Eckoh

Annual Report 2015

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Eckoh

ANNUAL REPORT
2015

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Strategic Report

SECTION

01 Strategic Report

Highlights of the Year

Eckoh plc (AIM: ECK), the UK's leading provider of multi-channel customer service and secure payment solutions, is pleased to announce its final results for the year ended 31 March 2015.

The Company has also announced separately today that it is in advanced discussions regarding the possible acquisition by Eckoh of the entire ordinary share capital of Netcall plc ("Netcall"), a leading customer engagement software provider, on a recommended basis.

Operational Highlights:

Record number of new UK clients, 19, largely from retail, leisure and financial services, contracted during the financial year;

US subsidiary, Eckoh Inc, secured five customers in its first financial year and the US team now enlarged to six employees

100% renewal of all significant customer contracts falling due within the period

Current Trading:

Announced advanced discussions regarding the possible recommended acquisition of Netcall.

New enhanced five-year framework agreement concluded with Capita Customer Management ("Capita"), announced separately today

New five-year Capita contract for leading UK transportation organisation

Largest margin client renewed for two years

Haloh voice and web solution (originally OneProx) has now been brought to market

Encouraging sales pipeline in both the UK and US

Financial Highlights:

Revenue
£17.2m

Revenue up 22% to £17.2m (FY14: £14.0m) including recurring revenues of 76%

Gross profit
£13.1m

Gross profit increased 28% to £13.1m (FY14: £10.2m)

Operating profit
£3.4m

Adjusted* operating profit increased by 54% to £3.4m (FY14: £2.2m)

EBITDA
£4.5m

Adjusted** EBITDA increased 40% to £4.5m (FY14: £3.2m)

Profit before Tax
£2.1m

Profit before Tax increased from a loss of £1.4m to a profit of £2.1m

Basic EPS
0.96p

Basic EPS increased to 0.96p (FY14: 0.14p)

Dividend
+ 18%

The Board recommends a 18% increase in full year dividend to 0.37 pence per share for the year ended 31 March 2015 (FY14: 0.3125 pence per share)

*Adjusted Operating Profit is Operating Profit excluding expenses relating to share option schemes, legal fees and settlement costs and expenses relating to acquisitions

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

Chairman's Statement

"We also continue to be successful in selling additional services to existing clients and growing individual contract values"
- Chairman, Chris Batterham

The year ending 31 March 2015 has marked another period of significant growth for Eckoh with revenue and margin increasing by more than 20%, and adjusted* operating profit growing by over 50%. Adjusted* operating profit has grown from £1.5m to £3.4m over the past two financial years.

Beyond the financials, we have seen growth across the business. We have seen record levels of client wins in the UK this year, largely driven by the regulatory demand for our secure payment proposition. We continue to be successful in satisfying client requirements with our innovative portfolio of solutions enabling us to retain all significant clients that had a contract falling due for renewal in the year. We also continue to be successful in selling additional services to existing clients and growing individual contract values. We will be implementing an initiative in the year ahead to sell our customer services solutions into this growing portfolio of payment customers. Whilst payments are driving much of the client portfolio growth, customer services remain more lucrative opportunities and will continue to fuel the ongoing growth of the business.

The growth has extended internationally also. Our first employee in the US was engaged in February 2014 and this team has now grown to six. It is still early days in the US market but we have been able to make the infrastructure investment into the US without downgrading profit forecasts in the Group as a whole. The pipeline of sales activity in the US remains larger than that in the UK and we remain confident that our opportunity for growth in the US is considerable.

We have been pleased to welcome a number of new employees to the Eckoh team over the year as we ensure that we have the capacity to satisfy the demand for our solutions. We have worked hard to recruit and retain a highly skilled and committed team that are undoubtedly the foundation of the success that the Group is enjoying. I would like to thank the Eckoh employees for their ongoing hard work and commitment that has driven the financial growth of the organisation.

Chris Batterham
Chairman

*excluding expenses relating to share option schemes, legal fees and settlement costs and expenses relating to acquisitions

Business Review

"The 2014/5 financial year has seen a continuation of the trend of strong growth seen in previous years"
- CEO, Nik Philpot

Introduction

We are pleased to report on another year of excellent progress for the Group in which we have successfully invested in and established our US operation whilst continuing to drive strong results from our core UK operation. We have also announced separately today that we are in advanced discussions regarding the possible acquisition of the entire issued and to be issued ordinary share capital of Netcall plc ("Netcall"), a leading customer engagement software provider, on a recommended basis.

As in previous years, we had a typically stronger period of trading in the second half of the financial year enabling us to deliver another period of excellent growth. As well as the impressive financial performance, we are pleased to be able to report on progress with the strategic objectives we have worked towards over recent periods. These objectives include:

- Establish and expand our US footprint to capitalise on secure payment opportunities
- Leverage channel partners in both UK and US markets
- Bring the new payment product Haloh (formerly 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

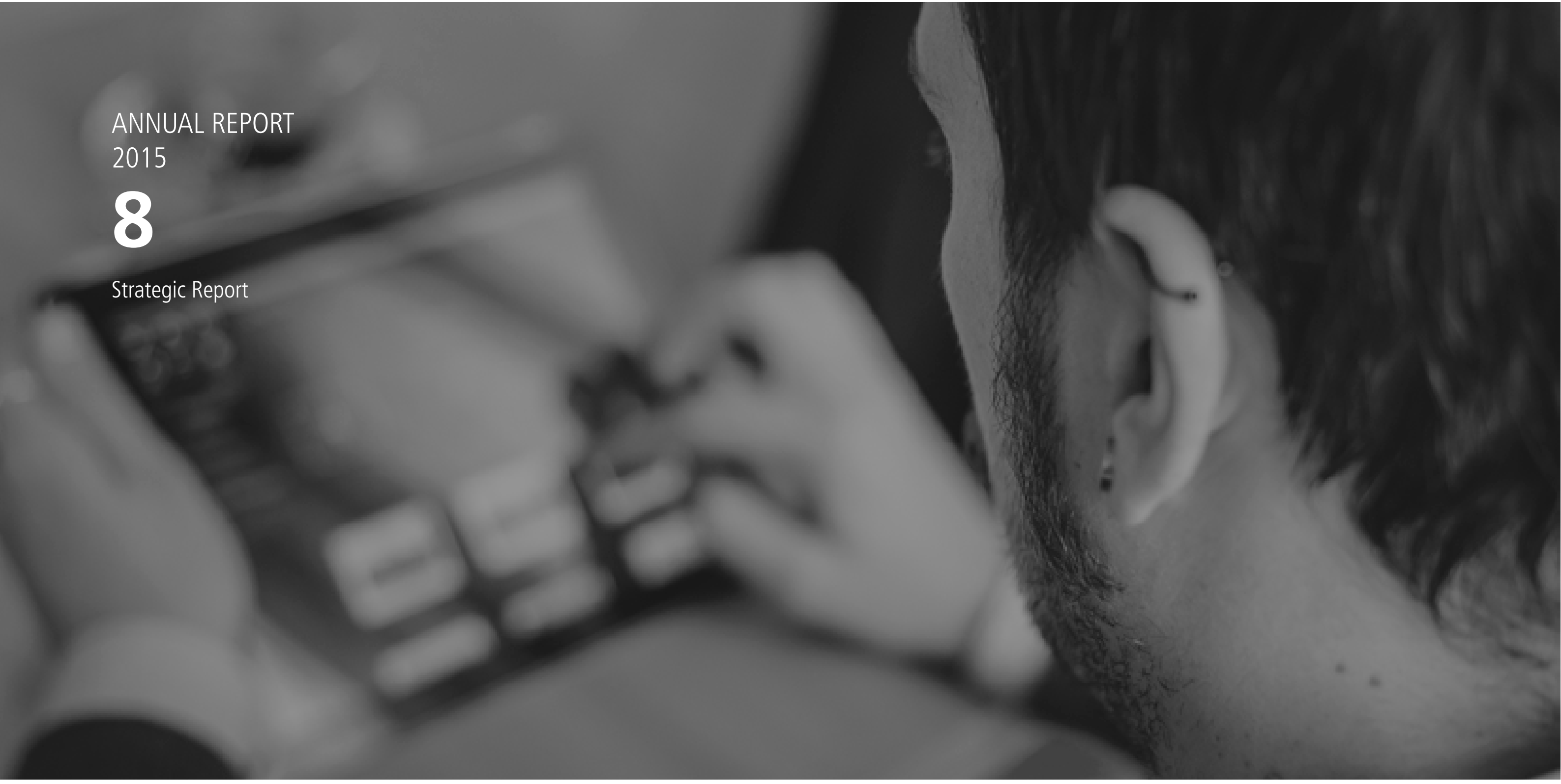
Looking ahead, we have also identified an additional objective to support our continued growth, namely to maximise client value through cross-selling, which will be a key focus for the Group in the new financial year.

Operational Review

The 2014/5 financial year has seen a continuation of the trend of strong growth seen in previous years. Our portfolio of payment solutions has enabled us to secure a record number of new contracts with 24 new clients signing up for services from Eckoh in the year. These included customers from a range of sectors including retail, financial services and leisure, which have all signed multi-year contracts with guaranteed levels of revenue, which will maintain the high levels of recurring revenue that we have seen in the past. Approximately 76% of revenue in the year was of a recurring nature.

The base of recurring revenue continues to be supplemented by extremely high retention rates on existing clients with all clients of significance that had a contract expiring in the period renewing for further periods, including since year end a two year renewal with our largest margin client.

While the majority of our sales pipeline is currently generated by the payment solution portfolio, the majority of our revenue is still represented by our customer service solutions. We have been successful in the past in selling additional services to our existing clients and it is important that we drive increased operational and financial engagement with the new payments clients by cross selling products and services from Eckoh's customer engagement solution set. During the period we secured over £2m in new contract value from our existing clients, illustrating our success in upselling and cross-selling other Eckoh products.



Maximising client value even further is a key part of our strategy in the year ahead with internal targets set and sales incentives in place to help ensure that this occurs.

We are pleased to announce separately today a new five-year contract through our partnership with Capita's Customer Management division ("Capita") to provide a number of Eckoh services, including EckohROUTE, EckohID and EckohPAY, to a leading UK transportation organisation. This will see Eckoh providing the ability for customers to pay their charges or fines automatically over the phone, with their vehicles identified using Eckoh's market leading speech recognition capability.

Simultaneously we have been working on an updated framework agreement with Capita that replaces the three-year contract that was first announced in April 2013. This new five-year contract illustrates the success of this channel partner relationship that has delivered around £12m of contract value for Eckoh so far. The new contract is designed to streamline the process involved in adding new clients and to allow for a broader product set than was originally envisaged, particularly in the mobile area.

Our US business has made encouraging progress in its first financial year of business. Eckoh Inc employed its first employees in the spring of 2014 and began work on developing a pipeline of opportunities in the new market that has to date generated six customer contracts for CallGuard On-Site. During the year we have in conjunction with our reseller partner, West Corporation ("West"), deployed a US hosting platform on which we can provide the hosted CallGuard solutions and the new Haloh product (previously referred to as OneProx) and this has had an encouraging reaction from customers. We have recently appointed our sixth US employee and second in our direct sales team to support the volume of sales activity that we are experiencing. Many of the early direct contract wins have been for modest sized installations in large organisations where there is a possibility of further and more lucrative installations over time. We are also seeing more formal tenders being issued, which was an important feature of the historic development of the UK market.

We have been working for nearly a year with West Inc. ("West"), our exclusive reseller and strategic partner in the US. Under the terms of our contract with West the launch period now runs until the end of 2015 followed by four one-year periods thereafter, with each period having sales targets. The majority of West customers being targeted are Fortune 500 corporations and would typically represent potential deal sizes several times larger than our direct opportunities. Working with large US entities on sensitive areas such as credit card security, however, is leading to long and complex sales cycles with executives from IT, Finance, Security and Contact Centre often being involved in any purchasing decision. West is advising that the average sales cycle for a typical opportunity could be as long as 18 months. Since establishing our relationship we have been working closely with West on a long list of opportunities many of which are sizeable, the vast majority of which are still being worked on and have also been supplemented by new opportunities arising over the past 12 months.

We continue to invest significant effort in Research & Development ("R&D") activity to ensure that we remain at the forefront of our field of expertise. We have recently rebranded our latest solution that we have previously referred to as OneProx and this is now known as 'Haloh'. Much of our recent R&D activity has centred on Haloh, which was launched to market at the recent Card-Not-Present ("CNP") Expo in Florida in May 2015 and has already generated significant sales interest in both the UK and US. Haloh is attractive as no integration is required to the client's existing systems and processes and it can be implemented either at a client's site or through our hosted platform. It protects organisations by replacing a customer's payment card number with either a temporary or permanent token before the information enters an organisation's IT environment or contact centre, thus rendering any stored information worthless to hackers or rogue employees. The Directors believe that Haloh could have prevented many of the mass event credit card breaches that have been experienced in recent years. Haloh is currently available for transactions made over the phone and the web and our R&D activity continues to assess the opportunity for also implementing it through Pin Entry Devices used in retail outlets globally.

Possible Acquisition of Netcall

As announced separately today, we are also in advanced discussions regarding a possible acquisition of Netcall on a recommended basis. Subject to the final terms and conditions of any offer, it is proposed that the consideration would be payable in a mixture of cash and Eckoh shares on the basis of 1.25 Eckoh shares and 13 pence in cash for each Netcall share. This would imply a value of approximately 63.94 pence for each Netcall share based on the closing mid-market share price of an Eckoh share of 40.75 pence on 24 June 2015.

It is the belief of the directors of Netcall and Eckoh that the Acquisition would represent a highly complementary fit for both businesses, offering strategic and financial synergies. Significant cost savings are anticipated to be available to the combined business from the elimination of duplicate board and public listing costs and the directors of Eckoh expect the acquisition to be earnings enhancing. This statement does not constitute a profit forecast nor should it be interpreted to mean that the future earnings per Ordinary Share of Eckoh will necessarily match or exceed historical earnings per Ordinary Share.

There can be no certainty that any offer will ultimately be made for Netcall. Further updates will be issued when appropriate.

Market Opportunity

News stories continue to appear on a regular basis about large data breach incidents occurring across the globe, with the Ponemon Institute reporting that in 2014 43% of US companies had suffered a data breach in the preceding 12 months, an increase of 10% on the previous year. This issue continues to drive organisations to consider how they can better protect their customers' information. De-scoping their infrastructure entirely by removing sensitive data altogether is increasingly seen as the best way of achieving that goal and Eckoh's secure payment products enable organisations to do this.

The most relevant breach story for Eckoh was reported in April 2015 when it emerged that AT&T had agreed a fine of $25m from the Federal Communications Commission ("FCC") in relation to incidents whereby contact centre agents had been paid by third parties to provide them with sensitive customer information such as names, phone number and social security numbers. In a statement, FCC Chairman Tom Wheeler said his agency would not "stand idly by when a carrier's lax data security practices expose the personal information of hundreds of thousands of the most vulnerable Americans to identity theft and fraud." Eckoh's CallGuard and Haloh solutions are specifically targeted at ensuring that Contact Centre agents do not have access to the most highly sought after item of personal information, credit card data and social security numbers.

Incidents such as that suffered by AT&T continue to fuel a highly lucrative pipeline of sales opportunities both in the UK and USA. Solving the challenge of protecting data in Contact Centres is particularly difficult due to the human element, and what occurred at AT&T demonstrates that small numbers of individuals can have a huge and negative impact. Organisations are recognising they need to actively take steps to reduce the risk they may suffer due to the actions of rogue employees. Eckoh currently provide payment solutions to less than 10,000 contact centre agent seats in the US where we believe the number of agents taking payments to be around four million. So we are still at the very early stages of a huge opportunity for future growth.

Whilst secure payments continue to drive the largest volume of sales enquiries, it is our customer service solutions that remain the most lucrative for Eckoh and provide the greatest return on investment for our customers. These solutions enable customers to obtain information, make requests or process transactions over the phone, web or mobile, without the need to speak to a live contact centre agent; this is known as 'self-serving'.

ContactBabel report that at the end of 2014 there were 5,840 contact centres in the UK with 734,000 agent positions, meaning that 4% of the UK's working population are employed in contact centres. This is forecast to rise to 820,000 in 2018 representing a compound increase of 2.8%.

In 2014 there were over 42 billion minutes of inbound calling to UK contact centres, representing just over 70% of all interaction, demonstrating that despite the introduction of alternative communication methods and channels over the past decade, voice interaction still remains the primary method for consumers to interact with companies for customer service. However, it is undoubtedly true that non-voice communication is steadily increasing in popularity and use, as is self-service. Solutions of this type enable organisations to provide 24 hour customer service at a cost per transaction that is typically around 10% of the cost of the enquiry being handled by a live agent. With around two thirds of the cost in an average Contact Centre being the agent salaries it is critical that agents' time is used effectively and Eckoh's range of multi-channel services can assist in helping the client maximise the efficiency of their contact centre operation.

This rise of customer contact through multiple channels has been a feature of modern contact centres for some years and it has led to the agent or adviser increasingly needing to be multi- skilled in a variety of methods of interacting with the customer and for contact centres to deploy a variety of technologies to provide this capability. This re-skilling of both the agents and the operations themselves with multi-channel interaction has meant that overall capacity is still increasing, thus the downturn in the size of contact centre operations that many predicted some years ago has not proved to be the case.

Current Trading and Outlook

Going into the new financial year, we have 25 new clients (19 in the UK, 6 in the US) who will be generating revenue through the year who were not contributing revenue at all at this point last year. Combined with the high level of recurring revenue from the existing base and significant new business pipeline, Eckoh has a strong revenue platform from which to continue to build future growth. Over the past two financial years, revenue has increased by 56% from £11.0m to £17.2m. With the largest global market, the US, still in its infancy with regard to credit card security, the growth delivered over recent years is expected to continue as Eckoh leverages its broad portfolio of solutions as well as maximising the value of its secured customer base, underpinned by a growing and increasingly important market. Therefore the Board remains very confident of delivering continued growth going forward, which the possible Acquisition of Netcall, announced today, would support further.

Financial Review

Revenue & Margin

The growth seen in recent years has continued in 2014/5 with revenue growing by 22% to £17.2m (FY14: £14.0m). Gross margin remained high at 76% (FY14: 73%) and gross profit increased by 28% to £13.1m (FY14: £10.2m). This is the second successive year where both revenue and margin growth has exceeded 20%.

Profitability Measures

The table below shows how the acceleration in top line growth of the business has fed through to the overall profitability of the Company. The Adjusted* Operating profit of the Company has increased by 54% to £3.4m (FY14: £2.2m). This was achieved despite financing the acceleration of the US growth activity. The expansion into the US contributed to a 21% increase in the adjusted operating expenses of the Group.

	Year ended 31 March 2015 £'000	Year ended 31 March 2014 £'000	Year ended 31 March 2013 £'000
Turnover	**17,158**	14,035	10,985
Gross profit	**13,103**	10,215	8,294
Administrative Expenses	**12,501**	10,425	7,180
Expenses relating to share options schemes	**(939)**	(1,247)	(375)
Legal fees and settlement costs (note 4)	**(527)**	-	-
Amortisation and expenses relating to acquisitions	**(1,320)**	(1,165)	-
Adjusted* Administrative Expenses	**9,715**	8,013	6,805
Operating profit / (loss)	**602**	(210)	1,114
Adjusted* Operating profit / (loss)	**3,388**	2,202	1,489

*excludes expenses relating to share option schemes, legal fees and settlement costs and acquisitions

A similar trend was reflected in other profit measures with a profit before tax of £2.1m (FY14: loss of £1.4m). This profit was assisted by a finance income of £1.5m arising from a reduction in the contingent consideration provided for the former owners of Veritape Limited. The contingent consideration was revised in August 2014 with 6.4m new shares being issued to the former Veritape owners with challenging new targets set based on the achievement of revenue targets in the USA for the whole Group. Achievement of these targets could potentially result in a further 4.3m shares being issued.

"Combined with the high level of recurring revenue from the existing base and significant new business pipeline, Eckoh has a strong revenue platform from which to continue to build future growth"

Adjusted EBITDA as calculated in the table below increased by 40% to £4.5m (FY14: £3.2m) and has increased by 85% over the past two financial years.

	2015 £'000	2014 £'000	2013 £'000
Profit before tax	**2,121**	(1,367)	1,188
Amortisation of intangible assets	**1,710**	1,306	276
Depreciation	**690**	678	656
Acquisition costs	-	175	-
Legal fees and settlement costs (note 4)	**527**	-	-
Expenses relating to share options schemes	**939**	1,247	375
Finance expense	**19**	1,214	-
Finance Income	**(1,518)**	-	-
Net interest receivable	**(20)**	(57)	(74)
Adjusted* EBITDA	**4,468**	3,196	2,421

*Adjusted EBITDA is the profit before tax adjusted for depreciation, amortisation, finance income, finance expense and expenses relating to share option schemes, legal fees and settlement costs and amortisation and expenses relating to acquisitions.

Balance Sheet

The major Balance Sheet movement resulted from the acquisition of the freehold of the Company headquarters in Hemel Hempstead for £3.1m in December 2014. The purchase was funded through £2.9m of loans from Barclays Bank of which £2.7m remained outstanding as at 31 March 2015. During the year we made further capital investments in creating a hosting platform in the US and expanding the capacity of the UK platform as well as undertaking fit out works to the UK office following the freehold purchase. In total, expenditure on tangible fixed assets was slightly over £5.0m. Naturally, the capital investments had a negative impact on cash balances which were inflated at the prior year end by an advance payment made by Capita in relation to the O2 contract of £2.4m. However, the Directors believe that the Company remains well financed with a year-end cash balance of £4.4m. The Board remains very confident about the prospects of the business and is proposing an increase in the dividend to be paid in October 2015 of 18% to 0.37p 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 very proud to work for Eckoh and this is demonstrated in the company's Best Companies Accreditation status. During the year we retained our One Star 'very good' status that recognises the strength of the Company's working practices and employee care.

We are pleased to have created a number of employment opportunities this year and have seen our FTE employee base increase by 25% from 93 to 116 over the course of the year.

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 retained a programme of training and development that is offered to every employee within the business. Our managers have continued to attend a Management Development Programme enabling them to effectively lead their teams to deliver our key business objectives. We have introduced a regular series of technology forums where technology experts speak to our employees about their area of expertise. We continue to invest in our employees by funding training that will enable them to progress through the organisation.

We have seen in many instances that young people leaving school have taken junior roles in the organisation and have progressed to take influential roles in the organisation. In the year ahead we intend to introduce a scheme to employ young people on apprenticeship schemes.

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.

Eckoh

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 bi-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.

Kings Langley School

In March 2015, employees from Eckoh attended a careers fair at Kings Langley School to talk to pupils and parents about careers and employment opportunities as they are reaching the end of their school days and for some, entering the world of work. Our industry experts spoke in great detail about careers in technology and what we have to offer here at Eckoh.

The event was well attended by students and parents and the group shared their own personal career experiences as well as talk about what we do at Eckoh, our opportunities and careers available.

The event was a great opportunity to help to raise our profile in the local area as an employer of choice, promote Eckoh and recruit into our growing teams.

Christmas Charity – Keech Hospice

Eckoh's Christmas charity was Keech Childrens Hospice. Employees donated gifts for the children in the hospice care and made a charitable donation of £750.

Comic Relief Bake Off

Employees at Eckoh enjoy baking and raising money for Charity. Eckoh participated in the Comic Relief bake off and raised £258 for the charity.

Macmillan Coffee Morning

Eckoh supported Macmillan with their world's biggest coffee morning, a great fundraising opportunity to help in the fight to beat cancer.

Our employees baked and sold cakes and raised £229 for the charity.

Headlines Charity

Each year, Eckoh participate in the Sunday Times Best Companies Survey, where our employees are requested to complete an employee survey to give their feedback on their experiences on working at Eckoh. For every survey completed, we pledged to make a £5 donation to Headlines and a donation of £585 was made.

Employees were given the opportunity to nominate a charity to receive a donation. Headlines was chosen by our employee, Danielle Payne who holds this charity close to her heart as she has a dear friend with a child who has a craniofacial condition.

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 programs 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.

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Contact Centre Market Review

SECTION

02 Market Review

Eckoh

Overview

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

Eckoh leads in secure payment technology, specialising in assisting organisations to take payments securely when the payment card is not present, for example over the phone, web or mobile. Each year we process over £900 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 security breaches.

In addition to our payments products we have a portfolio of customer service technology solutions that particularly targets organisations with contact centre operations. 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 adviser. This significantly reduces operational costs, streamlines contact centre processes and reduces inbound call queues.

Our services include:

Secure card payments compliant with PCI DSS

Secure agent-assisted payments

Automated payments

E-commerce transactions

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

Mobile applications

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 tend to receive a high volume of customer enquiries that are handled by a live contact centre of between 50 to 2,000 agents that are either in-house or outsourced. It is this area of activity that we target with our service propositions.

Our clients generally contract with us for an initial three-year period and the vast majority of them (over 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 the 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 76% of the Group revenue for 2014/15 and gives the Company excellent visibility on future revenues.

Our key cross-sector clients include some well-known names in their respective industries:

Financial Services

- Access Prepaid Worldwide
- Assurant Group
- Barclays Stockbrokers
- Chaucer Insurance
- CIMA
- Collinson Group
- Co-operative Response Center
- Covéa Insurance
- London Stock Exchange
- Lifestyle Services Group
- RCI Financial Services
- Paratus AMC
- PayPoint
- Premium Credit

Health Care

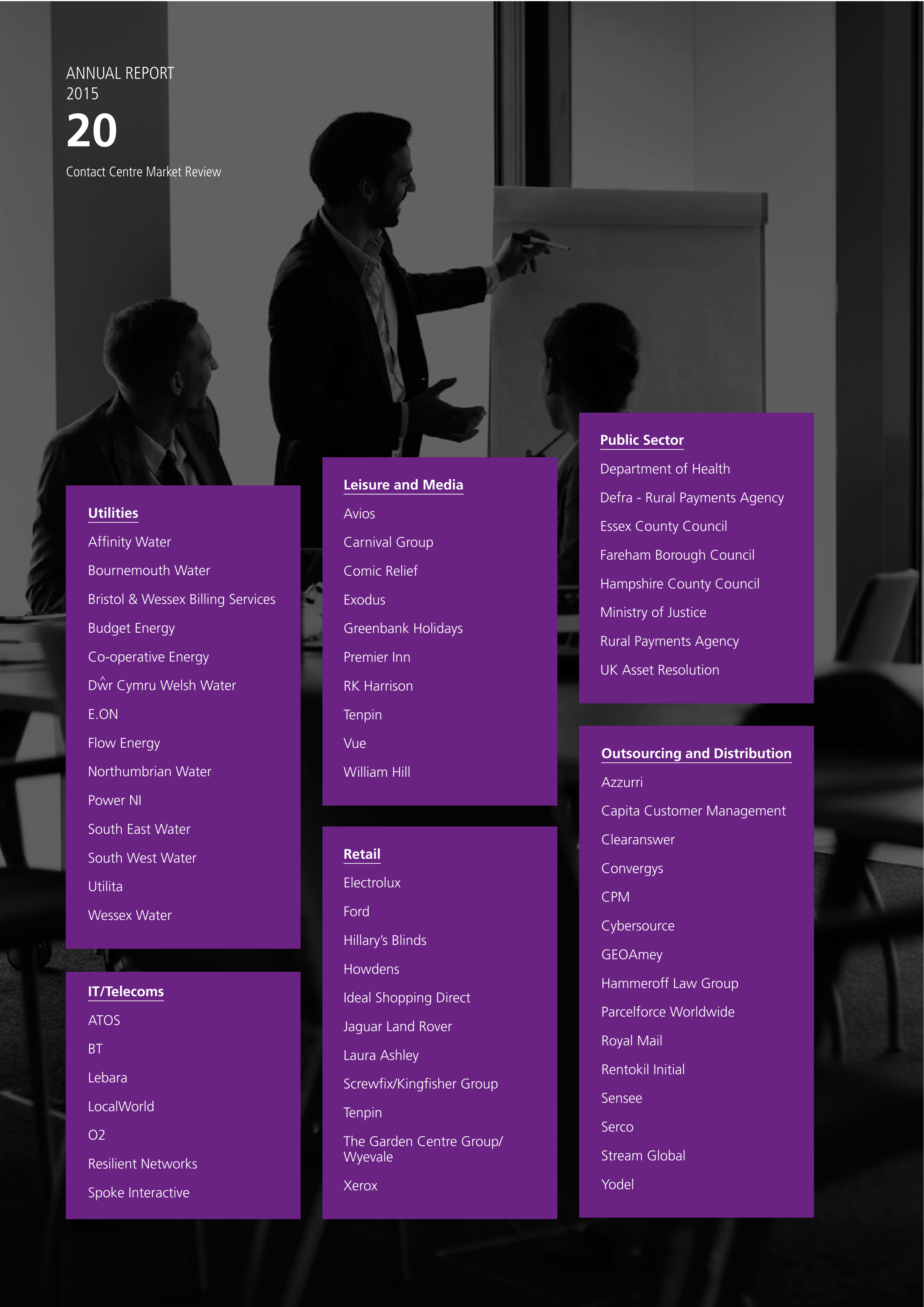
- Deaconess Healthcare
- Optum

Housing/estates

- Bromford Housing
- Mobile Mini
- Trulia

Travel

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



Utilities

Affinity Water
Bournemouth Water
Bristol & Wessex Billing Services
Budget Energy
Co-operative Energy
Dŵr Cymru Welsh Water
E.ON
Flow Energy
Northumbrian Water
Power NI
South East Water
South West Water
Utilita
Wessex Water

IT/Telecoms

ATOS
BT
Lebara
LocalWorld
O2
Resilient Networks
Spoke Interactive

Leisure and Media

Avios
Carnival Group
Comic Relief
Exodus
Greenbank Holidays
Premier Inn
RK Harrison
Tenpin
Vue
William Hill

Retail

Electrolux
Ford
Hillary's Blinds
Howdens
Ideal Shopping Direct
Jaguar Land Rover
Laura Ashley
Screwfix/Kingfisher Group
Tenpin
The Garden Centre Group/ Wyevale
Xerox

Public Sector

Department of Health
Defra - Rural Payments Agency
Essex County Council
Fareham Borough Council
Hampshire County Council
Ministry of Justice
Rural Payments Agency
UK Asset Resolution

Outsourcing and Distribution

Azzurri
Capita Customer Management
Clearanswer
Convergys
CPM
Cybersource
GEOAmey
Hammeroff Law Group
Parcelforce Worldwide
Royal Mail
Rentokil Initial
Sensee
Serco
Stream Global
Yodel

State of the Contact Centre Market

The global contact centre spend grew at 5% in 2014 to reach US$300-350 billion, of which third-party outsourcing accounted for 20-25%.[1] Contact Centre Outsourcer specialists dominate the market but have recorded moderate growth. Those who benefitted from higher growth was due to their focus on innovation, analytics and multi-channel services. Share of non-voice channel continues to increase, being driven by the adoption of value-added services, which organisations are recognising as part of the overall contact centre operation.

ContactBabel reports that at the end of 2014 there were 5,840 contact centres in the UK with 734,000 agent positions, meaning that 4% of the UK's working population are employed in contact centres. This is forecast to rise to 820,000 in 2018 representing a compound increase of 2.8%.

In comparison, in the US, there are around 44,000 contact centres, with over 3.4 million agent positions. After the US contact center industry's decline in 2009/10, there has been strong growth. Large contact centres (with over 250 agent positions) employ almost half of all contact centre staff, despite only accounting for less than 10% of physical contact centre sites. Interestingly, similar to the UK, more than 4% of the US's employed population work in contact centres.

In 2014 there were over 42 billion minutes of inbound calling to UK contact centres, and over 200 billion of inbound calling to US contact centres respectively. This represents just over 70% of all interaction, demonstrating that despite the introduction of alternative communication methods and channels over the past decade, voice interaction still remains the primary method for consumers to interact with companies for customer service.

[1] Everest Group 'Contact Centre Outsourcing Annual Report 2015' (2015)

Securing Customer Service Payment Channels

With the exception of business-to-business and manufacturing sectors, over 71% of organisations take card payments from customers over the phone (66% of these are through agents) [2]. Most worryingly, only 20% of UK organisations surveyed by Verizon, were found to be PCI DSS compliant[3].

In the US over 47% of businesses take card payments without any form of automation, trusting internal processes and quality assurance to reduce the chance of fraud.

In the UK

UK businesses have acknowledged PCI DSS requirements and are actively seeking to find solutions that best fit their contact centre infrastructure. Unlike the US, the UK hasn't witnessed any exceptional breaches[4], but the media attention surrounding large US multi-nationals in recent months has kept the threat ever present in this country. This will ultimately lead to an increase in competition, with new players hungry to exploit the same regulation drivers that Eckoh has targeted over the last few years. However, our pedigree of proven, watertight solutions and good client references should enable us to retain our market share and continue to win significant deals. 80% of Eckoh's new business in 2015 has come from the need for secure payments solutions. Not only does this confirm our position in the market, but it also provides us with an upsell opportunity for self-service solutions that may not have otherwise been possible.

"Eckoh was chosen by the expert judges over some of the largest international secure payment providers to receive this award."

In the US

Still reeling from a series of breaches over the last couple of years, US organisations are looking for ways to secure and lock down their organisation from payment fraud. To capture this market, Eckoh has made excellent progress in the US, by securing six deals directly with reputable organisations including Xerox. Eckoh has firmly established an exclusive reseller agreement with West Corp to capitalise on their client base of Fortune 100 and 200 companies. Owing to the size of these businesses, progress has been inevitably slower to secure deals, but the pipeline is significant and illustrates the severity of payment security concerns in the US.

In 2015, our CallGuard Solution was recognised as the 'Best Call Centre Solution' at the Card-Not-Present Expo. The CNP Awards, which were hosted in Orlando, Florida, are the only awards globally to specifically focus on security solutions for card payments made when the customer is not present, such as over the phone, on the internet or on a mobile device. The nominations came from an international scope of companies and Eckoh was chosen by the expert judges over some of the largest international secure payment providers to receive this award. This supports Eckoh's strong footing in the US and clear brand awareness as a leader in secure payment solutions.

[2] Contact Babel, The US and UK Contact Centre Decision Makers Guides 2014

[3] Verizon PCI Compliance Report 2015

[4] The Home Depot card fraud breach in 2014 was the largest in US history

Screwfix

Case Study: Screwfix secures its contact centre payments with Eckoh's CallGuard

This year, Eckoh won a new three year contract with Kingfisher IT Services (KITS) to provide its card payment service, CallGuard, for its Screwfix contact centre.

Screwfix is the UK's largest multi-channel supplier of trade tools, work-wear, and plumbing and electrical essentials. With over 30 years' experience in the industry, they despatch tens of thousands of parcels every week for next day and weekend delivery to tradesmen and DIY enthusiasts all over the UK. Customer Service is top priority at Screwfix and the business is proud of their award winning contact centre.

Eckoh supplies Screwfix with its CallGuard payment solution which is compliant with the Payment Card Industry Data Security Standards (PCI DSS). CallGuard's hosted service enables customers to provide card payment details to an agent securely over the phone without those details being heard, seen or transferred into the contact centre environment. Adding CallGuard within their contact centre enables Screwfix to remain compliant with PCI DSS as well as continuing to keep the opportunity of fraud to a minimum and to maintain a reassuring process for their customers.

Andrew Ashby, Director of Customer Operations at Screwfix, said, "As a business committed to providing our customers with the very best service, we wanted to ensure that all of our payment processes remain as secure as possible, including transactions made through our contact centre. CallGuard fulfils this need perfectly and enables us to take payments from customers over the phone in a PCI compliant way, without compromising the customer experience."

Cooperative Response Center, Inc.

Case Study: CRC Protects their phone payments using CallGuard

Cooperative Response Center (CRC) is a nationwide, cooperatively owned and operated, 24/7 contact centre, and alarm monitoring centre. Providing services to electric utilities, CRC currently serves over 350 members and associate members in 42 states, representing over 5.6 million consumers.

With thousands of calls coming in from customers relaying credit card details, CRC needed a method that would comply with PCI Data Security Standards across the enterprise, but maintain their high level of customer service. CRC wanted to change the process of capturing credit card numbers from being spoken by the caller and then entered by the agent, to being keyed into the phone by the caller and captured by the agent's PC.

CallGuard On-Site was presented to CRC who needed to know how it was going to work operationally from a contact centre perspective. They also needed to know how well it would integrate with other IT and Telecoms within the business.

After the proof of concept was approved, CRC implemented CallGuard across the entire enterprise, across multiple desktops and programs.

A Decoder was installed on each desktop and phone which encrypts the card details before they enter the agent's screen. The agent only hears the sound of the numbers being keyed in.

A Filter was also installed next to the CRC call recorder to remove the DTMF tones made through the keypad and replace them with flat tones.

Finally, DataShield was uploaded onto the agents' desktops to mask the card data from appearing on the screens as the Decoder interprets the pressed keys and inserts the numeric data entry. These fields cannot be accessed by agents and ensures that the information cannot be communicated, stored or written down.

CRC rolled out CallGuard in a very short time of just three months. The solution now enables contact centre agents to take sensitive information from customers without seeing or hearing any data being verbally relayed to them.

Paul Thompson, Vice President of Administration/CFO, Cooperative Response Center, Inc. said: "The biggest hurdle we have had to overcome was finding a solution that would allow us to continue offering 100% caller/agent interaction as well as 100% recording of payment calls. Both high level caller/agent engagement and call recordings have been viewed by our members as valuable cornerstones of CRC's services and we believe they will continue to be important in the future. Our answer was found in CallGuard."

IVR Remains a Key Self-Service Tool for Contact Centres

Interactive voice response (IVR) has revolutionised the contact centre world by allowing consumers to quickly resolve basic enquiries on their own. It was the first self-service channel available to consumers, giving organisations the ability to handle larger quantities of customers and reduce operational costs.

The facts speak for themselves - 70% of all inbound customer contact is still handled through the telephone[5] and viewed by organisations and consumers alike as a compulsory method of contact. Although, there has been an undeniable growth in other channels such as email and web chat, which has added greater choice of how consumers interact with organisations.

"The company can now control those changes autonomously and put them 'live' instantly."

The growth of these new channels has been ultimately driven by consumer behaviour. Today's innovative self-service capabilities have led to contact centres tasking themselves with providing a more efficient, fluid customer experience. This ultimately means integrating all of their customer contact channels seamlessly, including their IVR's.

Running in parallel with these advances in technology, interactions have changed shape with each new generation of consumer. 'Baby Boomers' and earlier generations prefer to speak with someone directly concerning their enquiry or issue, while 'Millennials' prefer methods that support autonomy, giving them the freedom and choice to navigate potential options or solutions on their own, and only speaking to a customer-service agent if they cannot resolve the issue themselves.

Regardless of the generational gaps, 54% of consumers still dial a customer services department, while 27% find assistance through online self-service channels[6]. According to Forrester, "organisations need to go further with personalising their customer service interactions by providing differentiated experiences for broad customer segments." This will be achieved by delivering the right service experience — either via self-service or agent assisted — to the right user at the right time.

Eckoh's clients understand that they cannot stand still and must keep innovating and exploring new ways of meeting customer demands through all relevant channels. Over time, although technology and processes have changed and improved, our clients' goals remain the same – reducing operational costs, improving customer service, and creating efficiencies for their business.

As a business, we strive to not only deliver up-to-date solutions, but to drive innovation and advance within our core market. Our enthusiasm to grow technically and commercially has played a fundamental part in transforming our business from a speech recognition provider, to a successful multi-channel self-service provider.

Intelligent Call-Routing and Distribution

The IVR market is now a mature business process, handling billions of calls every year across the world but with the modern digital savvy consumer and the advent of the web, email, mobile and social media channels, the market is experiencing a change through modernisation. The initial IVR solutions were built on call flows or 'trees', which have grown into forests, where their 'branches' need to be pruned and redesigned to merge with the new multi-channel approach. This provides Eckoh with an excellent opportunity to drive this change and ensure IVR continues to play a major role in the contact centre, now and for years to come.

[5] Contact Babel 'UK Contact Centres in 2015: The State of the Industry & Technology Penetration' (2014)

[6] Zendesk Survey (2013)

Over 20% of contact centres said that their priority investment areas was to upgrade their ACD/routing functionality and telephony systems[7] in 2015. This not only demonstrates the market desire to continue voice channels, but also the need to update and enable systems to coexist and integrate to provide the centralised customer service that consumers are demanding.

Call-routing and Automatic Call Distribution (ACD) design plays a huge part in making an IVR successful from a customer and agent optimisation perspective. Businesses are now more complex with more products and they have a requirement to make changes to the 'call flow' within the IVR more regularly. Historically, any changes would be designed and delivered by the IVR hosting provider but our intelligent call-routing platform, EckohROUTE, now enables the customer to change the flows themselves. This is of great value to companies that are regularly changing their customer offers or have specific information that they need to deliver on a short term basis. The company can now control those changes autonomously and put them 'live' instantly.

EckohROUTE was first delivered to Premier Inn across their entire estate, giving them complete control of how and where inbound calls are delivered. The system routes inbound calls to contact centres, departments, outlets or branches based on business rules, intelligent call routing plans and configurable parameters that contact centres can define in-house. All calls are delivered to the relevant destination in line with business needs and answered no matter how unpredictable the circumstances.

This baseline call-routing infrastructure can have a dramatic effect on all channels that link to it, so selecting the most dynamic and flexible platform is paramount for contact centres. As well as adding to our core front-end service set, Eckoh's technical expertise has enabled us to develope this versatile back-end, call-routing technology.

In 2015, one of Eckoh's largest and long-standing clients' Transport for London, also adopted EckohROUTE for their contact centre operation, this is expected to go live in late summer 2015.

[7] Contact Babel 'UK Contact Centres in 2015: The State of the Industry & Technology Penetration' (2014)

Transport for London

Case Study

Intelligent Call-Routing with EckohROUTE

Eckoh has worked with Transport for London (TfL) since 2009 providing a range of self-service solutions, including their automated IVR Journey Planner, natural language speech recognition IVR; and secure Oyster Card identification, verification and secure account enquiries.

In new agreements this year, Eckoh will manage all of TfL's 15 million inbound calls with intelligent call-routing solution, EckohROUTE. Through Capita, we also now manage the automated IVR payments of Congestion, Low Emission Zone and Parking Charges.

TfL chose EckohROUTE to direct calls to contact centres, departments, outlets or branches based on call-routing plans and configurable parameters that their Customer Service team could define. This intelligent call-routing solution means TfL has complete control of how and where their inbound calls are handled, plus the flexibility to cater for all circumstances, especially at times when the transport network comes under pressure from unpredictable events such as severe weather conditions. As part of this contract, Eckoh will also address strategic requirements to consolidate the number and complexity of automated functions that are currently fulfilled by separate solutions.

An existing client of both Capita and Eckoh, TfL approached Capita to optimise and automate inbound payment requests for Congestion, Low Emission and Parking Charging Payments. To pay charges, drivers just have to say their car registration, make and model to be recognised by EckohID&V. Using EckohPAY, drivers are then prompted for their card details to pay the fees. This interaction all takes place using intelligent speech recognition.

Removing Call Menus

As part of the IVR modernisation, there is now a growing requirement for contact centres to use innovative information technology options to reduce complex call menus to more effectively navigate customers to the correct agent or department. Utilising in-call routing, ACD, automatic speech recognition (ASR), computer-telephony integration, interactive voice response (IVR) systems and CRM tools, contact centres can deliver a better service to the new breed of 'on-demand', less patient and less forgiving consumers whilst also reducing the Average Handling Time (AHT) of each call.

Speech recognition is finally gaining traction within the mainstream consumer market with major brands such as Google, Microsoft, Amazon and Apple all driving the technology development. Consumer take-up is increasing as customers are encouraged to use their voice to access search engines as well as dictate messages and emails. Sold on the benefit of 'speed and efficiency', receiving instant information has never been easier or quicker.

This change in consumer behaviour has now led to contact centres experimenting with natural language speech recognition as an alternative to call menus.

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 calling. If the system cannot confirm the caller's requirement automatically, the spoken audio is streamed instantly to a 'hidden' contact centre agent who can listen and classify the call manually to direct the caller to the appropriate agent or self-serve functionality to assist that customer. The advanced technology then remembers each verbal request, as well as the action of the hidden agent for that request, so if the same request is made again by another caller, the system can fulfil the request and send that customer to the correct agent or self-serve function automatically. As the system learns more, then the requirement for the agent reduces.

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.

EckohASSIST Implemented at a Tier One UK Telecoms Operator

Eckoh provides a suite of self-service applications to a large tier 1 UK telecoms operator. In partnership with Capita Customer Management, 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 enables customer queries to be handled more quickly and efficiently than through the legacy touch-tone services.

Multi-Channel Self-Service

Customers want to use a breadth of communication channels — self-service, voice, digital, and social— to interact with a customer service organisation, and often start their interactions online.[8] Forrester predicts that customer service professionals will focus on effortless interactions, exploring new communication channels such as web/video chat with screen sharing and annotation as well as remote control customer devices to perform tasks on the customers' behalf.

This prediction is in line with priority investment areas, with 13% of contact centres planning expenditure in multi-channel and email, 8% on Web Chat, 7% on telephony self-service, and 5% on Web Self-Service/customer portal.[9]

Mobile IVR and Self-Service to Live Agent

At the end of 2014, almost two billion individuals owned a smartphone globally. This number is expected to reach more than five billion by 2019. Forrester predicts that companies will increasingly focus on providing succinct mobile interactions that can be stopped, restarted, or switched to another device without a loss of context. Companies are also predicted to invest in multimodal interactions — for example, navigating a touch-screen menu system on mobile devices (not dissimilar to an IVR menu), that will streamline the process of connecting to the appropriate customer service agent.[10]

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 voice technologies with web and mobile applications for customers. We continue to develop our mobile channel offering in-line with current market trends and drivers, including screen navigation methods that will connect to other channels (web, SMS, webchat) or straight to agent interaction.

Omni-Channel Customer Service

Eckoh can enable businesses to interact with their customers effectively through any contact channel they prefer. Services can 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.

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 its 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.

[8] Thirty-eight percent of US online consumers prefer online customer service over speaking to a person on the phone. Source: Forrester's North American Technographics Customer Experience Online Survey, 2013.

[9] Contact Babel 'UK Contact Centres in 2015: The State of the Industry & Technology Penetration' (2014)

[10] Forrester (2015) 'Trends 2015: The Future Of Customer Service'

Yodel

Case Study

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

Yodel is a parcel delivery and collection service brand, with clients and customers being their main focus. Driven by the upsurge in online shopping, the logistics industry is seeing a comparable increase in demand for home delivery and collection services.

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. 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 led to improved customer service due to increased ways of customers being able to contact Yodel. This frees up contact centre agents to focus on more complex or higher value calls. Since implementation, caller interaction levels have been in excess of 90% and brought significant benefits and improvements:

- 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.
- The percentage of abandoned calls has reduced by 50% as more callers choose to use the new service.
- Calls that go direct to an agent have reduced from c.60% to 10%, far exceeding initial expectations.
- Callers can speak to an agent from the main menu with minimal delay.

Service Strategy and Overview

Eckoh has a growing suite of payment products, including a new multi-channel platform that uses tokenisation. Eckoh has repackaged its secure payment offering under the name of HALOH which consolidates these products into a more streamlined and concise offering. This makes it easier for those organisations seeking to keep sensitive payment data out of their business environment and/or contact centre, to select Eckoh as their chosen payment solution provider.

The demand for secure payment services gathered significant momentum in 2014. It has now become the main new business sales generator for Eckoh, with demand for self-service solutions channelling from our strategic partners.

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 2014, Eckoh became one of the few companies to have consistently maintained its Level One PCI DSS compliant service provider status. With an additional new multi-channel payments solution added to the portfolio, we now provide the widest range of secure contact centre payment solutions on the market.

Customers approach us because they want to eliminate the presence of card data from all or parts of their contact centre or organisation. To solve this problem, we ask a series of qualification questions to determine their need and suggest the most appropriate solution for their organisation and infrastructure setup. As well as protecting their customers' card details from fraud risk, we also help organisations reduce their scope in a PCI compliance audit.

In 2015, Eckoh made the decision to repackage its secure payment products under a new brand called HALOH.

"The demand for secure payment services gathered significant momentum in 2014. It has now become the main new business sales generator for Eckoh"

HALOH

HALOH is a suite of secure multi-channel payment products, specifically designed for organisations who want to stop sensitive card payment details from entering their environment. It can prevent card data from entering the phone, mobile or web channels, preventing hackers from stealing data and reduces the scope of PCI DSS Compliance:

CallGuard – protecting your phone payment channel

If an organisation takes payments over the phone through a contact centre, CallGuard stops sensitive card data from entering all or parts of it. The agent asks the customer to relay card data by using their telephone keypad. By using DTMF masking technology, it ensures that the agent, systems and processes are not exposed to card data. In addition, it removes those areas from the scope of PCI DSS compliance.

There are various options for CallGuard that can be tailored to any organisations' specific needs. For instance, it can be hosted or premised based, automated or agent assisted, and will secure all or just parts of the environment. If the contact centre is multi-site, we have a variant which uses tokenisation which eradicates the need for any changes to IT systems or processes.

Eckoh offers the most resilient secure phone payment products on the market, suited for any requirement.

DataGuard – Protecting your network and web payment channels

If an organisation takes payment through websites, mobile apps or mobile websites, DataGuard prevents sensitive card data from entering the enterprise environment. Using a hosted tokenisation system, DataGuard shields the organisation from sensitive card data. This means sensitive card data is automatically substituted with a non-sensitive equivalent, or a 'token', when a payment takes place. A token looks like a card number but has no intrinsic meaning or value, which makes them totally worthless to hackers if they steal them.

This patent pending solution is a compelling proposition for organisations. Unlike other tokenisation systems, it requires no changes to the organisation's IT systems or processes, keeping integration costs minimal, with maximum security.

EckohPAY – Protecting multi-channel, self-service payments

EckohPAY can be applied over the phone, web and mobile channels, so it is truly multi-channel. Organisations who take regular payments from customers over the phone or web, use EckohPAY to optimise and secure their automated payment processes. Not only does this reduce call queues for agents who take calls from customers to pay bills, subscriptions or finance payments, but it ensures PCI compliance at every level.

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 which avoids complex IVR menus by simply asking the the caller "How can I help you?" A hidden live agent ensures that the system retains the highest 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

Technology Patent Granted

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 a vanguard in its field, Eckoh prepared the original patent application five 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. This patent is also pending in other territories including the US.

Technology

Eckoh continues to make significant investment in its self-service platform, providing cloud based solutions to its customers across the globe. The platform provides highly available, scalable and secure multichannel solutions without the need for additional capital expenditure:

- PCI DSS Level One compliance includes all areas of Eckoh's cloud offering and contact centre operations.
- Platform extended to include two US locations; Dallas and Washington DC. The platform operates on an active-active basis ensuring resilience and scalable capacity for all services.
- Significant extension of core software partnerships, including a 50% expansion of Nuance speech recognition licenses.

Telephony connectivity is provided by multiple tier one carriers, supporting both SIP and traditional telephony.

- Web connectivity provided by multiple ISPs.
- Fully redundant WAN connecting all sites.
- Disaster recovery provided with instant failover.
- Burst capacity available on demand for unforeseen spikes and surges in traffic.

The Company's core technology is built on enterprise/carrier grade technology, and Eckohs' developed bespoke system layers:

- Holly Connects – VXML.
- Cisco networking.
- EMC storage.
- F5 load balancers.
- Nuance speech recognition – with all ports speech enabled and all main languages available.
- Eckohs 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 Say about Eckoh

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."

- Siobhan Fagan,
Head of Customer and Business Systems at Whitbread

"As a business committed to providing our customers with the very best service, we wanted to ensure that all our payment processes remain as secure as possible, including transactions through our contact centre. CallGuard fulfils this need perfectly and enables us to take payments from customers over the phone in a PCI compliant way, without compromising the customer experience."

– Andrew Ashby,
Director of Customer Operations at Screwfix

"Ensuring that customers' payment card details are completely secure has always been a priority. But we are always keen to take advantage of new technology to ensure that we stay at the forefront and allow customers to transact with us in the way that they choose. After evaluating a number of secure payment solutions, we selected Eckoh as a partner because of their clear expertise in implementing payment solutions, their PCI DSS level one status and the flexibility and ease-of-use of their CallGuard Hosted solution. It provides our customers who want to make payments over the phone with a convenient and highly secure payment service that delivers an excellent customer experience."

- David Lewis,
ICT Director at Hillarys

"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."

– Ralph Graham,
Business Analyst at Power NI

"Over the last two years Tenpin has received exceptional IVR service and support from Eckoh. Their excellent service record made them a great choice for us when we looked for a new supplier of a complete end-to-end telephony solution including the live contact centre. We look forward to Eckoh providing an exceptional service for our customers whilst strategically driving both businesses forward with their continued improvement and development of their technology platforms.

– Graham Blackwell,
Commercial Director at Tenpin

"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."

- Josh Rakes,
Information Security Project Manager at Optum

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

- Mie Mun,
Head of IT at Chartered Institute of Management Accountants

"We selected Eckoh after looking at multiple vendors in the US and overseas for our PCI DSS compliance needs. We have been really impressed with the simplicity and effectiveness of it. The plug and play nature of CallGuard On-Site was a major advantage as it meant that we could be up and running within days. We can now ensure that our agent screens and call recordings are further secured and completely PCI compliant, but most importantly, that our customers' card data is secure."

– Canadian Automobile Association South Central Ontario (CAA SCO)

"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

SECTION

03 Governance Report

Eckoh

Board of Directors

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 28 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.

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 NCC Group plc, Chris brings a wealth of experience in the strategic development of companies in the IT sector.

Clive Ansell

Non-Executive Chairman

Clive joined the Board in July 2009 and is also senior independent non-executive director on the Board of Arqiva, and works as a senior advisor with several major consulting firms. He is the former CEO of Tribal Technology at Tribal Group plc. has held a number of 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 patron of Crimestoppers and sits on the boards of a number of charities and business representative groups.

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.

Director's 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 2015.

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 74.

Results and Dividends

The audited financial statements and related notes for the year ended 31 March 2015 are set out on pages 52 to 86. The Group's profit for the year is set out in the Consolidated Statement of Comprehensive Income on page 52.

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 that a final dividend for the year ended 31 March 2015 of 0.37 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 2 October 2015 with payment on 30 October 2015. The ex-dividend date will be 1 October 2015. 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 £0.8m.

Research and Development

The Group capitalised £0.4m (2014: £0.6m) 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 56 to 86. 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 23 September 2015. 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 38.

The articles of association require that at the Annual General Meeting one third, or as near as possible, of the Directors will retire by rotation. C Ansell 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:

	24 June 2015 Ordinary shares of 0.25 pence each	31 March 2015 Ordinary shares of 0.25 pence each	1 April 2014 Ordinary shares of 0.25 pence each
N B Philpot (i)	4,704,873	4,704,873	4,554,873
A P Moloney	722,705	722,705	722,705
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 2014 (number)	Granted in year (number)	Forfeited in year (number)	Exercised in year (number)	At 31 March 2015 (number)	Exercise price (pence)	Earliest date for exercise	Latest date for exercise
N B Philpot	a	247,000	-	-	-	247,000	0.00	30.06.14	30.06.22
	b	2,843,988	-	-	-	2,843,988	0.00	01.01.14	01.01.23
	b	2,843,989	-	-	-	2,843,989	0.00	01.01.15	01.01.23
	b	2,843,989	-	-	-	2,843,989	0.00	01.01.16	01.01.23
	c	4,265,983	-	-	-	4,265,983	0.00	02.01.16	01.01.23
A P Moloney	a	230,464	-	-	-	230,464	0.00	30.06.13	30.06.21
	a	167,200	-	-	-	167,200	0.00	30.06.13	30.06.22
	a	167,200	-	-	-	167,200	0.00	30.06.14	30.06.22
	b	1,421,994	-	-	-	1,421,994	0.00	01.01.14	01.01.23
	b	1,421,994	-	-	-	1,421,994	0.00	01.01.15	01.01.23
	b	1,421,995	-	-	-	1,421,995	0.00	01.01.16	01.01.23
	c	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 2010 Eckoh plc Bonus plan. Half of the bonus awards made to executives in respect of two recent financial years were made in the form of deferred shares. The deferred shares vested in tranches of 50% on the first and second anniversary of the grant date. Further details are available in the Remuneration report on page 44.

b) 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.

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 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 2015 the amount of trade creditors shown in the balance sheet represents 97 days of average purchases for the Group (2014: 72 days). The Company had no trade creditors at 31 March 2015 or 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

In accordance with Section 489 of the Companies Act 2006, a resolution for the re-appointment of KPMG LLP as auditor of the company is to be proposed at the forthcoming Annual General Meeting.

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

24 June 2015

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 38.

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 Operating Board, consisting of the two Executive Directors and certain senior managers, which meets monthly. The Board is dependent on the Operating Board 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	2015 Total £'000	2014 Total £'000
C Ansell (i)	30	-	-	30	30
C M Batterham (ii)	50	-	-	50	50
A P Moloney (iii)	137	52	28	217	251
N B Philpot (iv)	203	77	37	317	372
Total	420	129	65	614	703

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 £26,000 (2014: £25,000). 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 (2014: £35,000). The amount of £2,000 (2014: £2,000) paid to N B Philpot within other benefits relate to private healthcare costs.

No share options were exercised by the Directors during the year. Share options details are disclosed in the Director's Report on page 41.

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 2015/6 financial year. A 2% pay increase has been awarded to both with effect from 1 April 2015.

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 operating profit targets.

To deliver a maximum payment bonus award of 100% of salary, targets must be exceeded by 15%. In the year ended 31 March 2015, performance against targets resulted in a bonus payment of 37% of salary being awarded to N B Philpot and 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 vested in two equal amounts on the anniversary of the grant in each of the subsequent 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 31 December 2015.

Further details of the awards made are disclosed in the Directors share options section of the Director's Report on page 41.

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 IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

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

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

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

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

Independent Auditor's Report

to the Members of Eckoh plc

We have audited the financial statements of Eckoh plc for the year 31 March 2015, 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 EU. 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 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 2015 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 Matter 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.

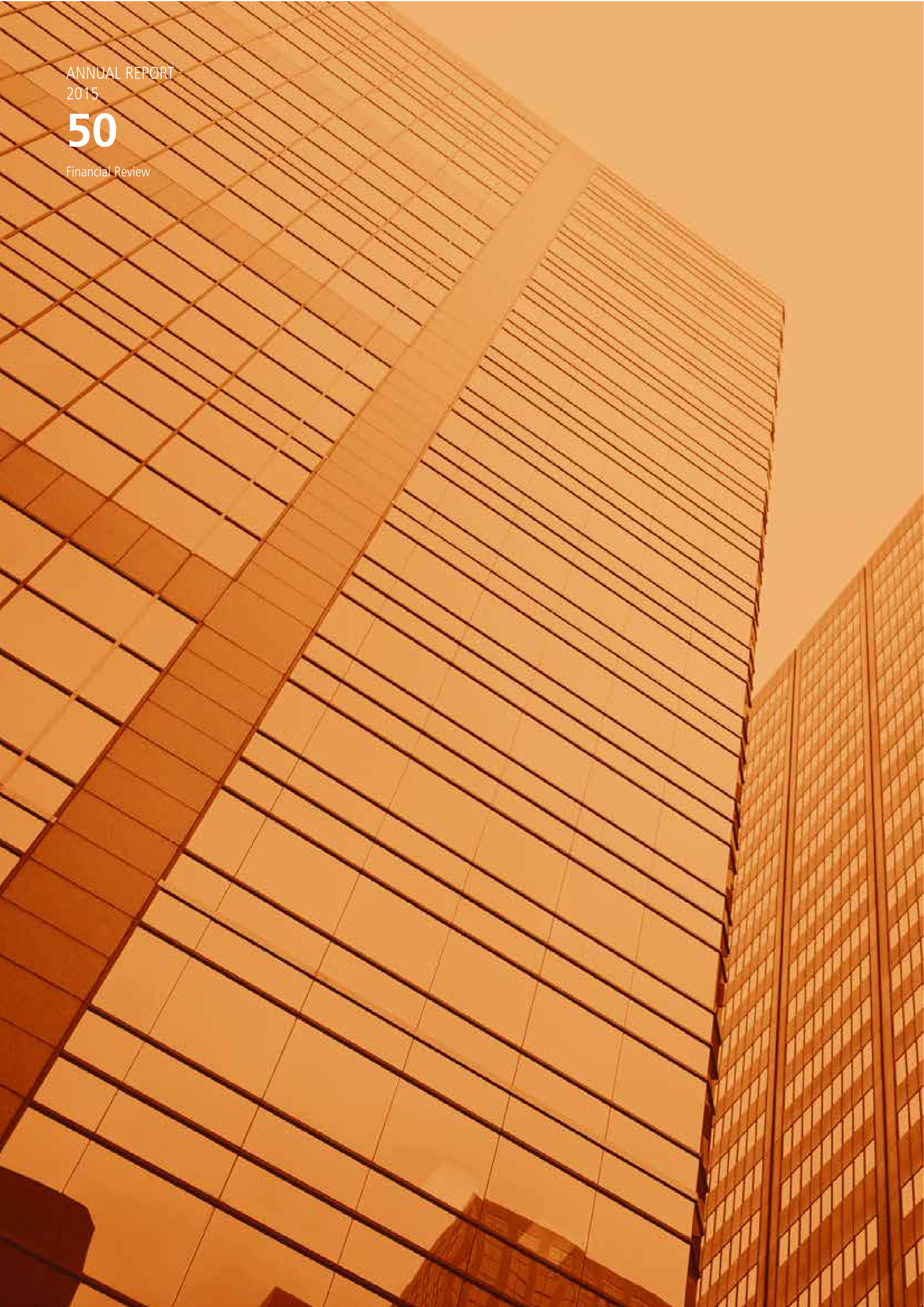
Mark Matthewman
Senior Statutory Auditor

For and on behalf of KPMG LLP, Statutory Auditor

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

24 June 2015

Financial Review



SECTION

04 Financial Review

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2015

	Notes	2015 £'000	2015 £'000	2014 £'000	2014 £'000
Continuing operations					
Revenue	4		17,158		14,035
Cost of sales			(4,055)		(3,820)
Gross profit	4		13,103		10,215
Administrative expenses before expenses relating to share options schemes, acquisition costs and amortisation of acquired intangible assets and legal fees and settlement costs		(9,715)		(8,013)	
Profit from operating activities before expenses relating to share option schemes, acquisition costs and amortisation of acquired intangible assets and legal fees and settlement costs		3,388		2,202	
Amortisation of acquired intangible assets		(1,320)		(990)	
Legal fees and settlement costs	26	(527)		-	
Acquisition costs		-		(175)	
Expenses relating to share option schemes		(939)		(1,247)	
Total Administrative expenses	4		(12,501)		(10,425)
Profit / (loss) from operating activities	5		602		(210)
Finance expense	27		-		(1,214)
Interest payable	8		(19)		-
Finance income	27		1,518		-
Interest receivable	8		20		57
Profit / (loss) before taxation			2,121		(1,367)
Taxation	9		(16)		1,665
Total comprehensive income for the year attributable to the equity holders of the parent company			2,105		298
Profit per share (pence)	10				
Basic earnings per 0.25p share			0.96		0.14
Diluted earnings per 0.25p share			0.85		0.12

Consolidated Statement of Financial Position

for the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Assets			
Non-current assets			
Intangible assets	11	8,317	9,636
Tangible assets	12	5,191	862
Deferred tax asset	9	4,938	4,267
		18,446	14,765
Current assets			
Inventories	14	224	104
Trade and other receivables	15	7,033	3,576
Cash and cash equivalents	17	4,419	7,341
		11,676	11,021
Total assets		30,122	25,786
Liabilities			
Current liabilities			
Trade and other payables	18	(6,217)	(5,444)
Contingent consideration	18	-	(1,952)
Other interest-bearing loans and borrowings	3	(636)	-
		(6,853)	(7,396)
Non-current liabilities			
Other interest-bearing loans and borrowings	3	(2,105)	-
Contingent consideration	20	(636)	(2,941)
Deferred tax liability	9	(862)	(1,123)
Provisions	20	-	(43)
		(3,603)	(4,107)
Net assets		19,666	14,283
Shareholders' equity			
Share capital	19	558	540
ESOP reserve		(135)	(22)
Capital redemption reserve		198	198
Share premium		5,175	2,411
Currency reserve		56	(41)
Retained earnings		13,814	11,197
Total shareholders' equity		19,666	14,283

The financial statements were approved by the Board of Directors on 24 June 2015 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 2015

	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 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**
Balance at 1 April 2014	540	(22)	198	2,411	11,197	(41)	14,283
Total comprehensive income for period	-	-	-	-	2,105	-	2,105
Dividends paid in the year	-	-	-	-	(695)	-	(695)
Shares issued on acquisition of Veritape Limited	16	-	-	2,722	-	-	2,738
Retranslation	-	-	-	-	-	97	97
Shares transacted through Employee Benefit Trust	-	(113)	-	-	(25)	-	(138)
Shares issued under the share option schemes	2	-	-	42	-	-	44
Share based payment charge	-	-	-	-	322	-	322
Deferred tax on share options	-	-	-	-	910	-	910
Balance at 31 March 2015	**558**	**(135)**	**198**	**5,175**	**13,814**	**56**	**19,666**

Consolidated Statement of Cash Flows

for the year ended 31 March 2015

	Notes	2015 £'000	2014 £'000
Cash flows from operating activities			
Cash generated in operations	25	680	4,816
Taxation		(101)	-
Net cash generated in operating activities		579	4,816
Cash flows from investing activities			
Acquisition of subsidiary	27	-	(3,599)
Purchase of property, plant and equipment	12	(5,019)	(355)
Purchases of intangible fixed assets	11	(391)	(603)
Decrease in short-term investments	16	-	3,000
Interest paid	8	(19)	-
Interest received	8	20	55
Net cash utilised in investing activities		(5,409)	(1,502)
Cash flows from financing activities			
Dividends paid		(695)	(540)
Proceeds from new loan		2,900	-
Repayment of borrowings		(159)	-
Shares acquired by Employee Benefit Trust		(138)	(930)
Net cash generated / (utilised) in financing activities		1,908	(1,470)
(Decrease) / increase in cash and cash equivalents		(2,922)	1,844
Cash and cash equivalents at the start of the period	17	7,341	5,497
Cash and cash equivalents at the end of the period	17	4,419	7,341

The notes on pages 56 to 86 form an integral part of these financial statements

Notes to the Financial Statements

for the year ended 31 March 2015

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 2015 as endorsed by the EU.

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

- *IFRS 10 Consolidated Financial Statements and IAS 27 (2011) Separate Financial Statements (mandatory for year commencing on or after 1 January 2014).*
- *Amendments to IFRS 7 'Disclosures – Offsetting Financial Assets and Financial Liabilities' (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).*
- *IFRS 2 Share-based payment (effective for share-based payment transactions with grant date on or after 1 July 2014)*
- *Annual Improvements to IFRS 2011-2013 cycle (mandatory for year commencing on or after 1 July 2014).*

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 15 Revenue from Contracts with Customers (mandatory for year commencing on or after 1 January 2017).*
- *Amendments to IAS 2 Inventories (mandatory for year commencing on or after 1 January 2017).*
- *IFRS 9 Financial instruments (mandatory for year commencing on or after 1 January 2018).*

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 2015.

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 2015, the Group recognised deferred tax assets of £4.9 million, including £2.7 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 identified.

(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. Other intangibles relating to software are amortised over the expected respective contract period.

(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.

Tangible assets

Land and buildings

Land and buildings are 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.

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:

Land – is not depreciated

Buildings – 25 years

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. Group revenue has four elements, being transactional, build fee, support and maintenance, and sale of hardware. Revenue is recognised as follows:

- The majority of revenue in 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.
- 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.
- The revenue derived from the sale of hardware is recognised when the risks and rewards of ownership are passed to the customer.
- In the event that multiple revenue sources are included in the same contract, each component part is separately fair valued and individual component revenues are recognised when the revenue recognition criteria for that component has been met. Neither build fee or support and maintenance revenue are considered to be a significant proportion of the overall revenue, and are 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 took borrowings during the year applying variable interest rates, and now has exposure to interest rate fluctuations on the loan, its cash and short-term deposits.

The Group has adopted a sensitivity analysis that measures changes in the fair value of financial instruments and interest-bearing loans 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	(36)	36
Impact on income statement: (loss) / gain	(36)	36

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.

Financial assets

	2015 £'000	2014 £'000
Current financial assets		
Trade receivables (note 15)	3,558	1,763
Other receivables (note 15)	488	28
Cash and cash equivalents (note 17)	4,419	7,341
Total financial assets	8,465	9,132

Financial liabilities

All financial liabilities held by the Group, except for contingent consideration, are measured at amortised cost and comprise trade payables of £2,383,000 (2014: £1,599,000) and other payables of £637,000 (2014: £306,000). See note 18 for further details.

Other interest-bearing loans and borrowings

Information about the contractual terms of the Group's interest-bearing loans and borrowings, which are measured at amortised cost are disclosed below. For more information about the Group's exposure to interest rate and foreign currency risk, see above.

	2015 £'000	2014 £'000
Non-current financial liabilities		
Secured bank loans	2,105	-
Current financial liabilities		
Current portion of secured bank loans	636	-

Terms and debt repayment schedule

	Currency	Nominal interest rate	Maturity date	Carrying amount 2015 £'000
Loan 1	Sterling	2.0% plus base rate	See note 20	1,628
Loan 2	Sterling	2.5% plus base rate	See note 20	1,113
				2,741

The value of the collateral to these loans is supported by the collateral being the land and buildings carrying value of £3.1m.

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.

Commencing from the current financial year the new segmentation is based on analysing Eckoh UK and Eckoh Inc (US). The necessary information to produce current period segment analysis under the old basis and prior period under the new basis is not available due to the prohibitive and excessive costs associated with the need to separate the reporting information.

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. The UK & US entities operate independently and costs are not shared between them.

Current period segment analysis under the new basis

	Eckoh UK £'000	Eckoh Inc £'000	Total 2015 £'000	Total 2014 £'000
Segment Revenue	16,983	175	17,158	14,035
Gross profit	12,952	151	13,103	10,215
Administrative expenses	(12,372)	(129)	(12,501)	(10,425)
Operating profit / (loss)	580	22	602	(210)
Interest received	20	-	20	57
Finance expense	-	-	-	(1,214)
Interest payable	(19)	-	(19)	-
Finance income	1,518	-	1,518	-
Profit / (loss) before taxation	2,099	22	2,121	(1,367)
Taxation	(16)	-	(16)	1,665
Profit after taxation	2,083	22	2,105	298

	Eckoh UK £'000	Eckoh Inc £'000	Total 2015 £'000	Total 2014 £'000
Segment assets				
Trade receivables	3,422	136	3,558	1,763
Deferred tax asset	4,938	-	4,938	4,267
Segment liabilities				
Trade and other payables	2,967	53	3,020	1,905
Capital expenditure				
Purchase of tangible assets	4,558	461	5,019	355
Purchase of intangible assets	337	54	391	603
Depreciation	689	1	690	678
Amortisation	1,699	11	1,710	1,306

In 2014/15, there were two customers that individually accounted for more than 10% of the total revenue of the continuing operations of the Company (2013/14: two customers). Revenue from the largest customer totalled £2,559,000 (2013/14: £2,132,000) with the second largest customer generating revenue of £2,065,000 (2013/14: £2,052,000) both exclusively within the UK segment.

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. Since the acquisition of Veritape, all employees have been relocated to the Hemel Hempstead office and the business has been fully integrated within the Eckoh organisation and is not reported on separately within the organisation. The key segments now reviewed at Board level are the UK & US operations.

	Eckoh UK £'000	Eckoh Inc £'000	2015 £'000	2014 £'000
Revenue by geography				
UK	16,770	-	16,770	13,329
United States of America	186	175	361	631
Rest of the World	27	-	27	75
Total Revenue	**16,983**	**175**	**17,158**	14,035

Prior period segment analysis under the old basis

	Eckoh	Veritape	Total 2014 £'000
Segment Revenue	12,715	1,320	14,035
Gross profit	8,937	1,278	10,215
Administrative expenses	(9,871)	(554)	(10,425)
Operating (loss) / profit	(934)	724	(210)
Finance income			57
Finance expense			(1,214)
(Loss) / profit before taxation			(1,367)
Taxation			1,665
Profit after taxation			298
Segment assets			
Trade receivables	1,565	198	1,763
Segment liabilities			
Trade and other payables	1,552	353	1,905
Capital expenditure			
Purchase of property, plant & equipment	356	-	355
Purchase of intangible assets	555	48	603

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

5. Profit / (loss) from Operating Activities

	2015 £'000	2014 £'000
The Group's loss or profit from operating activities is arrived at after charging:		
Employee benefits expense (note 6)	6,208	5,189
Depreciation (note 12)	690	678
Amortisation (note 11)	1,710	1,306
Operating lease payments – property (note 24)	442	486

6. Employee Benefits Expense

	2015 £'000	2014 £'000
Wages and salaries	4,793	3,924
Less: Internal development costs capitalised in the year	(232)	(572)
Amortisation of internal development costs	357	254
Social security costs	884	953
Pension costs	84	31
Share based payments	322	599
	6,208	5,189

The Directors' Report on page 39 provides further details on the Directors' emoluments. The average number of people (including Executive Directors) employed by the Group during the year was:

	2015 number	2014 number
Technical support	61	51
Customer services	16	16
Administration and management	39	26
	116	93

Excluded from the table above are 20 (2014: 13) full time equivalent casual call centre employees who cost £256,893 (2014: £162,000) 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:

	2015 £'000	2014 £'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	40	39
Other tax advisory services	40	-
Total fees payable to the Group's auditor	95	54

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

8. Interest Receivable and Payable

Continuing operations

	2015 £'000	2014 £'000
Bank interest receivable	20	57
	20	57

Continuing operations

	2015 £'000	2014 £'000
Bank interest payable	(19)	-
	(19)	-

9. Taxation

Tax recognised in profit and loss

	2015 £'000	2014 £'000
Current tax expense		
Current year	117	117
Adjustments in respect of prior periods	(79)	-
	38	117
Deferred tax credit		
Origination and reversal of temporary differences	37	(986)
Recognition of previously unrecognised tax losses	-	(796)
Prior year adjustment	(59)	-
	(22)	(1,782)
Total tax charge / (credit)	16	(1,665)

£910,000 (2014: £642,000) 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 21% (2014: 23%). The differences are explained below:

Continuing operations

	2015 £'000	2014 £'000
Profit for the year	2,105	298
Total tax charge / (credit)	16	(1,665)
Profit / (loss) excluding tax	2,121	(1,367)

Profit / (loss) multiplied by rate of corporation tax in the UK of 21% (2014: 23%)	445	(314)
Effect of expenses not deductible for tax purposes	112	321
Adjustments in respect of prior periods (current and deferred)	(137)	-
Share scheme relief	(82)	-
Effect of income not taxable for tax purposes	(318)	(177)
Deferred tax not recognised	(2)	(2,405)
Effect of tax rate adjustment on closing recognised deferred tax balance	(2)	910
Tax charge / (credit) for the year	16	(1,665)

Recognition of deferred tax assets and liabilities

	Assets		Liabilities		Net	
	2015 £'000	2014 £'000	2015 £'000	2014 £'000	2015 £'000	2014 £'000
Capital allowances differences	376	501	(2)	-	374	501
Short term timing differences arising from share based payments	1,901	931	-	-	1,901	931
Tax losses	2,661	2,835	-	-	2,661	2,835
Intangible assets	-	-	(860)	(1,123)	(860)	(1,123)
Tax losses carried forward	4,938	4,267	(862)	(1,123)	4,076	3,144

Movement in deferred tax balances during the year

	2015 £'000	2014 £'000
Balance at 1 April	3,144	2,040
Recognised in income statement	22	1,782
Recognised in Other Comprehensive Income	910	642
Recognised through business combinations	-	(1,320)
Balance at 31 March	4,076	3,144

Unrecognised deferred tax assets

There are unprovided deferred taxation assets totalling £662,000 (2014: £664,000) in respect of trading losses and £6,265,000 (2014: £6,265,000) in respect of capital losses of which £4,483,000 (2014: £4,483,000) are restricted.

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 220,333,985 (2014: 214,704,448) in issue during the year ended 31 March 2015 after adjusting for shares held by the Employee Share Ownership Plan of 9,156 (2014: 9,156) and shares held in the Employee Benefit Trust of 344,750 (2014: 55,343) and the profit for the period attributable to equity holders of the parent of £2,105,000 (2014: £298,000).

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 27). 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 28,847,335 (2014: 39,468,000).

Denominator

	2015 £'000	2014 £'000
Weighted average number of shares in issue in the period	220,334	214,704
Shares held by employee ownership plan	(9)	(9)
Shares held in Employee Benefit Trust	(345)	(55)
Number of shares used in calculating basic earnings per share	219,980	214,640
Dilutive effect of share options	28,847	39,468
Number of shares used in calculating diluted earnings per share	248,827	254,108

11. Intangible Assets

Group

	Goodwill £'000	Internally developed computer software £'000	Other intangible assets £'000	Total £'000
Cost				
At 1 April 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
Additions	-	391	-	391
Disposals	-	-	-	-
At 31 March 2015	**3,418**	**2,852**	**6,630**	**12,900**
Amortisation				
At 1 April 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
Charge for the year	-	390	1,320	1,710
Disposals	-	-	-	-
At 31 March 2015	**-**	**2,253**	**2,330**	**4,583**
Carrying amount				
At 31 March 2015	**3,418**	**599**	**4,300**	**8,317**
At 31 March 2014	3,418	598	5,620	9,636

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

The additions within Goodwill and Other intangible assets in the prior year arose from the acquisition of Veritape Limited as disclosed in note 27.

On an annual basis the impairment review of goodwill is undertaken to determine a value in use calculation for each cash generating (CGU) using cash flow projections. In this regard management has performed a profitability forecast of Veritape Limited over the next five years which are based on the latest three year plan approved by the Board, modified as appropriate to reflect the latest conditions and are satisfied that the carrying values of Goodwill and Other Intangible Assets are supported.

As a result, no impairment has been recorded in the current year. 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 for the three main products; Call Recording, Call Guard and Haloh.

The calculated Net Present Value of acquired business including the tax amortisation benefit is projected to be £15.7m (2014: £9.5m). The increase in value is mainly driven by the demand for the CallGuard onsite solution in the USA acquired through the Veritape acquisition and launch of the new product Haloh. As a result, no impairment has been recorded in the current year. 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%.

Sensitivity to the changes in assumptions

If forecast revenues fell by more than 60%, this is likely to result in an impairment in the carrying values of Veritape Limited.

12. Tangible Assets

	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 April 2013	-	7,171	7,171
Additions	-	356	356
Disposals	-	(95)	(95)
Acquired through business combination	-	36	36
At 31 March 2014	-	7,468	7,468
Additions	3,068	1,951	5,019
Disposals	-	(95)	(95)
At 31 March 2015	3,068	9,324	12,392
Depreciation			
At 1 April 2013	-	5,987	5,987
Charge for the year	-	678	678
Disposals	-	(95)	(95)
Acquired through business combination	-	36	36
At 31 March 2014	-	6,606	6,606
Charge for the year	10	680	690
Disposals	-	(95)	(95)
At 31 March 2015	10	7,191	7,201
Carrying amount			
At 31 March 2015	3,058	2,133	5,191
At 31 March 2014	-	862	862

Purchase of Telford House.

During the year the Group purchased its head office building in Hemel Hempstead using loan facilities of £2.9m of which £2.7m (2014: nil) remains outstanding.

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

	2015 £'000	2014 £'000
Work in progress	224	104
	224	104

15. Trade and Other Receivables

Current

	2015 £'000	2014 £'000
Trade receivables	3,558	1,763
Less: provision for impairment of receivables	-	-
Net trade receivables	3,558	1,763
Other receivables	488	28
Prepayments and accrued income	2,987	1,785
	7,033	3,576

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.

Management believe that no provision for the impairment of receivables is needed based on their historic experience and current knowledge of customers and amounts due.

16. Short-term Investments

There were no short term investments held at 31 March 2015 and prior year.

17. Cash and Cash Equivalents

	2015 £'000	2014 £'000
Sterling	4,387	7,341
US dollars	32	-
	4,419	7,341

	2015 £'000	2014 £'000
Floating rate	4,387	7,341
US dollars	32	-
	4,419	7,341

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 0.40% (2014: 0.38%).

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

18. Trade and Other Payables

	2015 £'000	2014 £'000
Trade payables	2,383	1,599
Other payables	637	306
Corporation tax creditor	55	117
Other taxation and social security	706	541
Accruals and deferred income	2,436	2,881
Subtotal	6,217	5,444
Contingent consideration	-	1,952
	6,217	7,396

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 £87,000 (2014: £7,000).

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 2014	216,084,577	540
Shares issued on acquisition of Veritape Limited	6,443,704	16
Shares issued under the share option schemes	553,000	2
At 31 March 2015	223,081,281	558

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

	Non-current contingent consideration £'000	Loans £'000	Provision for dilapidations £'000	Deferred tax £'000	Total £'000
At 1 April 2014	2,941	-	43	1,123	4,107
Loan drawdown	-	2,105	-	-	2,105
Utilised during the year	-	-	-	(261)	(261)
Credit to the profit and loss in the year	(1,518)	-	-	-	(1,518)
Shares issued	(787)	-	-	-	(787)
Amounts released unused	-	-	(43)	-	(43)
At 31 March 2015	636	2,105	-	862	3,603

The Contingent Consideration is in respect of the acquisition of Veritape Limited detailed in note 27, and is payable in July 2016. Note 27 gives further details on the estimation techniques undertaken by management in determining the level of contingent consideration.

Following the acquisition of the Group's Telford House offices in December 2014 the dilapidation provision will not be payable and has therefore been released.

Loans and borrowings

In December 2014 the Group secured two bank loan facilities with a combined carrying amount of £2.7m at 31 March 2015 to assist with the purchase of the head office Telford House located in Hemel Hempstead.

The first loan of £1.6m is repayable over a period of 5 years. Eleven quarterly repayments of £40,700 will commence in March 2017 with a single final repayment instalment sufficient to repay the remaining Loan in full on maturity. A fixed interest is payable at a monthly rate of 2% per annum plus a variable base rate currently at 0.5%.

The second loan of £1.3m is repayable over a period of 2 years with 8 quarterly instalments of £159,000 commencing March 2015. A fixed interest is payable at a monthly rate of 2.5% per annum plus a variable base rate currently at 0.5%.

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 page 45 and in the Directors Report on page 39.

The 2010 Eckoh plc ***Bonus scheme*** paid half of any bonus payable to executives and key management personnel in the form of deferred nil cost share options. The awards relating to the 2010/11 financial year were made on 30 June 2011 ("calculation date") with further detail available in the Remuneration Report on page 45. 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:

	26 Mar 2012	8 Jun 2012	12 Jun 2014	5 Dec 2014	25 Mar 2015
Share price (pence)	10.875	11.125	46.16	46.25	37.50
Exercise price (pence)	11.0	11.25	37.5	46.25	46.5
Number of employees	13	2	1	1	1
Shares under option	1,275,000	300,000	500,000	150,000	500,000
Vesting period (years)	3	3	3	3	3
Expected volatility	42%	40%	26%	20%	22%
Option life (years)	10	10	10	10	10
Expected life (years)	3	3	3	3	3
Risk free rate	2.75%	2.75%	1.76%	1.76%	1.76%
Expected dividends expressed as a dividend yield	-	-	-	-	-
Fair value per option (pence)	3.15	3.18	8.89	6.89	6.08

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 2015 is shown below:

	2015		2014	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 April	30,607,608	0.85	34,882,644	1.24
Granted	1,150,000	0.43	-	-
Exercised	(973,348)	5.34	(4,275,036)	4.02
Lapsed	-	-	-	-
Forfeited	-	-	-	-
Outstanding at 31 March	30,784,260	0.85	30,607,608	0.85
Exercisable at 31 March	12,772,817	0.27	6,924,960	0.66

	2015				2014			
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	-	27,474	0.74	7.7	-	27,793	1.7	8.7
4.5 – 6.5	5.13	460	-	4.9	5.13	513	-	5.9
8.5 – 10.5	8.75	125	-	2.3	8.64	225	-	2.3
10.5 – 12.5	11.05	1,575	-	6.8	11.05	1,575	1.0	8.0
37.5 – 39.5	37.5	500	3.0	10.0	-	-	-	-
44.5 – 46.5	46.44	650	2.3	0.2	-	-	-	-

The total charge for the year relating to employee share based payment plans was £322,000 (2014: £599,000) 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

	2015 £'000	2014 £'000
Wages and salaries	649	632
Social security costs	81	80
Pension costs	60	53
Share based payments	303	582
	1,093	1,347

The aggregate Directors' emoluments are shown in the table below. An analysis of Directors' emoluments is included in the Directors' Report on page 45.

Directors

	2015 £'000	2014 £'000
Aggregate emoluments	614	703
	614	703

Rented apartment

An apartment owned by Nik Philpot is rented to Eckoh Group for use by company employees when on business. The rent is paid on monthly basis and was charged at comparable market rates. The expense in the year was £10,800 (2014: £10,800). There was no amount receivable or payable at the end of the current or prior year. There were no amounts written off in the current or prior year.

24. Operating Lease Commitments

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

Land and buildings

	2015 £'000	2014 £'000
Expiring within one year	320	476
Expiring within two to five years	401	721
	721	1,197

The Group has 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.

Prior to its acquisition in December 2014 the Group also had an operating lease for the head office in Hemel Hempstead for which the annual operating lease charge was £103,000 for the ground and first floors and £52,000 for the second floor of the same building.

25. Cash Flow from Operating Activities

Cash flows from operating activities

	2015 £'000	2014 £'000
Profit after taxation	2,105	298
Interest income	(20)	(57)
Interest payable	19	-
Finance expense	-	1,214
Finance income	(1,518)	-
Taxation	278	117
Increase in deferred tax	(262)	(1,782)
Depreciation of property, plant and equipment	690	678
Amortisation of intangible assets	1,710	1,306
Share based payments	322	599
Operating profit before changes in working capital and provisions	3,324	2,373
Increase in inventories	(120)	(75)
Increase in trade and other receivables	(3,457)	(139)
Decrease in trade and other payables	976	2,657
Decrease in provisions	(43)	-
Net cash generated in operating activities	680	4,816

Prior year movements in inventory, receivable and payable balances have been adjusted by balances acquired through the acquisition of Veritape Limited detailed in note 27.

26. Legal Fees and Settlement Costs

In November 2013, Eckoh received a High Court action relating to an alleged infringement and invalidity of Semafone's UK Patent (No. GB 2,473,376). In March 2015 a confidential settlement was reached to the mutual benefit of both parties. Under the settlement, Semafone has granted a worldwide licence to their granted patents, trademarks and patent applications covering certain dual tone multi-frequency ("DTMF") masking methods of taking secure payments over the phone, for the benefit of Eckoh, its customers and suppliers. In consideration of the licence, Eckoh will pay Semafone royalties in respect of the patents. The costs of defending the case after deducting insurance reimbursements were £0.5m. The agreement allows Eckoh to sell its CallGuard solution anywhere in the world without threat of future litigation.

27. 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 resulted in a finance expense of £1.2m being charged to the income statement in the prior 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.

Analysis of assets and liabilities acquired:

	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. **Haloh:**

Haloh 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.

Amendment of Veritape Limited Deferred Consideration

On 18 August 2014 the Company reached an agreement to amend the deferred consideration payable in respect of the acquisition of Veritape Limited ("Veritape") originally announced on 11 June 2013.

Since the acquisition of Veritape, all employees have been relocated to the Hemel Hempstead office and the business has been largely integrated within the Eckoh organisation. Over time it has been increasingly difficult to separate the activities of Eckoh and Veritape and it has become apparent that a full integration of the businesses in a shorter timeframe would be beneficial.

Under the original share purchase agreement, the deferred consideration was based on the financial performance of Veritape resulting largely from the sales of their own product lines. It has been determined that it would be in the best interests of the Company to amend this agreement such that the performance element of the deferred consideration payable to the Veritape management is based on achieving goals which are aligned to the strategy of the Group as a whole.

Under the original agreement, deferred consideration of up to 16,618,785 ordinary shares of 0.25 pence in the capital of the Company ("Ordinary Shares") and cash of up to £1.7m could be paid to the former Veritape shareholders dependent on the achievement of certain profit before tax targets arising from the activity of Veritape Limited. As at 31 March 2014 it was estimated that £1.0m of cash and 9.9m shares would be issued in contingent consideration. Using the share price at 31 March 2014 of 39.125p, the total liability recognised on the Statement of Financial Position amounted to £4.9m.

Under the terms of the new agreement there is no cash element and the deferred consideration of up to a maximum of 10,739,507 Ordinary Shares (£4.3m, based on the average share price for the 20 dealing days preceding 4 August 2014) was to become payable as follows:

- 6,443,704 Ordinary Shares will be issued with immediate effect to the Veritape shareholders ("First Tranche");
- Up to a further 1,073,951 Ordinary Shares can be earned dependent on the achievement of a group target of $3.4m of contracted revenues from activity in the USA in the year from 1 July 2014 to 30 June 2015 ("Second Tranche"); and
- Up to a further 3,221,852 Ordinary Shares can be earned dependent on the achievement of a group revenue target of $7.4m from activity in the USA in the year from 1 July 2015 to 30 June 2016 ("Final Tranche").

The shares being issued under the First Tranche are subject to lock-in periods, with the two main beneficiaries of the deferred consideration, the two founder Directors of Veritape, being subject to lock-in for a period of two years and the other beneficiaries being subject to a lock-in until September 2015.

It is estimated that the targets set for the Second Tranche of Ordinary Shares will not be achieved and no Shares will be issued with respect to this Tranche. It is estimated that the probability of the target being achieved to release the Final Tranche is 50%. As a result contingent consideration of 1,610,925 Ordinary Shares has been provided for. Using the share price as at 31 March 2015 of 39.125p, the value of the contingent consideration as at 31 March 2015 is £0.6m. The net impact of the reduction in contingent consideration offset by the increase in share price has resulted in a credit of £1.5m to Finance Income in the period.

28. 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 2015 of 0.37 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 2 October 2015 with payment on 30 October 2015. The ex-dividend date will be 1 October 2015. 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 £0.8m.

Company Financial Statements

Prepared under UK GAAP

Company Balance Sheet

as at 31 March 2015

	Notes	2015 £'000	2014 £'000
Fixed Assets			
Investments	ii	16,249	15,927
		16,249	15,927
Current assets			
Debtors: amounts falling due within one year	iii	14	28
Cash at bank and in hand		2,503	5,784
		2,517	5,812
Creditors: amounts falling due within one year	iv	(3,339)	(7,838)
Net current liabilities		(822)	(2,026)
Total assets less current liabilities		15,427	13,901
Creditors: amounts falling due after one year	v	(636)	(2,941)
Net assets		14,791	10,960
Capital and reserves			
Called up share capital	viii, ix	558	540
ESOP Reserve	ix	(135)	(22)
Capital redemption reserve	ix	198	198
Share premium account	ix	5,175	2,411
Share based payment	ix	1,621	1,299
Currency reserve	ix	33	-
Profit and loss account	ix	7,341	6,534
Total shareholders' funds		14,791	10,960

The financial statements were approved and authorised for issue by the Board of Directors on 24 June 2015 and signed on its behalf by:

Adam Moloney
Group Finance Director

Company Registration Number 3435822

Eckoh

Notes to the Company's Financial Statements

for the year ended 31 March 2015

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 55.

i. Operating expenses

Staff costs

Details of the Directors' emoluments are given in the Directors' Report on page 47. The Director's remuneration costs are borne by a subsidiary undertaking. The Company did not incur any staff costs during the year (2014: £nil). The average number of employees employed by the Company during the year was 4 (2014: 4).

Services provided by the Group's auditor

Fees payable for the audit of the parent company and consolidated accounts of £15,000 (2014: £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 2014	21,579	1,334	22,913
Additions	-	322	322
At 31 March 2015	21,579	1,656	23,235
Impairment			
At 1 April 2014 and 31 March 2015	(6,986)	-	(6,986)
Net Book Value			
At 31 March 2015	14,593	1,656	16,249
At 31 March 2014	14,593	1,334	15,927

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 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 2015 £'000	31 March 2014 £'000
Other debtors	-	2
Prepayments and accrued income	14	26
Amounts due within one year	14	28

iv. Creditors: amounts falling due within one year

	31 March 2015 £'000	31 March 2014 £'000
Amounts owed to group undertakings	3,330	5,629
Other creditors and accruals	9	257
Contingent consideration	-	1,952
	3,339	7,838

v. Creditors: amounts falling due after one year

	31 March 2015 £'000	31 March 2014 £'000
Contingent consideration	636	2,941
	636	2,941

The Contingent Consideration is in respect of the acquisition of Veritape Limited detailed in note 27 to the consolidated accounts, and is payable in July 2016. Note 27 to the consolidated accounts gives further details on the estimation techniques undertaken by management in determining the level of contingent consideration.

vi. Provisions for liabilities and charges

	31 March 2015 £'000	31 March 2014 £'000
Total unprovided deferred tax assets are as follows:		
Tax losses available	2,172	2,174
Unprovided deferred tax asset	2,172	2,174

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

vii. Profit and loss account

The Directors have taken advantage of the exemption available under section 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company alone. During the year ended 31 March 2015 the Company made a profit of £1,527,000 (2014: loss of £1,159,000).

viii. Share capital

Allotted, called up and fully paid

Share type Ordinary shares of 0.25p each	Number of shares	Nominal Value £'000
As at 1 April 2014	216,084,577	540
Shares issued on acquisition of Veritape Limited	6,443,704	16
Shares issued under the share option schemes	553,000	2
As at 31 March 2015	223,081,281	558

ix. Share capital and reserves

	Share capital £'000	ESOP reserve £'000	Capital redemption reserve £'000	Share premium account £'000	Share based payment £'000	Currency reserve account £'000	Profit and loss account £'000	Total share-holders' equity £'000
Balance at 1 April 2014	540	(22)	198	2,411	1,299	-	6,534	10,960
Profit for the year	-	-	-	-	-	-	1,527	1,527
Dividends paid in year	-	-	-	-	-	-	(695)	(695)
Shares issued on acquisition of Veritape Ltd.	16	-	-	2,722	-	-	-	2,738
Shares issued under the share option schemes	2	-	-	42	-	-	-	44
Shares acquired by Employee Benefit Trust	-	(113)	-	-	-	-	(25)	(138)
Currency reserve	-	-	-	-	-	33	-	33
Share option charge	-	-	-	-	322	-	-	322
Balance at 31 March 2015	558	(135)	198	5,175	1,621	33	7,341	14,791

x. Share options and share based payments

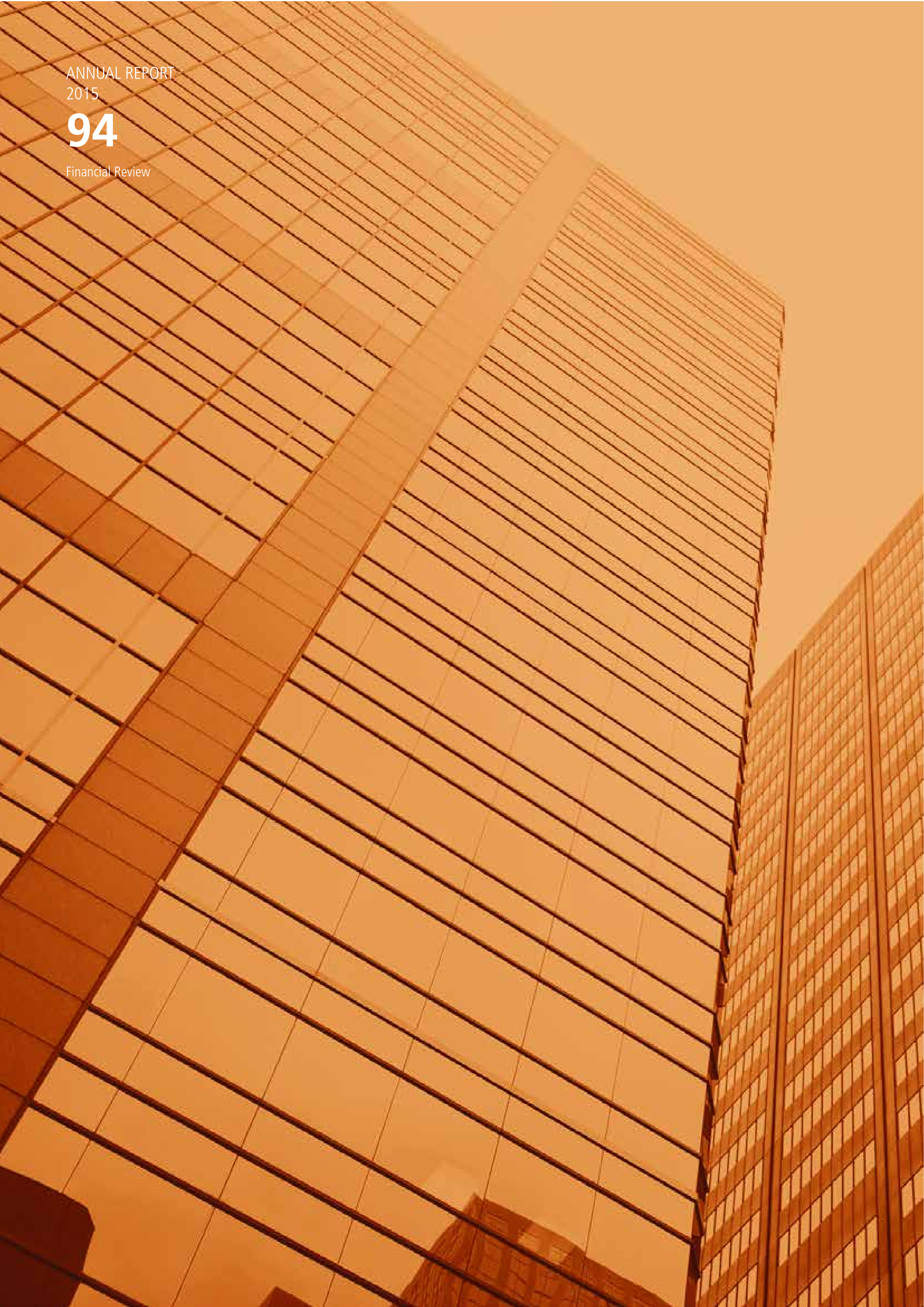
Share options and share based payments are disclosed in note 21 to the Consolidated Financial Statements.

xi. Related party transactions

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

xii. Events after the balance sheet date

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2015 of 0.37 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 2 October 2015 with payment on 30 October 2015. The ex-dividend date will be 1 October 2015. 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 £0.8m.



Shareholder information

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

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C. Ansell – Non-executive Director
N.B. Philpot – Chief Executive Officer
A.P. Moloney – Group Finance Director and Company Secretary

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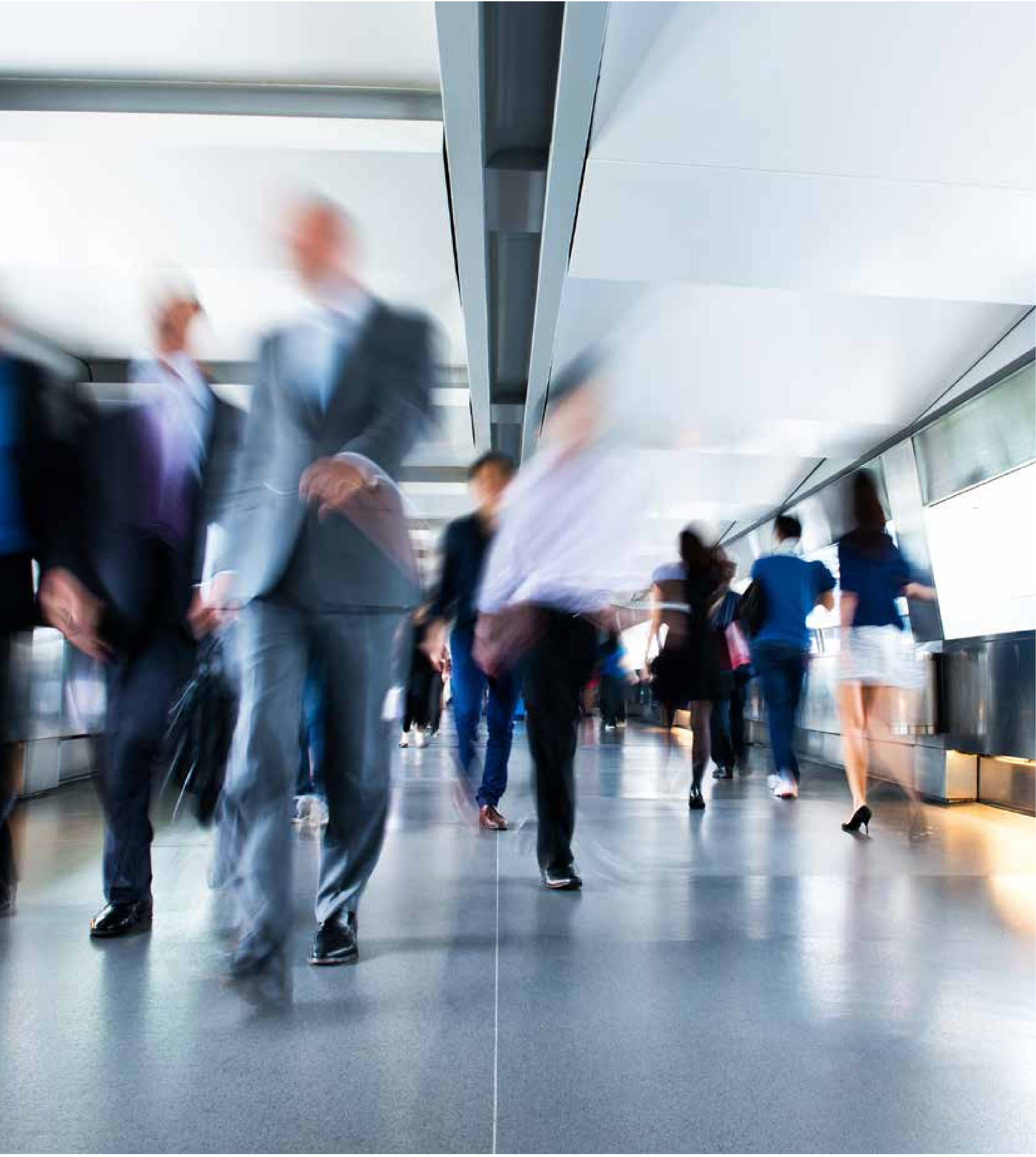

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