lead to increased market expectations for the next financial year and beyond.

Eckoh is now delivering a range of advanced speech recognition applications, of which the most significant is EckohASSIST. Owing to the vast organisational structure of our client, the service will enable customer queries to be handled more quickly and efficiently than through the legacy touch-tone services. The initial service development began in winter 2013.

Going Mobile

The merging of social media with contact centres for the purpose of brand/image management is also a growing trend in the industry. Today, 33%[3] of contact centres provide social media contact channels with that figure expected to grow considerably. Agents are empowered to identify conversations relevant to customers in the social network through the use of integrated social media context modules.

The contact centre industry has been forced to move with the times, with services increasingly being delivered through mobile applications. The Smartphone and Tablet revolution has triggered contact centres to introduce 'Apps' that allow customers to call a contact centre through their mobile devices.

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 effectively 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 whichever channel the customer uses to interact, their experience remains consistent and their information and personal preferences are always available in real time.

[3] Deloitte Global Contact Centre Survey, 2013

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.

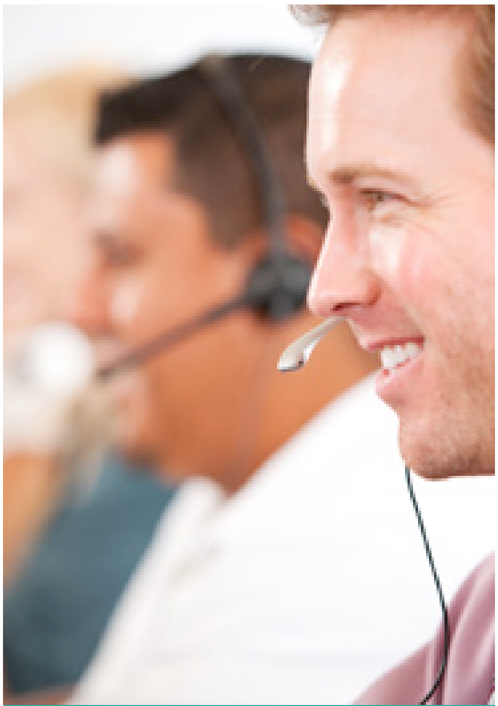
Utilita customers that have pre-pay meters can purchase electricity or gas using the EckohPAY web service. Customers are pre-identified through a unique meter ID detailed on their top-up card. The card authorisation and settlement is handled in real-time and the customer is issued with a code, which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

Bill Bullen, Managing Director and Founder of Utilita said:

"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."

Hosted Contact Centres



New Contact Centre Client

Another new client, a leading retail payments and services network provider, will also be using our contact centre to field routine enquiries, which enables their existing contact centre to take more complex technical enquiries. This has proven to be the most efficient way to manage contact centre calls and retain a good customer service.

Vue

In addition, our contact centre's largest client VUE, has recently added Facebook and Twitter monitoring and management to the services it provides. It now ensures that their social media feed is managed effectively as well as taking agent assisted and automated ticket bookings.

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

Hosted contact centres are becoming increasingly popular due to their many benefits financially and otherwise. Compared to in-house contact centres, they tend to have lower upfront costs, easy and low cost access to up-to-date technology as well as higher levels of visibility and control.

As well as providing agents, hosted contact centres are also beginning to offer advanced functionalities such as quality monitoring, speech self-service, outbound dialling, workforce management and social media contact management. Indeed, Eckoh's partnership with Capita Customer Management evolved out of the Capita's need for self-service automation capabilities to meet customer demands. This provides choice and added contract value for the client who outsources their customer contact function.

Although small, Eckoh's own in-house hosted contact centre now provides live-agent services for three new clients who have seen the value in providing additional support to the automated services we provide to them. For instance, one financial services client uses our contact centre to answer calls that drop out of the automated payment system we provide to them. Therefore, if a customer is having difficulty paying, a live agent can assist them.

Fraud and PCI Compliance in Contact Centres

With the exception of Business-to-Business and manufacturing sectors, over 70% of organisations take card payments from customers over the phone. Most worryingly, a large proportion of UK organisations admitted that they were not PCI DSS compliant despite handling customers' card data. In addition, many organisations believe they are PCI compliant, when in fact they are not. In the US the situation is worse, with over 33%[4] taking card payments without any form of automation, trusting internal processes and quality assurance to reduce the chance of fraud.

When comparing markets, it appears that Europe is slightly ahead of the US in terms of their understanding and implementation of the Payment Card Industry Data Security Standards (PCI DSS). This became evident in 2013 during discussions at events and meetings with US based contact centres and security professionals. They were either at the very beginning of implementing a PCI programme or they were unaware of the risk implications of not being compliant.

Things took a drastic turn at the end of 2013 when four retailers became victims of huge credit card breaches. The most damaging breach claimed 40 million credit card numbers – the largest in US history. The media attention of the costs incurred (running into billions of dollars) reverberated through the retail industry, leading to the somewhat complacent attitudes to PCI compliance being re-evaluated.

The publicity shockwave rolled over to the UK, where businesses started paying more attention to the risk of non-compliance and allocating budgets to their operations departments to address the issue. This was clearly visible at a recent, regular London-based PCI conference which doubled its delegate headcount from just two years ago.

From Eckoh's perspective, the timing of these breaches and the reaction to them, couldn't have been better. With plans already in progress to penetrate the US market in the early part of 2014 with a small team of regionally based representatives, Eckoh couldn't have been better prepared to exploit the US payments market. Furthermore, business discussions with two strategic partners also took on a more serious note as they realised the potential impact and demand that our secure payment service offering could have with their clients.

With the integration of Veritape's CallGuard product into the existing payment service portfolio, Eckoh began 2014 by marketing the widest choice of PCI Compliant contact centre solutions in the UK and US respectively. Investing in a new responsive website design for our UK and new sites helps Eckoh to target US based mobile device users as well as PC users. This has a provided Eckoh with a platform to promote our products and services, as well as an effective method to draw in new business leads.

[4] Contact Babel, The U.S. and UK Contact Centre Decision Makers Guide 2013

Service Strategy and Overview

The demand for secure payment services gathered significant momentum in 2013. In fact, it has now become the main new business sales generator for Eckoh.

Interestingly, cross-selling with our existing client base has occurred over both specialisms. Customer service clients are purchasing PCI compliant payment solutions, and our payment services clients are exploring our self-service propositions.

PCI DSS Compliant Payment Solutions

In 2013, Eckoh became one of the few companies to have consistently maintained its Level One PCI DSS compliant service provider status. With the additional CallGuard solution from the Veritape acquisition, we now provide the widest range of secure contact centre payment solutions on the market. As well as protecting their customers' card details from fraud risk, we help organisations reduce the scope of a PCI compliance audit. We do this by making organisations eligible to complete one of the shorter Self-Assessment questionnaires.

Agent Assisted Payments

Although different in technology, Veritape's CallGuard and Eckoh's EckohPROTECT products fundamentally run the same process from an agent or callers perspective. One of the most important decisions to an organisation when choosing technology is whether the solution is premise based (CallGuard), or hosted (EckohPROTECT).

Combining CallGuard and EckohPROTECT under one name seemed to be the most logical decision to avoid confusion for the client. Eckoh now offers two options based on the clients requirement to install or host the solution.

CallGuard

When customers pay over the phone, an agent will typically see and hear their card data which will be recorded onto a call recording system. Preventing this card data being passed to the agent or being stored on your systems is a huge step towards PCI compliance and stopping data breaches.

- It works with any call recording and phone system regardless of IT systems, or the payment processing engine used to take card payments.
- There's a 'plug and play' option which means it can be quickly implemented.
- There's a fully hosted option which means we take on the full PCI Compliance risk.
- Agents can continue talking throughout the transaction process, delivering optimum customer service.
- CallGuard On-Site - a patented, premised 'plug and play' service that makes call recordings and agent screens PCI compliant. Attractive to organisations as it works with any call recording system or payment system and can be set up within days.
- EckohPROTECT (CallGuard Hosted in the US) - A fully managed and hosted service that offers the same benefits as CallGuard On-Site, but the solution takes the entire call centre out of scope for PCI DSS including applications, agent desktops, Citrix/Terminal emulators, automated payment IVRs, VoIP and Data networks.

Case Study:

Carnival Cruises

Miami-based Carnival Corporation implemented CallGuard at one of their international call centres to make their recording system PCI DSS compliant. With CallGuard's On-Site service, which detects and blocks DTMF tones, Carnival stopped the recording of sensitive data.

Their UK division has a large 250 seat call centre which regularly takes card payment details from customers and agents over the phone. As Carnival records all of their calls and PCI DSS guidelines prevent the storage of credit card data in recorded calls, they wanted to implement a proven solution that would ensure further enhancements to customer data security.

Working with Carnival's IT team, CallGuard was installed as an overlay to their existing IT infrastructure. The Filter was installed alongside their existing call recording system and USB Decoders were implemented at every agent's work terminal. Together they allow customers to communicate their payment card details by using the telephone keypad during the course of a call. CallGuard makes any call recording system PCI DSS compliant by stopping the recording of sensible data through detecting and blocking DTMF tones. Datashield obscures card data with asterisks on screen which means that payment data cannot be accessed, viewed or copied in any way.

The solution was implemented quickly and smoothly without requiring changes to existing IT and telephony systems. Furthermore, staff training was minimal and delivered remotely through WebEx. CallGuard has further secured Carnival's busy contact centre, which in turn has quickly become PCI DSS compliant, boosting customer confidence in their payment system.

Ron Hiddlestone, IT and Compliance Manager at Carnival UK said:

"The Eckoh team were responsive to our needs throughout the project. They were flexible in their approach and communicated progress at regular stages, meeting all the challenges we set."

Automated 24/7 payments

Automating customer payments is a popular service, particularly for organisations that take regular payments from their customers. Eckoh currently provides payment automation to 50% of the UK's water companies, some well-known finance companies such as RCI Financial Services, plus charities such as Sport Relief and Comic Relief.

- EckohPAY - an automated payment solution that enables 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.

Multi-Channel Customer Service Solutions

As the largest UK provider of hosted, multi-channel customer service solutions, Eckoh has become instrumental in increasing the efficiency of large contact centres. Through customer self-service automation, Eckoh has removed the more routine interactions from agents' responsibility so that they are freed up to assist customers with more complex enquiries.

We provide this self-service automation through touchtone and speech IVR, web and mobile applications. For the benefit of our clients, we have productised these services into the following:

- EckohASSIST – Natural language call routing that avoids complex IVR menus by simply asking the the caller "How can I help you?" A hidden live agent ensures that the system retains a 99% success rate.
- 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.

Our Technology

Patent Granted Technology

In June 2014, Eckoh was granted a patent (no. 2478916) for the technology that underpins the CallGuard On-Site product, giving us the intellectual property of the solution throughout the UK. This patent will not only enable us to protect our technological investment in secure contact centre payments market, but will help us strengthen our market position in providing an extremely compelling and competitive answer to contact centres' PCI compliance and payment security issues.

As vanguard in its field, Eckoh prepared the original patent application four years ago in 2010. Since then, CallGuard has proved its success with organisations adopting the simple plug-and-play solution that conceals sensitive customer cardholder data from call recordings, contact centre agents and agent PCs.

Other Core Technology

Eckoh has made significant investment in its VoiceXML hosted platform. Eckoh's hosted enterprise 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 offering.
- Deployed across dual 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 tier one ISPs.
- Fully meshed WAN connectivity between 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.
- Continual investment in the platform, upgrading components and ensuring continued security and availability.
- Deployed the next generation of platform software to ensure products make use of the latest development technologies.
- Re-developed our User Acceptance Testing and Development environments to deliver scalability to business and client operations.

Core technology is built on enterprise level technology, and Eckoh's own bespoke build 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 customer service 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.

"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."

Whitbread Plc

"It was critical for RCI to work with a payment supplier who could demonstrate full PCI DSS compliance. Eckoh not only provides this but they serve our customers securely, quickly and efficiently."

RCI Financial Services

"The user-friendly apps created by Eckoh are a welcome addition for our 270,000 'pre-paid' Keypad customers. It makes it easy for Keypad users to manage their electricity usage."

Power NI

"Working with Eckoh has been nothing but positive. They were very accommodating and eager to satisfy our needs. I would highly recommend them, the implementation is smooth and the product is wonderful."

OPTUM, Inc.

"The quick response from the CallGuard team was extraordinary! They were quick to evaluate and understand our needs. CallGuard truly delivered a product that not only met our needs but exceeded our expectations."

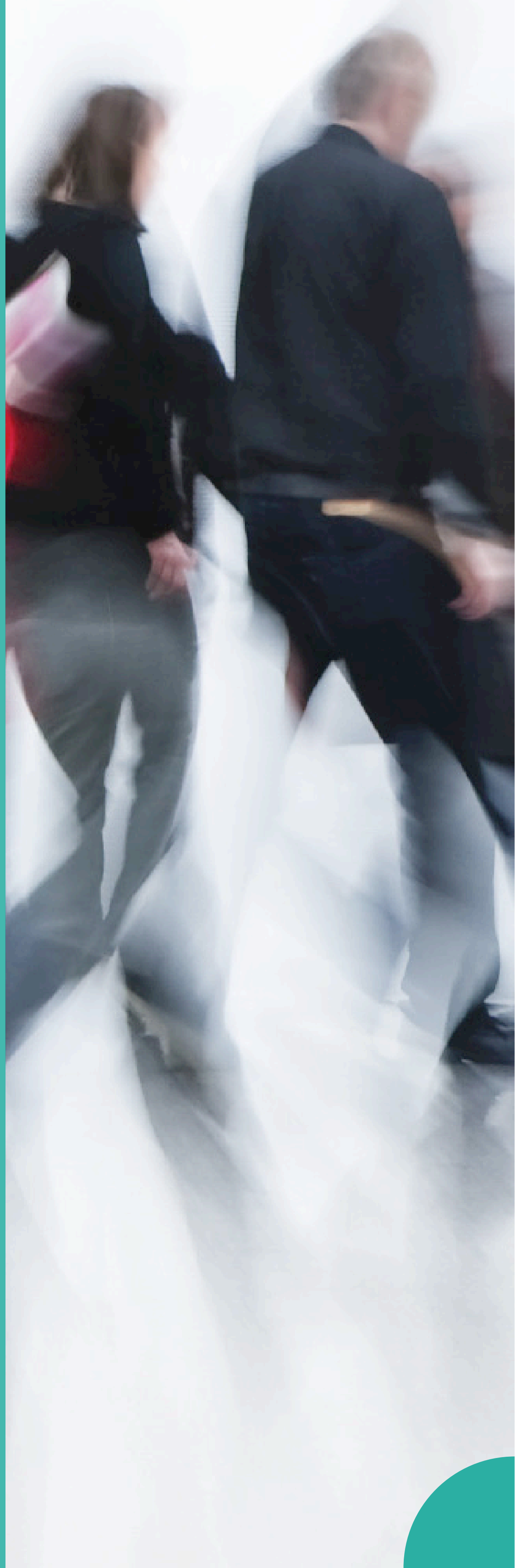
OneTouch Direct

"We are delighted with the success of both Eckoh PAY and CallGuard Hosted. It's enabled us to become quickly PCI DSS compliant and increase the security of our members' card data."

Chartered Institute of Management Accountants

"Eckoh's solutions have solved the immediate and longer term economic impacts for PCI compliance protecting businesses and their customers' card holder data in a cost effective and unique manner. Their elegance and simplicity in design could be considered the iPhone for PCI/DSS compliant solutions. Smart!"

Greg Ablett, Senior Vice President,
West Interactive Services



ANNUAL REPORT
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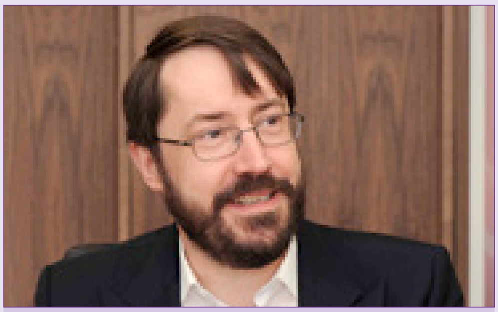
SECTION

03 Governance Report

Board of Directors

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.



Clive Ansell – Non-Executive Director

Clive joined the Board in July 2009 and is currently the CEO of Systems & 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.

Nik Philpot – Chief Executive Officer

Nik is a founder of Eckoh and was appointed COO and Deputy CEO in September 2001, before being appointed CEO in September 2006. Nik has 27 years' experience in the voice services industry; he was originally at British Telecom before launching and then selling a number of start-up businesses in the telecoms and technology sectors. As CEO of Eckoh, he has created a leading provider of secure payment solutions and customer service applications for the contact centre industry.

Adam Moloney – Group Finance Director

Adam has been Finance Director at Eckoh since 2004 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 & Operations for the UK arm of New York based IT hardware reseller, Resilien Inc.

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 2014.

Principal Activity

The principal activity of Eckoh plc and its subsidiary undertakings ("the Group") is the provision of multi channel customer service and secure payment solutions for customer contact centres. The Chairman's Statement (page 6) and the Business Review (pages 7 to 12) report on the progress made in the financial year under review.

The principal subsidiary undertakings are listed on page 69.

Results and Dividends

The audited financial statements and related notes for the year ended 31 March 2014 are set out on pages 50 to 79. The Group's profit for the year is set out in the Consolidated Statement of Comprehensive Income on page 50.

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 that 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

Post year end the Directors are recommending a dividend for the year of 0.3125 pence per share that will be paid on 19 September 2014 to shareholders on the register at 22 August 2014, subject to approval at the Company's Annual General Meeting on 13 August 2014. Based on the shares in issue at the year end, this payment would amount to £0.7m.

Research and Development

The Group capitalised £0.6m (2013: £0.2m) 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 54 to 79. 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 15 for credit risk and loans and other receivables; to note 16 for short-term investments; to note 17 for cash and cash equivalents and to note 18 for trade and other payables.

Related Party Transactions

Related party transactions are disclosed in note 23.

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 on 13 August 2014. 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 36.

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. A P Moloney 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:

	10 June 2014 Ordinary shares of 0.25 pence each	31 March 2014 Ordinary shares of 0.25 pence each	1 April 2013 Ordinary shares of 0.25 pence each
N B Philpot (i)	4,554,873	4,554,873	4,379,873
A P Moloney	722,705	722,705	472,705
C M Batterham	950,000	950,000	950,000

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 2013 (number)	Granted in year (number)	Forfeited in year (number)	Exercised in year (number)	At 31 March 2014 (number)	Exercise price (pence)	Earliest date for exercise	Latest date for exercise
N B Philpot	a	1,000,000	-	-	1,000,000	-	5.13	05.03.13	05.03.20
	b	380,643	-	-	380,643	-	0.00	30.06.13	30.06.21
	b	247,000	-	-	247,000	-	0.00	30.06.13	30.06.22
	b	247,000	-	-	-	247,000	0.00	30.06.14	30.06.22
	c	2,843,988	-	-	-	2,843,988	0.00	01.01.14	01.01.23
	c	2,843,989	-	-	-	2,843,989	0.00	01.01.15	01.01.23
	c	2,843,989	-	-	-	2,843,989	0.00	01.01.16	01.01.23
	d	4,265,983	-	-	-	4,265,983	0.00	01.01.16	01.01.23
A P Moloney	a	1,000,000	-	-	1,000,000	-	5.13	05.03.13	05.03.20
	b	230,464	-	-	-	230,464	0.00	30.06.13	30.06.13
	b	167,200	-	-	-	167,200	0.00	30.06.13	30.06.22
	b	167,200	-	-	-	167,200	0.00	30.06.14	30.06.22
	c	1,421,994	-	-	-	1,421,994	0.00	01.01.14	01.01.23
	c	1,421,994	-	-	-	1,421,994	0.00	01.01.15	01.01.23
	c	1,421,995	-	-	-	1,421,995	0.00	01.01.16	01.01.23
	d	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 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%.

b) Granted under the 2010 Eckoh plc Bonus plan. Half of the bonus awards made to executives in respect of the 2010/11 and 2011/2 financial years were made in the form of deferred share options.

c) 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.

d) 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.

Directors' Indemnity and Insurance

The Group maintained insurance cover during the year for its Directors and Officers and those of subsidiary companies under a Directors and Officers liability insurance policy against liabilities that may be incurred by them while carrying out their duties. This policy is available for inspection at the registered office of the Company during business hours on any weekday except public holidays.

Share Capital and Reserves

Details of changes in the authorised and issued share capital and reserves of the Company are shown in note 19 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 21 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 2014 the amount of trade creditors shown in the balance sheet represents 72 days of average purchases for the Group (2013: 65 days). The Company had no trade creditors at 31 March 2014.

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

During the year ended 31 March 2014, KPMG LLP was appointed as auditor of the Company in place of KPMG Audit Plc who instigated an orderly wind down of business. The Board has decided to put KPMG LLP forward to be appointed as auditors and a 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, 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.

By order of the Board

Adam Moloney
Company Secretary

9 June 2014

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 36.

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, which meets 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 twice 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 meetings. The Company's auditor attended the meetings 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 that are integrated into the Company's operations. Such processes are reported to, and reviewed by, the Board at each meeting. These processes have identified the risks most important to the Company (business, operational, financial 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	2014 Total £'000	2013 Total £'000
C Ansell (i)	30	-	-	30	30
C M Batterham (ii)	50	-	-	50	45
A P Moloney (iii)	133	91	27	251	144
N B Philpot (iv)	197	138	37	372	209
Total	410	229	64	703	428

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 £25,000 (2013: £12,000). The remainder of the other benefits paid to A P Moloney relate to private healthcare costs of £2,000 (2013: £2,000).

(iv) Included within the other benefits paid to N B Philpot is an employer pension contribution of £35,000 (2013: £nil). The amount of £2,000 (2013: £2,000) paid to N B Philpot within other benefits relate to private healthcare costs.

Both Directors exercised share options during the year. Details are disclosed in the Director's Report on page 39.

Remuneration and Service Contracts

The remuneration of the Executive Directors is determined by the Remuneration Committee. Both Executive Directors have service contracts that are terminable on twelve months' notice. The service contracts for both Executive Directors have been reviewed for the 2014/5 financial year. A 3% pay increase has been awarded to both with effect from 1 April 2014.

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 2013/4 financial year. Upon review, it was agreed that the fees paid to both Non-Executive Directors should remain unchanged.

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 2014, performance against targets resulted in a bonus payment of 69% of salary being awarded to N B Philpot and 67% of salary to A P Moloney.

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. At the date of award, the share price of the Company was 14 pence per share. The maximum award can only be achieved in the event that the share price meets 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 39.

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, comprising the Strategic Report, The Governance 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 IFRS 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, enabling 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 ended 31 March 2014, 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 2014 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 Strategic Report and 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 LLP, Statutory Auditor

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

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SECTION

04 Financial Statements

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2014

	Notes	2014 £'000	2014 £'000	2013 £'000	2013 £'000
Continuing operations					
Revenue	4		14,035		10,985
Cost of sales			(3,820)		(2,691)
Gross profit	4		10,215		8,294
Administrative expenses before expenses relating to share options schemes, acquisition costs and amortisation of acquired intangible assets		(8,013)		(6,805)	
Profit from operating activities before expenses relating to share option schemes, acquisition costs and amortisation of acquired intangible assets		2,202		1,489	
Amortisation of acquired intangible assets		(990)		-	
Acquisition costs		(175)		-	
Expenses relating to share option schemes		(1,247)		(375)	
Total Administrative expenses	4		(10,425)		(7,180)
(Loss) / profit from operating activities	5		(210)		1,114
Finance expense	26		(1,214)		-
Finance income	8		57		74
(Loss) / profit before taxation			(1,367)		1,188
Taxation	9		1,665		720
Total comprehensive income for the year attributable to the equity holders of the parent company			298		1,908
Profit per share (pence)	10				
Basic earnings per 0.25p share			0.14		0.93
Diluted earnings per 0.25p share			0.12		0.89

Consolidated Statement of Financial Position

for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Assets			
Non-current assets			
Intangible assets	11	9,636	311
Property, plant and equipment	12	862	1,184
Deferred tax asset	9	4,267	2,040
		14,765	3,535
Current assets			
Inventories	14	104	-
Trade and other receivables	15	3,576	3,331
Short-term investments	16	-	3,000
Cash and cash equivalents	17	7,341	5,497
		11,021	11,828
Total assets		25,786	15,363
Liabilities			
Current liabilities			
Trade and other payables	18	(5,444)	(2,204)
Contingent consideration	18	(1,952)	-
		(7,396)	(2,204)
Non-current liabilities			
Contingent consideration	20	(2,941)	-
Deferred tax liability	9	(1,123)	-
Provisions	20	(43)	(43)
		(4,107)	(43)
Net assets		14,283	13,116
Shareholders' equity			
Share capital	19	540	522
ESOP reserve		(22)	(128)
Capital redemption reserve		198	198
Share premium		2,411	1,331
Currency reserve		(41)	(41)
Retained earnings		11,197	11,234
Total shareholders' equity		14,283	13,116

The financial statements were approved by the Board of Directors on 9 June 2014 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 2014

	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 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
Balance at 1 April 2013	522	(128)	198	1,331	11,234	(41)	13,116
Total comprehensive income for period	-	-	-	-	298	-	298
Dividends paid in the year	-	-	-	-	(540)	-	(540)
Shares issued on acquisition of Veritape Limited	18	-	-	1,080	-	-	1,098
Shares transacted through Employee Benefit Trust	-	106	-	-	(1,036)	-	(930)
Share based payment charge	-	-	-	-	599	-	599
Deferred tax on share options	-	-	-	-	642	-	642
Balance at 31 March 2014	540	(22)	198	2,411	11,197	(41)	14,283

Consolidated Statement of Cash Flows

for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Cash flows from operating activities			
Cash generated in operations	25	4,816	2,520
Taxation	9	-	-
Net cash generated in operating activities		4,816	2,520
Cash flows from investing activities			
Acquisition of subsidiary	26	(3,599)	-
Purchase of property, plant and equipment	12	(355)	(352)
Purchases of intangible fixed assets	11	(603)	(201)
Decrease / (Increase) in short-term investments	16	3,000	(2,000)
Interest received		55	74
Net cash utilised in investing activities		(1,502)	(2,479)
Cash flows from financing activities			
Dividends paid		(540)	(407)
Issue of shares		-	659
Shares acquired by Employee Benefit Trust		(930)	(166)
Net cash generated in / (utilised) in financing investing activities		(1,470)	86
Increase in cash and cash equivalents		1,844	127
Cash and cash equivalents at the start of the period	17	5,497	5,370
Cash and cash equivalents at the end of the period	17	7,341	5,497

Notes to the Financial Statements

for the year ended 31 March 2014

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 2014 as endorsed by the EU.

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

- *Amendments to IAS 1 'Presentation of Items of Other Comprehensive Income' (mandatory for year commencing on or after 1 July 2012).*
- *Amendments to IAS 19 'Employee Benefits' (mandatory for years commencing on or after 1 January 2013).*
- *Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2013).*
- *IFRS 13 Fair Value Measurement (mandatory for year commencing on or after 1 January 2013).*
- *Annual Improvements to IFRS 2009-2011 cycle (mandatory for year commencing on or after 1 January 2013).*

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:

- *IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2014).*
- *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).*
- *IFRS 12 Disclosure of Interests in Other Entities (mandatory for year commencing on or after 1 January 2014).*
- *Amendments to IAS 32 'Offsetting Financial Assets and Financial Liabilities' (mandatory for year commencing on or after 1 January 2014).*
- *Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) (mandatory for year commencing on or after 1 January 2014).*
- *Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (mandatory for year commencing on or after 1 January 2014).*

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 2014.

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)

The Group recognises revenue on certain contracts during the period of performance prior to an invoice being raised, where work has been completed and where there is a high degree of certainty of the contract being completed, the invoice raised and cash received. In relation to Speech Solutions build fee revenue, this involves estimating a percentage completion based on the direct labour costs incurred to date as a proportion of the total estimated costs required to complete a project. Whilst these assessments are made on a recognised and consistent basis, variation in the total estimated costs derived from these assessments and estimates used by the Directors could have a significant impact on the amount and timing of revenue recognised on a project.

Share based payments (note 21)

The fair value of share based payments is estimated using the methods detailed in note 21 and using certain assumptions. Both the Black Scholes and Monte Carlo valuation models have been used in determining the fair value of share based payments, with management selecting the most appropriate model for each scheme, based on the varying performance-related or market-related conditions within those specific schemes. The key assumptions around volatility, expected life and risk free rate of return are based, respectively, on historic volatility over a similar previous period, management's estimate of the average expected period to exercise, and the yield on zero-coupon UK government bonds of a term consistent with assumed option life.

Contingent consideration (notes 18 and 20)

Contingent consideration payable in a business combination is recognised at fair value on acquisition and is generally remeasured at each balance sheet date with the change in its carrying amount recognised in profit or loss. Contingent consideration payable is typically dependent on performance conditions related to the future revenue or profitability of the acquired business. Considerable judgement is required in assessing the likely future performance of the acquired business against such performance conditions.

Deferred taxation (note 9)

Deferred tax liabilities are recognised for all taxable temporary differences but, where there exist deductible temporary differences, judgement is required as to whether a deferred tax asset should be recognised based on the availability of future taxable profits. At 31 March 2014, the Group recognised deferred tax assets of £4.3 million, including £2.8 million in respect of tax losses and tax credits. Deferred tax assets amounting to £0.7 million were not recognised in respect of trading losses and £6.3m in respect of capital losses of which £4.5m are restricted. It is possible that the deferred tax assets actually recoverable may differ from the amounts recognised if actual taxable profits differ from estimates.

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) Subsidiaries

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

(c) Loss of control

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

(d) Transactions eliminated on consolidation

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

Intangible assets

(a) Goodwill

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

Goodwill is not amortised and is reviewed for impairment at least annually. Any impairment is recognised in the period in which it is 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 that mainly relate to staff salaries are capitalised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Development costs that do not meet those criteria are expensed as incurred. Capitalised development costs are amortised on a straight-line basis over the estimated 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 represent 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 that have not vested on or before 1 April 2006. A deferred tax adjustment is also made relating to the intrinsic value of the share options at the balance sheet date (see separate policy).

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

(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:

- The majority of revenue in the Eckoh segment of the Group is derived and 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. Additionally within the segment, build fee revenue is recognised on delivery and acceptance of a customer service 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. 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. Build fee revenue is not considered to be a significant proportion of the segment revenue and is not separately disclosed.

- The majority of revenue in the Veritape segment of the Group is derived from the sale of hardware and is recognised when the risks and rewards of ownership are passed to the customer. It is common for a fairly small proportion of the initial hardware sale to be charged to the customer on a regular basis for support and maintenance of the hardware. Support and maintenance revenue is not considered to be a significant stream of revenue in the Group and is not separately disclosed.

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.

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.

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	(76)	76
Impact on income statement: (loss) / gain	(76)	76

Foreign currency risk

The Group's principal exposure to exchange rate fluctuations arises on the translation of overseas net assets, profits and losses into the presentation currency. This risk is managed by taking differences that arise on the retranslation of the net overseas investments to the currency reserve. Foreign currency risk on cash balances is monitored through cash flow forecasting and currency is held in foreign currency bank accounts only to the extent that it is required for working capital purposes. No sensitivity analysis is provided in respect of foreign currency risk as due to the Group's working capital management practices, the risk is considered to be 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 15.

Categories of financial assets and financial liabilities

	Loans and receivables 2014 £'000	2013 £'000
Current financial assets		
Trade receivables (note 15)	1,763	1,295
Other receivables (note 15)	28	28
Short-term investments (note 16)	-	3,000
Cash and cash equivalents (note 17)	7,341	5,497
Total current financial assets	9,132	9,820
Total financial assets	9,132	9,820

Financial liabilities

All financial liabilities held by the Group, except for contingent consideration, are measured at amortised cost and comprise trade payables of £1,599,000 (2013: £1,064,000) and other payables of £306,000 (2013: £9,000). See note 18 for further details.

4. Segment analysis

Since the acquisition of Veritape Limited in June 2013, internal financial reporting within the Group has been prepared separating the acquired business from the rest of the Group.

Information regarding the results of each operating segment is included below. Performance is measured based on segment profit or loss before taxation as included in the internal management reports provided to the Group's chief operating decision maker. Segment profit or loss before taxation includes those central items that are allocated to segment results in the internal management accounts. Unallocated items comprise taxation as it is managed centrally. The measurement of segment assets and liabilities excludes central items that are not allocated to the two segments in the Group's internal management accounts. Unallocated items comprise mainly finance income, finance expense, goodwill, net funds, and taxation

	Eckoh	Veritape	Total 2014 £'000	2013 £'000
Segment Revenue	12,715	1,320	14,035	10,985
Gross profit	8,937	1,278	10,215	8,294
Administrative expenses	(9,871)	(554)	(10,425)	(7,180)
Operating (loss / profit	(934)	724	(210)	1,114
Finance income			57	74
Finance expense			(1,214)	-
(Loss) / profit before taxation			(1,367)	1,188
Taxation			1,665	720
Profit after taxation			298	1,908
Segment assets				
Trade receivables	1,565	198	1,763	1,295
Segment liabilities				
Trade and other payables	1,552	353	1,905	1,073
Capital expenditure				
Purchase of property, plant & equipment	355	-	355	352
Purchase of intangible assets	555	48	603	201

In 2013/14, there were two customers that individually accounted for more than 10% of the total revenue of the continuing operations of the Company (2012/13: two customers). Revenue from the largest customer totalled £2,132,000 (2012/13: £2,395,000) with the second largest customer generating revenue of £2,052,000 (2012/13: £1,260,000).

Prior to the acquisition of Veritape Limited, all revenue within the Group was derived from the UK. Veritape Limited generates a significant proportion of their revenue from outside of the UK. Revenues by geography and segment are disclosed below.

	Eckoh	Veritape	2014 £'000	2013 £'000
Revenue by geography				
UK	12,715	614	13,329	10,985
United States of America	-	631	631	-
Rest of the World	-	75	75	-
Total Revenue	**12,715**	**1,320**	**14,035**	**10,985**

5. (Loss) / profit from operating activities

	2014 £'000	2013 £'000
The Group's loss or profit from operating activities is arrived at after charging:		
Employee benefits expense (note 6)	5,189	3,536
Depreciation (note 12)	678	656
Amortisation (note 11)	1,306	276
Operating lease payments – property (note 24)	486	502

6. Employee benefits expense

	2014 £'000	2013 £'000
Wages and salaries	3,924	2,769
Less: Internal development costs capitalised in the year	(572)	(161)
Amortisation of internal development costs	254	201
Social security costs	953	462
Pension costs	31	5
Share based payments	599	260
	5,189	3,536

The Directors' Report on page 37 provides further details on the Directors' emoluments. The average number of people (including Executive Directors) employed by the Group during the year was:

	2014 number	2013 number
Technical support	51	35
Customer services	16	12
Administration and management	26	27
	93	74

Excluded from the table above are 13 (2012/13: 20) full time equivalent casual call centre employees who cost £162,000 (2012/13: £243,000) 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:

	2014 £'000	2013 £'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	39	26
Total fees payable to the Group's auditor	54	41

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

8. Finance income

Continuing operations

	2014 £'000	2013 £'000
Bank interest receivable	57	74
	57	74

9. Taxation

Tax recognised in profit and loss

	2014 £'000	2013 £'000
Current tax expense/(credit)		
Current year	117	-
Adjustments in respect of prior periods	-	-
	117	-
Deferred tax credit		
Origination and reversal of temporary differences	(986)	-
Recognition of previously unrecognised tax losses	(796)	(720)
	(1,782)	(720)
Total tax credit	(1,665)	(720)

£642,000 (2013: Nil) of deferred taxation in relation to share options was recognised directly in equity.

The tax charge for the year is different to the standard rate of corporation tax in the UK of 23% (2013: 24%). The differences are explained below:

Continuing operations

	2014 £'000	2013 £'000
Profit for the year	298	1,908
Total tax credit	(1,665)	(720)
(Loss) / profit excluding tax	(1,367)	1,188

(Loss) / profit multiplied by rate of corporation tax in the UK of 23% (2013: 24%)	(314)	285
Effect of expenses not deductible for tax purposes	321	65
Effect of income not taxable for tax purposes	(177)	(123)
Utilisation of tax losses	-	(1,120)
Deferred tax not recognised	(2,405)	84
Effect of tax rate adjustment on closing recognised deferred tax balance	910	89
Tax credit for the year	(1,665)	(720)

Recognition of deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000	2014 £'000	2013 £'000
Tax losses carried forward	4,267	2,040	(1,123)	-	3,144	2,040

The Group has re-assessed its unrecognised deferred tax assets, and, following the improved trading position of the Group as a result of new contract wins and higher than expected contract renewals, management has determined that the full deferred tax asset within the main trading subsidiary, Eckoh UK Limited, can be recognised. £2,834,000 (2013: £2,040,000) 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

	2014 £'000	2013 £'000
Balance at 1 April	2,040	1,320
Recognised in income statement	1,782	720
Recognised in Other Comprehensive Income	642	-
Recognised through business combinations	(1,320)	-
Balance at 31 March	3,144	2,040

Unrecognised deferred tax assets

There are unprovided deferred taxation assets totalling £664,000 (2013: £1,985,000) in respect of trading losses and £6,265,000 (2013: £7,205,000) in respect of capital losses of which £4,483,000 (2013: £5,156,000) are restricted. In addition, there are other temporary timing differences resulting in unprovided deferred tax assets of nil (2013: £733,000), comprising Accelerated Capital Allowances of nil (2013: £651,000) and Short term temporary differences of nil (2013: £82,000).

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 20% was substantively enacted on 2 July 2013, and therefore the deferred tax assets and liabilities have been calculated at this rate.

10. Earnings per share

Basic earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares of 214,704,448 (2013: 205,568,912) in issue during the year ended 31 March 2014 after adjusting for shares held by the Employee Share Ownership Plan of 9,156 (2013: 9,156) and shares held in the Employee Benefit Trust of 55,343 (2013: 810,000) and the profit for the period attributable to equity holders of the parent of £298,000 (2013: £1,908,000).

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, and contingently issuable ordinary shares as a result of the Veritape Limited acquisition (see note 26). The total number of options in issue is disclosed in note 21. The dilutive effect of potential ordinary shares outstanding at the end of the year is 39,468,000 (2013: 10,393,000).

Denominator

	2014 £'000	2013 £'000
Weighted average number of shares in issue in the period	214,704	205,569
Shares held by employee ownership plan	(9)	(9)
Shares held in Employee Benefit Trust	(55)	(810)
Number of shares used in calculating basic earnings per share	214,640	204,750
Dilutive effect of share options	39,468	10,393
Number of shares used in calculating diluted earnings per share	254,108	215,143

11. Intangible assets

Group

	Goodwill £'000	Internally developed computer software £'000	Other intangible assets £'000	Total £'000
Cost				
At 1 April 2012	15,922	1,657	20	17,599
Additions	-	201	-	201
At 31 March 2013	15,922	1,858	20	17,800
Additions	3,418	603	6,610	10,631
Disposals	(15,922)	-	-	(15,922)
At 31 March 2014	3,418	2,461	6,630	12,509
Amortisation				
At 1 April 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
Charge for the year	-	316	990	1,306
Disposals	(15,922)	-	-	(15,922)
At 31 March 2014	-	1,863	1,010	2,873
Carrying amount				
At 31 March 2014	3,418	598	5,620	9,636
At 31 March 2013	-	311	-	311

The disposal within Goodwill represents fully amortised historic goodwill for operating businesses no longer within the Eckoh Group.

The additions within Goodwill and Other intangible assets arise from the acquisition of Veritape Limited during the year as disclosed in note 26. Management has performed a profitability forecast of Veritape Limited over the next five years and are satisfied that the carrying values of Goodwill and Other Intangible Assets are supported. No impairment has been recorded in the current year.

The impairment review, which will be performed on an annual basis, of goodwill was undertaken and determined a value in use calculation for each cash generating unit (CGU) using cash flow projections over a five year period, which are based on the latest three year plan approved by the Board, modified as appropriate to reflect the latest conditions. The main assumptions for each CGU, which related to sales volume, selling prices and cost changes, are based on recent history and expectations of future changes in the market. No growth rate is applied to cash flows beyond the period of the projections. The discount rate applied to the cash flow forecasts for each CGU are based on a market participant's pre-tax weighted average cost of capital of 10% in respect of Veritape Limited.

Sensitivity to the changes in assumptions

The Directors believe that any reasonably possible change in any of the key assumptions would not cause the carrying value of Veritape Limited to materially exceed its recoverable amount for either the Group or the Company.

12. Property, plant and equipment

	Fixtures and equipment £'000
Cost	
At 1 April 2012	6,819
Additions	352
At 31 March 2013	7,171
Additions	356
Disposals	(95)
Acquired through business combination	36
At 31 March 2014	7,468
Depreciation	
At 1 April 2012	5,331
Charge for the year	656
At 31 March 2013	5,987
Charge for the year	678
Disposals	(95)
Acquired through business combination	36
At 31 March 2014	6,606
Carrying amount	
At 31 March 2014	862
At 31 March 2013	1,184

The carrying amount of property, plant and equipment includes £nil (2013: £nil) in respect of assets held under finance lease contracts. The depreciation charge in respect of assets held under finance lease was £nil (2013: £nil).

13. 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%
Veritape Limited	England and Wales	Secure Payment Solutions	100%
Eckoh LLC	United States of America	Non trading	100%
Eckoh Inc	United States of America	Secure Payment Solutions	100% (i)
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. Information in relation to geographical operations is set out in note 4.

14. Inventories

	2014 £'000	2013 £'000
Work in progress	104	-
	104	-

15. Trade and other receivables

Current

	2014 £'000	2013 £'000
Trade receivables	1,763	1,295
Less: provision for impairment of receivables	-	-
Net trade receivables	1,763	1,295
Other receivables	28	28
Prepayments and accrued income	1,785	2,008
	3,576	3,331

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 2014, there are no trade receivables that are past due but not impaired (2013: 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.

16. Short-term investments

	2014 £'000	2013 £'000
Sterling	-	3,000
	-	3,000

	2014 £'000	2013 £'000
Fixed rate	-	3,000
Floating rate	-	-
	-	3,000

There were no short term investments held at 31 March 2014. In the prior year, 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 had an average maturity of 12 months (2013: 12 months) with an average interest rate of 2.56% (2013: 2.39%).

17. Cash and cash equivalents

	2014 £'000	2013 £'000
Sterling	7,341	5,497
	7,341	5,497

	2014 £'000	2013 £'000
Floating rate	7,341	5,497
	7,341	5,497

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 0.38% (2013: 0.50%).

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

18. Trade and other payables

	2014 £'000	2013 £'000
Trade payables	1,599	1,064
Other payables	306	9
Corporation tax creditor	117	-
Other taxation and social security	541	454
Accruals and deferred income	2,881	677
Subtotal	5,444	2,204
Contingent consideration	1,952	-
	7,396	2,204

The Contingent Consideration is in respect of the acquisition of Veritape Limited detailed in note 26, and is payable in two tranches due in August 2014 and August 2015. The fair value calculations of contingent consideration are based on forecast profits of Veritape over a 26-month assessment period. Management reviews the actual performance for the period up to the reporting date and extrapolates future performance based on known sales pipeline and average profitability. Whilst based on the latest information, there are no guarantees that management's estimates of results will be the same as actual results.

Should actual performance be 10% more than management's estimates, contingent consideration would have increased from £4.9m to £6.0m. Should actual performance be 10% lower than management's estimates, contingent consideration would have decreased from £4.9m to £3.8m.

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 £7,000 (2013: £1,000).

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

19. 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 2013	208,989,533	522
Shares issued on acquisition of Veritape Limited	7,095,044	18
At 31 March 2014	216,084,577	540

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 21.

20. Non-current liabilities

	Contingent Consideration £'000	Provisions for Dilapidations £'000	Total £'000
At 1 April 2013	-	43	43
Provided/(utilised) in year	2,941	-	2,941
At 31 March 2014	2,941	43	2,984

The Contingent Consideration is in respect of the acquisition of Veritape Limited detailed in note 26, and is payable in two tranches due in August 2014 and August 2015. Note 18 gives further details on the estimation techniques undertaken by management in determining the level of contingent consideration.

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.

21. Share based payments

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 3 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 pages 43 to 44 and in the Directors Report on page 37.

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 pages 43 to 44. 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)	7.875	7.875	11.25	11.25
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	7.75	7.75

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 2014 is shown below:

	2014 Number of share options	2014 Weighted average exercise price	2013 Number of share options	2013 Weighted average exercise price
Outstanding at 1 April	34,882,644	1.24	22,970,591	5.04
Granted	-	-	27,342,634	0.12
Exercised	(4,275,036)	4.02	(9,419,957)	7.12
Lapsed	-	-	(30,000)	10.75
Forfeited	-	-	(5,980,624)	1.43
Outstanding at 31 March	30,607,608	0.85	34,882,644	1.24
Exercisable at 31 March	6,924,960	0.66	4,050,776	5.37

	2014				2013			
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	27,793	1.7	8.7	0.00	28,757	2.7	9.7
4.5 – 6.5	5.13	513	-	5.9	5.13	3,760	-	6.9
6.5 – 8.5	8.12	502	0.2	7.2	8.11	541	1.1	7.7
8.5 – 10.5	8.64	225	-	2.3	8.65	250	-	3.4
10.5 – 12.5	11.05	1,575	1.0	8.0	11.05	1,575	2.0	9.0

The total charge for the year relating to employee share based payment plans was £599,000 (2013: £260,000) all of which related to equity-settled share based payment transactions.

22. 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.

23. 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 13.

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

	2014 £'000	2013 £'000
Wages and salaries	632	608
Social security costs	80	78
Pension costs	53	12
Share based payments	582	243
	1,347	941

The aggregate Directors' emoluments are shown in the table below. An analysis of Directors' emoluments is included in the Directors' Report on page 37.

Directors

	2014 £'000	2013 £'000
Aggregate emoluments	692	407
	692	407

24. Operating lease commitments

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

Land and buildings

	2014 £'000	2013 £'000
Expiring within one year	476	471
Expiring within two to five years	721	1,171
	1,197	1,642

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.

25. Cash flow from operating activities

Cash flows from operating activities

	2014 £'000	2013 £'000
Profit after taxation	298	1,908
Interest income	(57)	(74)
Finance expense	1,214	-
Taxation	117	-
Increase in deferred tax asset	(1,782)	(720)
Depreciation of property, plant and equipment	678	656
Amortisation of intangible assets	1,306	276
Share based payments	599	260
Operating profit before changes in working capital and provisions	2,373	2,306
Decrease / (increase) in inventories	(75)	19
Decrease / (increase) in trade and other receivables	(139)	252
(Decrease) in trade and other payables	2,657	(57)
Net cash generated in operating activities	4,816	2,520

Movements in inventory, receivable and payable balances have been adjusted by balances acquired through the acquisition of Veritape Limited detailed in note 26.

26. Acquisition of Veritape Limited

On 10 June 2013, the Company acquired the entire issued share capital of Veritape Limited ("Veritape"), a provider of Payment Card Industry Data Security Standards ("PCI DSS") compliant call recording software and on premise secure payment solutions. The initial consideration comprised £5.1m of cash funded by existing cash from the combined entity and £1.1m payable in ordinary shares of Eckoh plc. This has resulted in an increase in share capital and share premium of £1.1m during the period. Additional contingent consideration of up to £1.7m of cash and up to 16.7m ordinary shares of Eckoh plc can be earned dependent on the achievement of profit before tax targets. To earn the entire contingent consideration, profit before tax of £3.6m must be achieved over the first 26 month period following 1 July 2013.

The fair value calculations of contingent consideration are based on forecast profits of Veritape over the 26-month assessment period and, at the date of acquisition, it was estimated having performed a weighted probability exercise that £1.5m of cash and 14.3m shares will be issued in contingent consideration. Using the share price at the date of acquisition of 15.4825p, the fair value of the equity element of the contingent consideration was valued at £2.2m.

As at 31 March 2014, the weighted probability exercise was reviewed and estimated that £1.0m of cash and 9.9m shares would be issued in contingent consideration. However, the share price of Eckoh plc was 39.125p and the fair value of the equity element of the contingent consideration as at that date was therefore considered to be £3.9m. The increase in fair value of the shares from the date of acquisition to 31 March 2014 offset by a reduction in the estimated cash contingent consideration has resulted in a finance expense of £1.2m being charged to the Income Statement in the period.

The Company incurred acquisition-related costs of £0.2m relating to external legal fees, due diligence and valuation fees, which have been included in Administrative expenses in the Group's Consolidated Statement of Comprehensive Income.

	Book value £'000	Fair value adjustments £'000	Fair value on acquisition £'000
Intangible assets	-	6,610	6,610
Trade and other receivables	128	(23)	105
Deferred tax asset	1	-	1
Inventories	29	-	29
Cash and cash equivalents	1,480	-	1,480
Trade and other payables	(342)	(123)	(465)
Deferred tax liability	-	(1,321)	(1,321)
Net assets acquired	**1,296**	**5,143**	**6,439**
Goodwill			3,418
Consideration paid			**9,857**

Satisfied by	
Cash	5,079
Shares	1,098
Cash – contingent consideration	1,472
Shares – contingent consideration	2,208
Total purchase consideration	**9,857**

Net cash flow on acquisition	
Cash consideration paid	5,079
Cash acquired	(1,480)
Cash flow on acquisition	**3,599**

Goodwill arising from the acquisition is attributable to the expected synergistic benefits expected from combining the operations of Veritape and Eckoh, including the comprehensive suite of products available to enable organisation to comply with PCI DSS, as well as the workforce acquired.

On acquisition of Veritape, all assets were fair valued and appropriate intangible assets recognised following the principles of IFRS3. Management identified three material intangible assets:

I. **CallGuard:**

CallGuard is the core proposition of Veritape allowing Contact Centres to remove credit cardholder data from their call recording systems and avoiding Contact Centre agents from being able to gain access to this data. Revenue growth has been rapid with management believing the growth will continue and that the product will have a minimum useful economic life of at least five years. The value of this intangible asset at acquisition is £6.41m using the income approach.

II. **Call Recording Software:**

Although no growth is forecast in revenue from the Call Recording Software, management believe that current levels of revenue will be maintained as a requirement for Contact Centres to record calls will remain for the foreseeable future. Management believe that the Call Recording Software has a minimum useful economic life of at least five years. The value of this intangible asset at acquisition is £0.17m using the income approach.

III. **OneProx:**

OneProx is a new product which enables organisations to prevent credit cardholder data from entering their IT infrastructure. A patent has been filed for the product but no revenue had been generated from the product at the date of acquisition. The value of this intangible asset at acquisition is £0.03m using the income approach.

The acquired business contributed revenues of £1.3m and net profit of £0.7m to the Group for the period 10 June 2013 to 31 March 2014. If the acquisition of Veritape had occurred on 1 April 2013, management estimates that consolidated revenues would have been £1.5m, and consolidated profit for the year would have been £0.7m. In determining these amounts, management has assumed that the fair value adjustments that arose on the acquisition date would have been the same if the acquisition had occurred on 1 April 2013.

27. Events after the Statement of Financial Position Date

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2014 of 0.3125 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 22 August 2014 with payment on 19 September 2014. The ex-dividend date will be 20 August 2014. 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 £0.7m.

Company Financial Statements

Prepared under UK GAAP

Company Balance Sheet

for the year ended 31 March 2014

	Notes	2014 £'000	2013 £'000
Fixed Assets			
Investments	ii	15,927	5,471
		15,927	5,471
Current assets			
Debtors: amounts falling due within one year	iii	28	70
Short-term investments	iv	-	3,000
Cash at bank and in hand		5,784	3,469
		5,812	6,539
Creditors: amounts falling due within one year	v	(7,838)	(118)
Net current (liabilities) / assets		(2,026)	6,421
Total assets less current liabilities		13,901	11,892
Creditors: amounts falling due within one year	vi	(2,941)	-
Net assets		10,960	11,892
Capital and reserves			
Called up share capital	ix, x	540	522
ESOP Reserve	x	(22)	(128)
Capital redemption reserve	x	198	198
Share premium account	x	2,411	1,331
Share based payment	x	1,299	700
Profit and loss account	x	6,534	9,269
Total shareholders' funds		10,960	11,892

The financial statements were approved and authorised for issue by the Board of Directors on 9 June 2014 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 2014

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.

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 by 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.

The Company also operates a 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.

Contingent consideration

Contingent consideration payable in a business combination is generally remeasured at each balance sheet date and the change in its carrying amount recognised in profit or loss. Contingent consideration payable is typically dependent on performance conditions related to the future revenue or profitability of the acquired business. Considerable judgement is required in assessing the likely future performance of the acquired business against such performance conditions.

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 53.

i. Operating expenses

Staff costs

Details of the Directors' emoluments are given in the Directors' Report on page 37. The Director's remuneration costs are borne by a subsidiary undertaking. The Company did not incur any staff costs during the year (2013: £nil). The average number of employees employed by the Company during the year was 4 (2013: 4).

Services provided by the Group's auditor

Fees payable for the audit of the parent company and consolidated accounts of £15,000 (2013: £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 2013	11,722	735	12,457
Additions	9,857	599	10,456
At 31 March 2014	21,579	1,334	22,913
Impairment			
At 1 April 2013 and 31 March 2014	(6,986)	-	(6,986)
Net Book Value			
At 31 March 2014	14,593	1,334	15,927
At 31 March 2013	4,736	735	5,471

The following are the principal subsidiary undertakings of the Company:

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%
Eckoh Inc	United States of America	Payment Solutions	100%
Veritape Limited	England and Wales	Payment Solutions	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 13 of the consolidated accounts.

All trading companies have March year-ends, and the countries in which they operate are disclosed in Note 4 to the consolidated accounts.

On 10 June 2013, the Company acquired the entire issued share capital of Veritape Limited ("Veritape") for £9.9m, which included £3.7m of contingent consideration. To earn the entire contingent consideration, profit before tax of £3.6m must be achieved over the first 26 month period following 1 July 2013. Further details are disclosed in note 26 to the consolidated accounts.

On 15 November 2013, the Company incorporated Eckoh Inc in the United States of America.

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 investments to be 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 21 of the Consolidated Financial Statements. The disclosure of these amounts has been reclassified between categories during the year.

iii. Debtors

	31 March 2014 £'000	31 March 2013 £'000
Other debtors	2	26
Prepayments and accrued income	26	44
Amounts due within one year	28	70

iv. Short-term investments

	31 March 2014 £'000	31 March 2013 £'000
Sterling	-	3,000
	-	3,000

	31 March 2014 £'000	31 March 2013 £'000
Fixed rate	-	3,000
	-	3,000

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 (2013: 12 months) with an average interest rate of 2.56% (2013: 2.39%).

v. Creditors: amounts falling due within one year

	31 March 2014 £'000	31 March 2013 £'000
Amounts owed to group undertakings	5,629	-
Other creditors and accruals	257	118
Contingent consideration	1,952	-
	7,838	118

The Contingent Consideration is in respect of the acquisition of Veritape Limited detailed in note 26 to the consolidated accounts, and is payable in two tranches due in August 2014 and August 2015. Note 18 to the consolidated accounts gives further details on the estimation techniques undertaken by management in determining the level of contingent consideration.

vi. Creditors: amounts falling due after one year

	31 March 2014 £'000	31 March 2013 £'000
Contingent consideration	2,941	-
	2,941	-

The Contingent Consideration is in respect of the acquisition of Veritape Limited detailed in note 26 to the consolidated accounts, and is payable in two tranches due in August 2014 and August 2015. Note 18 to the consolidated accounts gives further details on the estimation techniques undertaken by management in determining the level of contingent consideration.

vii. Provisions for liabilities and charges

	31 March 2014 £'000	31 March 2013 £'000
Total unprovided deferred tax assets are as follows:		
Tax losses available	2,174	2,512
Other timing differences	-	-
Unprovided deferred tax asset	2,174	2,512

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

viii. 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 2014 the Company made a loss of £1,159,000 (2013: profit of £74,000).

ix. 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 2013	208,989,533	522
Shares issued on acquisition of Veritape Limited	7,095,044	18
As at 31 March 2014	216,084,577	540

x. 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 2013	522	(128)	198	1,331	700	9,269
Loss for the year	-	-	-	-	-	(1,159)
Dividends paid in year	-	-	-	-	-	(540)
Shares issued on acquisition of Veritape Limited	18	-	-	1,080	-	-
Shares acquired by Employee Benefit Trust	-	106	-	-	-	(1,036)
Share option charge	-	-	-	-	599	-
Balance at 31 March 2014	540	(22)	198	2,411	1,299	6,534

xi. Share options and share based payments

Share options and share based payments are disclosed in note 21 to the Consolidated Financial Statements.

xii. 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.

xiii. Events after the balance sheet date

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2014 of 0.3125 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 22 August 2014 with payment on 19 September 2014. The ex-dividend date will be 20 August 2014. 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 £0.7m.

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

Registered Office

Eckoh plc
Telford House
Corner Hall
Hemel Hempstead
Hertfordshire
HP3 9HN

Registrar

Capita Registrars
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Nominated Advisor and Nominated Broker

Nplus1 Singer Capital Markets Limited
One Barthlomew Lane
London
EC2N 2AX

Solicitor

Travers Smith
10 Snow Hill
London
ECA 2AL

Banker

Barclays Bank plc
11 Bank Court
Hemel Hempstead
Hertfordshire
HP1 1BX

Auditor

KPMG LLP
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

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www.eckoh.com

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Eckoh UK plc
Telford House, Corner Hall
Hemel Hempstead
Herts HP3 9HN

08000 630 730
tellmemore@eckoh.com
www.eckoh.com