Eckoh

Annual Report 2016

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Strategic Report

> The Company is well positioned to execute on the exceptional market opportunity available to it in the UK, US and other global markets.

Highlights of the Year

Eckoh plc (AIM: ECK), the global provider of secure payment products and customer contact solutions, is pleased to announce its final results for the year ended 31 March 2016.

OPERATIONAL HIGHLIGHTS:

- Completed the acquisition of Product Support Solutions, Inc ("PSS") in November 2015 to further establish presence in US and support future growth
- Nine contracts won in US Secure Payments operation (FY15: four) including the first West contract
- Thirteen new UK contracts secured including Thames Water, the Co-operative Group, Ecotricity and a global on-line retailer
- Two largest UK clients renewed for a minimum of four years and all other significant clients renewed
- Patents awarded for new tokenisation payments solution Haloh in the UK and core Secure Payments solution CallGuard in the US

CURRENT TRADING:

- US distributor agreement with West updated for three- year period
- Three-year US secure payments contract worth $2m won with global insurance company via West
- Three-year contract worth an estimated $5m won with US telecommunications provider

FINANCIAL HIGHLIGHTS:

£22.5m up 31%

REVENUE

(2014/5 £17.2m)

from **£0.2m** to **£4.0m** up

REVENUE FROM THE US

now **79%** up

UK RECURRING REVENUE

now 79% of total revenue (2014/5: 76%)

£16.8m up 29%

GROSS PROFIT

(2014/5: £13.1m)

£4.1m up 22%

ADJUSTED* OPERATING PROFIT

(2014/5: £3.4m)

£5.4m up 20%

ADJUSTED** EBITDA

(2014/5: £4.5m)

£2.5m up

PROFIT FROM OPERATING ACTIVITIES

(2014/5: £0.9m loss***)

0.45p up 20%

DIVIDEND

The Board is recommending a 20% increase in full year dividend to 0.45 pence per share

(FY15: 0.375 pence per share)

* excludes expenses relating to share option schemes, acquired intangible amortisation and expenses relating to acquisitions

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

*** Restated as set out in note 1

Chairman's Statement

> I am pleased to be able to report on another year of significant progress made by Eckoh. Whilst the financial growth of the company continues following an eighth successive year of revenue, margin and profit growth, there have been a number of milestone events that will benefit the company in the years to come.

Chris Batterham, Chairman

Most notably, in November 2015, Eckoh completed the acquisition of Product Support Solutions Inc. ("PSS") to support the growth of the US subsidiary created by Eckoh in early 2014. PSS have a long history of providing infrastructure support to organisations with large contact centres and are ideally placed to support the hardware implementations being undertaken by Eckoh in the US. We were particularly pleased that the management of PSS all decided to remain with the business and have played a significant part in merging the two US businesses into one corporate entity. Whilst we fully expected that PSS would complement our business, we have been delighted to report that PSS has delivered two multi-million dollar contracts in the first few months following the acquisition. As we enter the new financial year, PSS and Eckoh are now fully integrated with the sales and technical team of PSS fully trained on the Eckoh portfolio of payment products.

We have also been pleased with the organic progress made in the US with nine new clients being contracted in the year taking the US Secure Payment client count to fourteen since creating the subsidiary. We have further established the company by taking a lease for some office space in Omaha, Nebraska; hiring an experienced Head of Sales and renewing our Distribution Agreement with the West Corporation.

Back in the UK, we continue to be successful in securing new customers, primarily through demand for our Secure Payment solutions. The UK has also been successful in making sales into countries such as France, South Africa and Morocco. Whilst we have no sales or marketing activity in these regions, the security of credit card data in contact centres is a global issue and these sales have been converted from enquiries to our website. Equally importantly, we continue to be successful in retaining long relationships with our clients demonstrated by renewals for significant periods by both of our largest customers.

Looking ahead, we believe that an increasing proportion of sales in the years ahead will be covered by our new tokenisation solution for which a UK patent was awarded recently. A patent in the US is pending and is expected to be granted in the next 12 months. We recognise that it is important that we invest in Research & Development activity to ensure the success enjoyed by the company is extended for a prolonged period.

After almost seven years of service, Clive Ansell has chosen to step down from the Board with effect from our forthcoming Annual General Meeting. The Company has changed dramatically over that period and on behalf of the Board, I would like to thank him for his contribution over the years. The search for Clive's replacement is at an advanced stage and we expect to make an announcement in this regard in the near future. In addition, commensurate with the size and growth of the company we expect to appoint an additional non-executive director before the end of the year.

Over the course of the last two years, our team has increased from 93 employees to 195 over the course of the last two years. We have a large base of employees with long periods of service which has been supplemented by a group of ambitious new employees who help to bring a great energy to the company. The employee base continues to be the single largest factor in the success of the company and I would like to take this opportunity to thank them all for their commitment and exceptional efforts during the year.

Business Review

> In view of the strong performance in the year, and reflecting the Board's confidence in the Group's prospects, we are also pleased to propose a full year dividend of 0.45p per share.

Nik Philpot, CEO

Introduction

We are pleased to report on the eighth successive year of revenue and margin growth for the Group and the third with growth exceeding 20%. As we entered the 2015/6 financial year our primary strategic goal was to consolidate and expand our newly established US operation. The acquisition of Product Support Solutions Inc ("PSS") in November 2015, for consideration of £5.0m (£4.0m after adjusting for £1.0m of cash acquired), has enabled us to accelerate our growth in the US market as well as broaden our proposition. Coupled with ongoing organic growth, the Company is well positioned to execute on the exceptional market opportunity available to it in the UK, US and other global markets.

In view of the strong performance in the year, and reflecting the Board's confidence in the Group's prospects, we are also pleased to propose a full year dividend of 0.45p per share.

Operational Review

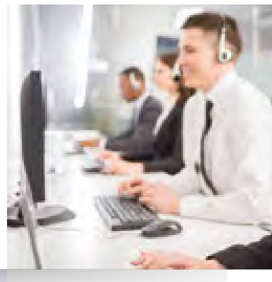
UK Division

In the UK, we have seen a further year of good growth with revenue increasing 8.9% from £17.0m to £18.5m. During the year the Company has secured contracts with 13 new clients, taking the overall client count to 66 in the UK for clients which generate more than £25,000 per annum. Equally importantly, churn remains virtually zero with all significant clients (those who generate more than £25,000 per annum) renewing for a further period when their existing contracts expired. This included the contracts for our two largest UK clients where we have been able to successfully negotiate a four-year renewal with the first, a global financial services company, which was won through a global procurement process working alongside our US partner West Corporation ("West"). The second was a five-year renewal with home shopping company Ideal Shopping Direct which has been a client since 2005 and is now owned by Blackstone. This new contract saw us not only renew the existing business but broaden the solution to include the future addition of web chat and social media.

During the year there have also been a number of contract wins and as has been the case in recent years, the majority have come from the Secure Payments side of the business. These include contracts with Thames Water, the Co-operative Group, Ecotricity and a global on-line retailer. The level of cross-selling between Secure Payments and Customer Contact remains high and the split between clients only taking Secure Payments services compared to clients taking Customer Contact solutions (which may also include payments) is currently 23/77.

The Company's R&D activity remains predominantly in the UK and the grant of the UK patent for the Haloh tokenisation payments solution was the culmination of several years of development effort. Eckoh's other patented payments solution, CallGuard, enables Contact Centre agents to process credit card payments without being exposed to the card details, also preventing them from being recorded by the call recording solution. The newly patented solution also works to stop sensitive data from being exposed to IT systems and staff members. It substitutes sensitive data which passes through the merchant's environment,such as credit card numbers with a token. The token is worthless to a criminal if stolen during a data breach, but can be used for the merchant's payments, which are processed via Eckoh's data centres. This process can also be applied to web and mobile payments, enabling Eckoh to provide a patented solution that caters for payments made through any digital channel.

Since its launch in May 2015 the tokenisation solution has rapidly become the leading sales proposition in the Group's Secure Payments portfolio and the patent grant will ensure that Eckoh can protect the unique nature of the solution and our market-leading position. It is anticipated that sales interest will grow significantly as appreciation of the EU General Data Protection Regulation becomes more widespread. This legislation will have the power to impose severe financial penalties when it takes effect in 2018 and the ability for our solution to tokenise and secure not only card data but other forms of personal data such as email addresses, bank details, social security numbers and names and addresses provides an effective and elegant way for companies to mitigate risk.



US Division

The partial contribution from PSS alongside the organic growth of the Secure Payments business saw US revenue in 2015/6 grow to £4.0m (2014/5: £0.2m).

In only the second full year of trading for our US subsidiary we were successful in closing nine new contracts for Secure Payments in the US during the year and to date we have secured 15 in total. These included our first win through our Distributor Agreement with West in January to provide CallGuard to a major global media and entertainment group. This contract has been followed by the announcement earlier this month of a second contract worth $2m over the three-year term for Eckoh to provide our patented tokenisation payments solution to over 5,000 US-based agents employed by a leading global insurance company. These contracts both illustrate that, whilst the sales cycle with the target market of large, Fortune 500 corporations has proved lengthy, contracts are now emerging from the West pipeline which remains substantial. Alongside this latest contract we have successfully renegotiated the West Distributor Agreement on a non-exclusive basis for a new three-year period. This follows the recent successes on both sides in winning new Secure Payments contracts, with West continuing to focus on the largest enterprise market and Eckoh more on the mid-market opportunity, which we believe to be significant. A key strategy for the year ahead is to evaluate additional reseller arrangements that will give us access to established relationships and a larger sales resource to gain even greater traction in this fast growing market.

When we entered the US market the expectation was originally that the bulk of the Secure Payments contracts would be for hosted solutions, as they are in the UK. However, it became clear that US corporations had a greater predilection for owning infrastructure than we see in the UK, requiring a shift in how we addressed the market. The subsequent acquisition of PSS meant that we would be able to successfully implement and support secure payment on-site installations across the vast US continent, without incurring unsustainable levels of operational expenditure. Its employee base of over fifty US nationals spread across twenty US states incorporates highly experienced field engineers and professional services resource that will enable Eckoh to have expertise on-site anywhere in the country within a matter of hours.

Whilst the primary rationale for acquiring PSS was to support the anticipated growth of the Secure Payments business in the US, its established and profitable Contact Centre support business has also enabled us to create a sustainable and attractive US Customer Contact operation alongside that of Secure Payments. We see huge benefit in the UK from having both business lines with significant cross-selling activity and we would anticipate the same to be true in the US.

As part of the integration process a single US trading entity has been created, combining PSS with Eckoh's secure payment business. Cross-training has been completed by the PSS operations team to enable them to fully support the Secure Payment product suite. The combined US sales team is now led by a seasoned Senior Executive Vice President who joined in May to support and accelerate the anticipated growth, as well as join the US Board.

PSS had a long history of working with blue chip US corporations with large Contact Centre operations and since the acquisition the newly integrated and enlarged US business has secured a number of profitable Customer Contact contracts including a $2m contract with a global communications company and most recently a three-year contract with a US telecommunications corporation that is expected to generate in excess of $5m in revenue over the contract term. These large contract wins have been supported by a number of more typical smaller ones including a three-year deal with Con-Edison, one of the largest investor-owned US energy firms, and a support contract with Integra, one of the largest facilities-based providers of communication and networking services in the western United States. We are also seeing encouraging progress introducing the Secure Payments proposition into the historic PSS customer base.

In March 2016 we announced that a contract had been won with Children's Healthcare of Atlanta for our tokenisation payments solution; the first in the US for this technology. It has been followed by the West contract in early June and the solution now represents a significant proportion of our pipeline. We anticipate that the US patent will follow the UK patent for our tokenisation payments solution in due course, as it did for the CallGuard patent that was awarded in the US in November 2015, some 17 months after the UK award.

With the focus on tightening credit card and data security increasing in the US over recent months, Eckoh is well placed to capitalise on the opportunity in a market estimated to be at least seven times larger than the UK.

Board Change

After serving as a Non-executive Director of Eckoh for seven years, Clive Ansell has decided to step down from the Board at the forthcoming Annual General Meeting in September. The Board would like to take this opportunity to thank Clive for his considerable contribution to Eckoh over the past seven years and wish him all the best for the future. We have already begun the search for his replacement who we would expect to be in place by the time of the AGM and furthermore, in view of the continued growth of the business we intend to strengthen the Board further with the appointment of a third Non-executive Director. We are looking forward to providing an update on both appointments in due course.

Current Trading and Outlook

The early months of the year have indicated that this could be a breakthrough year in the US with the closure of two multi-million dollar deals in June. These will contribute significantly to the second half financial performance of the Company in 2016/7, which we expect to result in a more pronounced second half weighting than we have historically seen. Over and above these successfully concluded contracts, there is a large pipeline of opportunity with particular interest in the payment tokenisation products that have recently launched.

The Company has made two acquisitions since 2013 and these acquisitions have integrated within the wider business very successfully, contributing to the ongoing growth of the Group. The Board continues to look for other opportunities in line with its acquisition strategy and in particular, profitable and growing businesses which would bring Eckoh complementary technologies or enhanced reach and scale.

In view of the opportunities for growth, both organic and via acquisition, the Board therefore looks forward to 2016/7, and the years beyond that, with great optimism and excitement.

Financial Review

Revenue

Revenue in the year increased by 31% to £22.5m (2014/5: £17.2m) while margin increased by 29% to £16.8m (2014/5: £13.1m). Excluding the contribution from the acquisition of PSS, organic revenue growth increased by 7% to £18.5m. Much of this organic revenue growth came from the strong inflow of high margin payment customers with organic gross margin increasing by 17% to £15.3m. The Group has also maintained a high proportion of recurring revenue with 79% of revenue in the UK being represented by revenues that repeat on a monthly basis.

Profitability Measures

The Operational gearing inherent in the business continues to result in a large proportion of revenue and margin growth flowing through to the profitability of the Company.

Adjusting for the impact of amortising acquired intangible assets, share option schemes and non-recurring items operating profit has increased by 22% to £4.1m (2014/5: £3.4m). Similarly, adjusted EBITDA (calculated in the table below) has increased from £4.5m to £5.4m, an increase of 20%.

Statement of Financial Position

Cash flow from operations was strong in the period at £5.2m (2014/5: £0.7m) leading to cash increasing from £4.4m at the end of the last financial year to £6.6m at 31 March 2016.

The loan outstanding at the end of the previous financial year was repaid following the agreement for a new £5m loan that also part funded the acquisition of PSS.
The total consideration for PSS was $7.6m (approximately £5.0m) in a mix of cash and shares. After accounting for $1.4m (approximately £0.9m) of cash in PSS, the net consideration comprises $6.2m (approximately £4.0m).

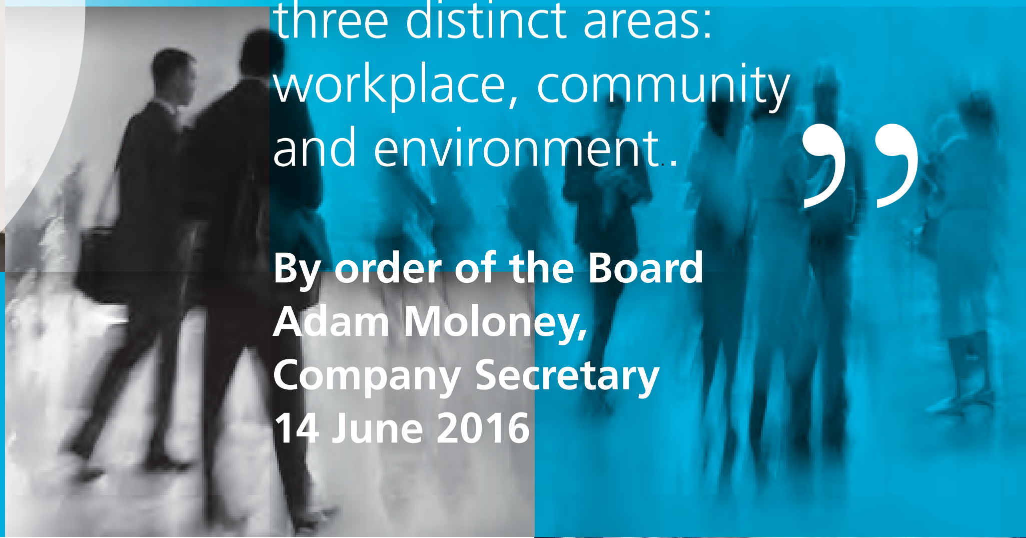
	Year ended 31 March 2016 £'000	Year ended 31 March 2015 (restated)* £'000
Profit / (loss) before tax	**2,406**	(871)
Amortisation of intangible assets	**2,008**	1,710
Depreciation	**799**	690
Transactions relating to acquisitions	**(500)**	1,474
Legal fees and settlement costs -	**-**	527
Expenses relating to share option schemes585	**585**	939
Interest receivable	**(11)**	(20)
Finance expense	**77**	19
Adjusted EBITDA	**5,364**	4,468

* See note 1 in the notes to the financial statements

Corporate Responsibility

OUR BUSINESS

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



By order of the Board
Adam Moloney,
Company Secretary
14 June 2016

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 talented people of the highest calibre.

At Eckoh, we've created an award winning, colourful, dynamic and collaborative working environment where employees find flexibility, an open planned office and the environment to thrive in their roles.

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.

At Eckoh, we strive to create a really positive working environment to help our employees enjoy their work, be successful in their role and deliver on business goals. In recognising the outstanding efforts of our employees, we've introduced our recognition Scheme, Reward and Value Everyone ("RAVE"), where each month employees are able to nominate their peers to receive a recognition award.

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 achieved a Good Employer status that recognises the strength of the Company's working practices and employee care.

We continue to look to increase the number of people employed by the Company and are pleased to have seen our FTE employee base increase from 116 to 195 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 offer a suite 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.

Our robust Induction programme for all new starters spans over a number of weeks after joining to ensure that all new employees are welcomed and receive the adequate training and information to become successful in their role.

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.

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

Communication

We maintain our enthusiastic and motivated workforce through effective two-way communication. Staff members are regularly informed of matters, both positive and negative, that are affecting the business. This news is relayed with a feedback request through 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 and have trained First Aiders on office premises.

For employees or guests with reduced mobility, our offices are fully accessible with elevators to each floor and disabled parking spaces. 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 and regularly organise for external therapists to treat our employees to sports massages and reflexology.

IN THE COMMUNITY

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

Christmas Charity – DENS

In the lead up to Christmas 2015, the Eckoh team were busy collecting gifts and everyday essentials from employees to donate to a local homeless charity, Dacorum Emergency Night Centre ("DENS"). DENS is on the frontline, tackling homelessness and poverty in Dacorum, Hertfordshire by giving people the chance to build a better future.

Bake Off and Egg painting contest for Apple Down Rescue

Inspired by the Easter weekend, Eckoh held an Easter themed bake sale and Easter Egg painting contest! To continue the theme of the Easter Bunny, all the proceeds went to Appledown Rescue. They are a rescue and rehoming Kennel, who have been taking in stray dogs from many locations.

British Heart Foundation

Eckoh put their spring cleaning to good use and cleared out their wardrobes in aid of The British Heart Foundation. There were around 20 bags donated to the charity and were greatly received by the charity.

Kings Langley School

Our HR team were delighted to visit Kings Langley school in March 2016 for a careers fair. It was a great opportunity to speak to our local community and inspire those just at the beginning of their career paths about careers at Eckoh and provide support and guidance to parents and students about entering the world of work.

Janice Wright, Careers Guidance said "I am writing to say a sincere thank you for attending our recent Careers Fair, your time and commitment were very much appreciated. Yet again the feedback we received from students and parents who attended the event was very positive and everyone felt that it was very worthwhile."

Gaddesden Riding School for The Disabled Volunteer Day

In September 2015, 25 Eckoh employees, gave up a day out of their busy work schedules to support Gaddesden Riding School for the disabled. By volunteering a hard day of painting, the outside of the riding school was weatherproofed for the winter and ready for horse riding.

Text Santa

Eckoh supported Macmillan Cancer support, Make a Wish and Save the children by joining in with the Christmas Jumper day.

Action for Children - Byte Night

Byte Night is Action for Children's biggest annual fundraiser; a national 'sleep-out' event. Each year, hundreds of like-minded people from the technology and business arena give up their beds for one night to help change the lives of vulnerable young people. Eckoh supported this event by sponsoring the breakfast provided to employees participating at the event.

Diabetes UK

Eckoh participated 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 Diabetes UK, a charity chosen by our employees and raised £660 for the charity.

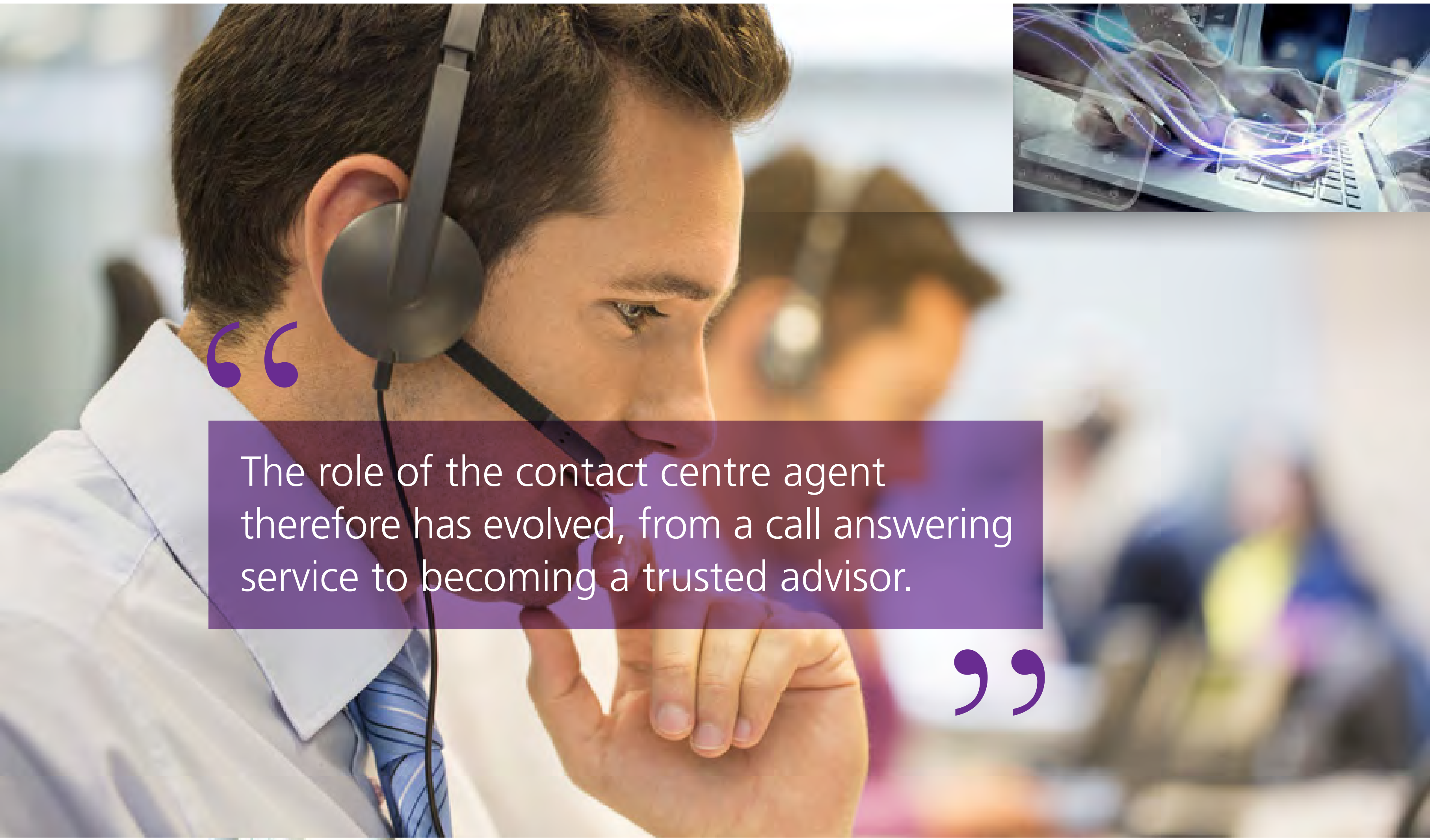
IN THE ENVIRONMENT

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:

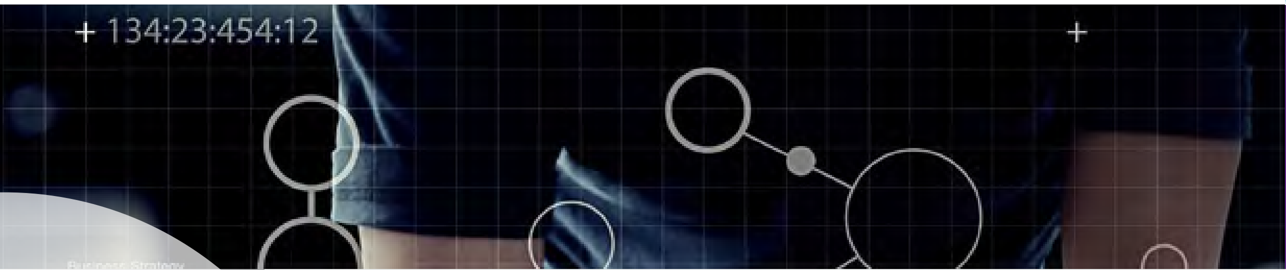
- **Reduced business travel through the use of web and phone based conferencing systems**
- **Energy efficient and motion sensor lighting in our offices**
- **Comprehensive recycling programs in all possible locations**
- **Photo copiers set to double-sided, black and white printing to reduce paper/ink 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.**

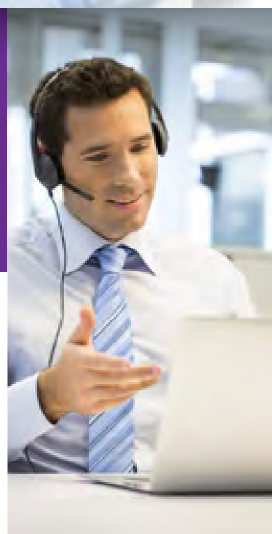
Market Review



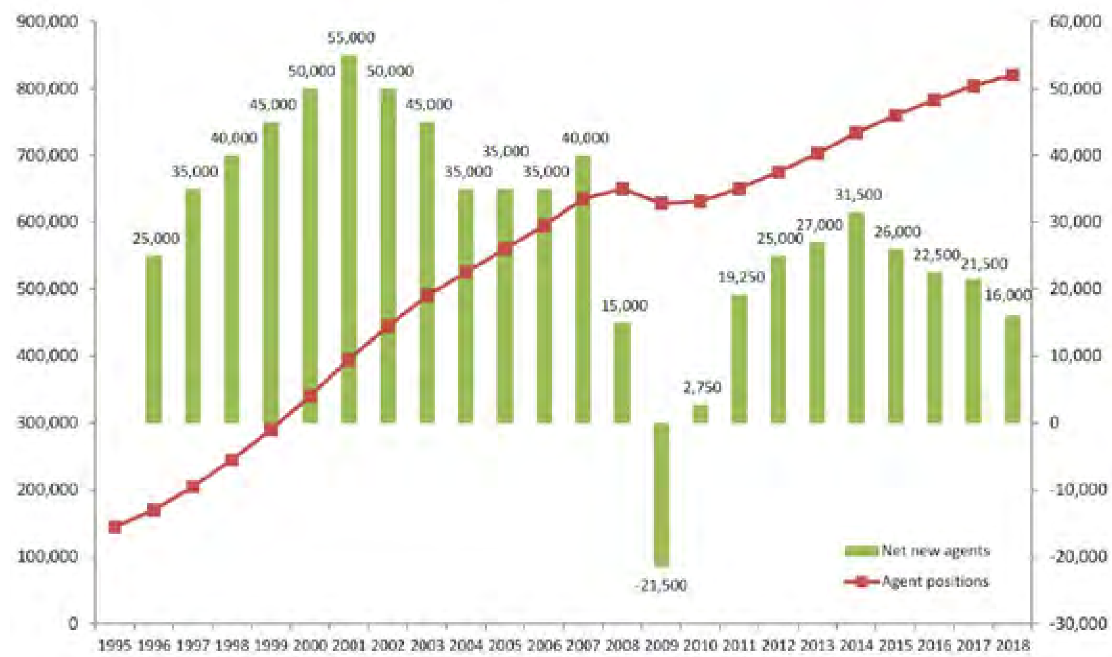
> The role of the contact centre agent therefore has evolved, from a call answering service to becoming a trusted advisor.

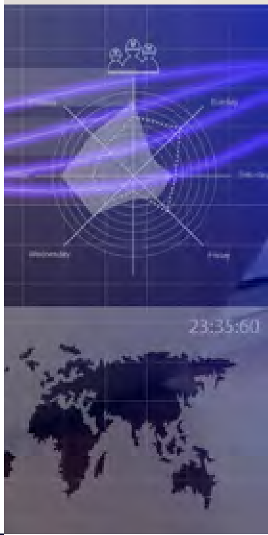
From Call Centre to Contact Centre



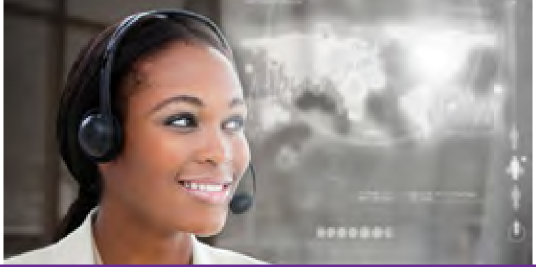


Agent Positions 1995-2018





Source: Contact Babel, 'Contact centres 2015



DO CONTACT CENTRES STILL TAKE CALLS?

Several decades ago businesses created call centres. They employed large numbers of agents and implemented IVRs to help manage high call volumes. This was primarily to reduce the cost of serving their customers.

Gone are the days when a customer will only contact an organisation through phone or email. Consumers are now in control and are defining how and where they will be serviced - through mobile phone and tablets apps; laptop/desktop internet browsers; as well as traditional landlines. People want immediate assistance when they contact a company and expect to be dealt with quickly and without delay.

Today they want their contact (and transactions) to be convenient and secure. Whilst 83% of consumers still prefer to talk over the phone, they also want to interact using:

- **web chat**
- **social media**
- **video**
- **email**
- **SMS**
- **mobile**
- **apps**

Across all demographics, the voice channel is still the primary method of communication used to contact organisations, quickly followed by self-service channels.

This doesn't mean to say that the voice channel is becoming less important to customers; it has just been augmented by others ways of achieving the same or similar goal.

People still want to want to speak to an agent, but instead of phoning for general queries which they can source from elsewhere, they phone for answers or assistance to more complex enquiries. This changing customer behaviour has had three major impacts on organisations:

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

So How Have Call Centres Needed to Change?

Call centres have now become contact centres. The role of the contact centre agent therefore has evolved, from a call answering service into becoming a trusted advisor.

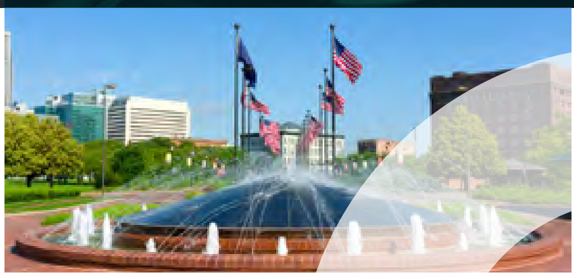
Contact centre agents now have to multi-task, using multiple-channels. Additionally, they are taking a growing number of credit card payments for goods and services over the phone.

Organisations have struggled to keep up with the change in consumer technology and need to catch up. It's a real challenge!

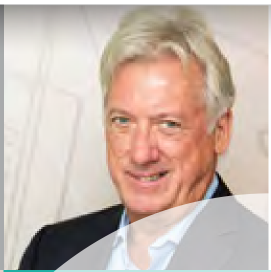
The reason why organisations seek an expert like Eckoh, is to help them join up their consumer activity, provide a seamless multichannel experience and enable secure payments over the phone.

Governance Report

> 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.

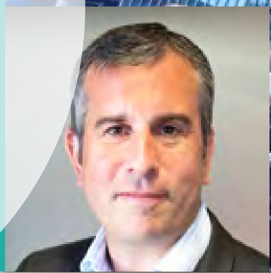


Board of Directors

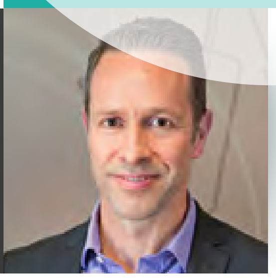


CHRIS BATTERHAM
Non-Executive
Chairman

CLIVE ANSELL
Non-Executive
Director



ADAM MOLONEY
Group Finance
Director



NIK PHILPOT
Chief Executive
Officer

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, Blue Prism Group 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 Director

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.

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 29 years' experience in the voice services industry; he was originally at British Telecom before establishing 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 contact services for the contact centre industry.

ADAM MOLONEY

Group Finance Director

Adam has been Finance Director at Eckoh since 2004 and has seen the Group through a period of continuous change over that time. Prior to joining the Company in 2003 he worked in senior financial roles for a number of organisations and immediately prior to joining Eckoh, was Manager of Finance & Operations for the UK arm of New York based IT hardware reseller, Resilien Inc.

Directors' Report

The Directors of Eckoh plc present their annual report, together with the audited financial statements of the Company and the Group for the year ended 31 March 2016.

By order of the Board
Adam Moloney,
Company Secretary
14 June 2016

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 8) and the Business Review (pages 10 to 13) report on the progress made in the financial year under review.

The subsidiary undertakings are listed on page 64.

Results and Dividends

The audited financial statements and related notes for the year ended 31 March 2016 are set out on pages 40 to 74. The Group's profit for the year is set out in the consolidated statement of comprehensive income on page 40.

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 2016 of 0.45 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 7 October 2016 with payment on 4 November 2016. The ex-dividend date will be 6 October 2016. 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 £1.1m.

Research and Development

The Group capitalised £0.5m (2015: £0.4m) 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 46 to 74. 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 cash and cash equivalents and to note 17 for trade and other payables.

Related Party Transactions

Related party transactions are disclosed in note 22.

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 29 September 2016. 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 pages 24 to 25.

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 Batterham will retire by rotation and puts himself forward for re-election at the Annual General Meeting. In addition, any Director who has at the start of the Annual General Meeting been in office for more than three years since his last appointment or re-appointment shall retire. N Philpot has not been elected to office for a period of more than three years at the start of the Annual General Meeting and shall retire and put himself forward for re-election at the upcoming Annual General Meeting.

C Ansell has decided to resign from office as a non-executive Director with effect from the date of the Annual General Meeting. A replacement is currently being sought.

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:**

	14 June 2016 Ordinary shares of 0.25 pence each	31 March 2016 Ordinary shares of 0.25 pence each	1 April 2015 Ordinary shares of 0.25 pence each
N B Philpot (i)	5,704,873	5,704,873	4,704,873
A P Moloney	1,250,000	1,250,000	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 that are included above.

Directors' Share Options

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

	Note	At 1 April 2015 (number)	Granted in year (number)	Forfeited in year (number)	Exercised in year (number)	At 31 March 2016 (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	-	-	685,998	2,157,991	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	-	-	710,997	710,997	0.00	01.01.14	01.01.23
	b	1,421,994	-	-	710,997	710,997	0.00	01.01.15	01.01.23
	b	1,421,995	-	-	710,998	710,997	0.00	01.01.16	01.01.23
	c	2,132,992	-	-	1,066,496	1,066,496	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 32.

b) Granted under the 2012 Eckoh plc Long Term Incentive Plan ("2012 LTIP"). The number of shares that ultimately vested was subject to the satisfaction of share price targets. The share price targets were comfortably exceeded and all of the shares are now exercisable.

c) Granted under the 2012 Eckoh plc Long Term Incentive Plan ("2012 LTIP"). The number of shares that ultimately vested was subject to the satisfaction of share price targets. The share price targets were comfortably exceeded and all of the shares are now exercisable.

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 18 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 20 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 2016 the amount of trade creditors shown in the balance sheet represents 46 days of average purchases for the Group (2015: 97 days). The Company had no trade creditors at 31 March 2016 or 31 March 2015.

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.

Corporate Governance

The Board of Eckoh plc recognises its responsibilities to maintain high standards of corporate governance throughout the Group.

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 Board intend to appoint an additional Non-executive director during the 2016/7 financial year.

The biographical details of the Board members are set out on page 25.

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	2016 Total £'000	2015 Total £'000
C Ansell (i)	30	-	-	30	30
C M Batterham (ii)	50	-	-	50	50
A P Moloney (iii)	140	59	30	229	217
N B Philpot (iv)	207	87	40	334	317
Total	**427**	**146**	**70**	**643**	**614**

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 (2015: £26,000). The remainder of the other benefits paid to A P Moloney relate to private healthcare costs of £2,000 (2015: £2,000)

(iv) Included within the other benefits paid to N B Philpot is an employer pension contribution of £35,000 (2015: £35,000). The amount of £2,000 (2015: £2,000) paid to N B Philpot within other benefits relate to private healthcare costs.

Share options were exercised by both directors during the year. Share options details are disclosed in the Director's Report on page 28.

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 2016/7 financial year following a benchmarking exercise against similar companies listed on AIM markets. It was concluded that the salary for N Philpot should be increased to £275,000 per annum and that the salary for A Moloney should be increased to £175,000 per annum. Both increases took effect from 1 April 2016.

Both Non-Executive Directors have service contracts terminable on six months' notice. No change has been agreed for the fees received by the Non-Executive Directors

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 2016, performance against targets resulted in a bonus payment of 42% of 2015/6 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. Following consultation with 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 were 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 were 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 were also able to 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 could only be achieved in the event that the share price met a target of 28 pence per share by 31 December 2015. On 31 December 2015, the share price of the company was 50.25 pence an increase of more than ten times the share price when the original LTIP was implemented.

Towards the end of 2015 the Remuneration Committee took professional advice on long-term remuneration arrangements for Executive Directors beyond December 31 2015. A proposal was presented to the largest shareholders of the company in January 2016. Following discussions with these shareholders the company have implemented an option scheme which will issue a maximum of 2% of the share capital each year for the next 3 years, options to be issued at market price. None of these options will be awarded to the Executive Directors in 2016.

At March 31 2016, Nik Philpot holds 6,423,974 fully vested options and 5,704,873 shares, Adam Moloney 3,199,487 fully vested options and 1,250,000 shares.

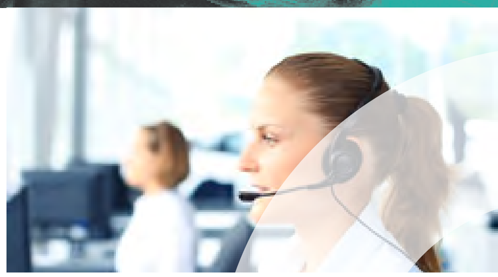
Nomination Committee

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

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ANNUAL REPORT

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



Company law requires the directors to prepare group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with IFRSs as adopted by the EU and applicable law and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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.

Audit Report for Eckoh plc

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF ECKOH PLC

We have audited the financial statements of Eckoh plc for the year ended 31 March 2016 set out on pages 40 to 86. 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 the preparation of the parent company financial statements is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice), including FRS 101 Reduced Disclosure Framework.

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 set out on page 35, 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 of the parent company's affairs as at 31 March 2016 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 EU;**
- **the parent company financial statements have been properly prepared in accordance with UK Generally Accepted Accounting Practice;**
- **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

14th June 2016

Financial Statements

Consolidated Financial Statements

CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 March 2016

	Notes	2016 £'000	2016 £'000	2015 £'000 (restated - see note 1)	2015 £'000 (restated - see note 1)
Continuing operations					
Revenue	4		22,450		17,158
Cost of sales			(5,607)		(4,055)
Gross profit	4		16,843		13,103
Administrative expenses before expenses relating to share options schemes, acquisition costs, amortisation of acquired intangible assets and legal fees and settlement costs		(12,702)		(9,715)	
Profit from operating activities before expenses relating to share option schemes, acquisition costs, amortisation of acquired intangible assets and legal fees and settlement costs		4,141		3,388	
Amortisation of acquired intangible assets	11	(1,584)		(1,320)	
Legal fees and settlement costs		-		(527)	
Transactions relating to acquisitions	28	500		(1,474)	
Expenses relating to share option schemes		(585)		(939)	
Total Administrative expenses	4		(14,371)		(13,975)
Profit / (loss) from operating activities	5		2,472		(872)
Interest payable	8		(77)		(19)
Interest receivable	8		11		20
Profit / (loss) before taxation			2,406		(871)
Taxation	9		(468)		(16)
Profit / (loss) for the year			1,938		(887)
Other Comprehensive income					
Items that will be reclassified subsequently to profit or loss:					
Foreign currency translation differences -foreign operations			101		97
Other Comprehensive income for the year, net of income tax			101		97
Total comprehensive income for the year attributable to the equity holders of the parent company			2,039		(790)
Profit per share (pence)	10				
Basic earnings per 0.25p share			0.86		(0.40)
Diluted earnings per 0.25p share			0.77		(0.40)

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 March 2016

	Notes	2016 £'000	2015 £'000 (restated - see note 1)	2014 £'000 (restated - see note 1)
Assets				
Non-current assets				
Intangible assets	11	9,262	4,899	6,218
Tangible assets	12	5,376	5,191	862
Deferred tax asset	9	4,774	4,938	4,267
		19,412	15,028	11,347
Current assets				
Inventories	14	748	224	104
Trade and other receivables	15	9,127	7,049	3,576
Cash and cash equivalents	16	6,617	4,419	7,341
		16,492	11,692	11,021
Total assets		35,904	26,720	22,368
Liabilities				
Current liabilities				
Trade and other payables	17	(10,676)	(6,217)	(5,996)
Other interest-bearing loans and borrowings	3	(1,000)	(636)	-
		(11,676)	(6,853)	(5,996)
Non-current liabilities				
Other interest-bearing loans and borrowings	3	(3,750)	(2,105)	-
Other payables		-	-	(212)
Deferred tax liability	9	(1,633)	(862)	(1,123)
Provisions		-	-	(43)
		(5,383)	(2,967)	(1,378)
Net assets		18,845	16,900	14,994
Shareholders' equity				
Share capital	18	600	558	540
ESOP Reserve		(17)	(135)	(22)
Capital redemption reserve		198	198	198
Share premium		2,612	2,561	1,330
Merger reserve		2,353	1,081	1,081
Currency reserve		157	56	(41)
Retained earnings		12,942	12,581	11,908
Total shareholders' equity		18,845	16,900	14,994

The financial statements were approved by the Board of Directors on 14th June 2016 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 2016

	Share capital	ESOP reserve	Capital redemp-tion reserve	Share premium	Merger reserve	Retained earnings	Currency reserve	Total share-holders equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2014	540	(22)	198	2,411	-	11,197	(41)	14,283
Restatement (note 1)	-	-	-	(1,081)	1,081	711	-	711
Balance at 1 April 2014 (restated)	540	(22)	198	1,330	1,081	11,908	(41)	14,994
Loss	-	-	-	-	-	(887)	-	(887)
Retranslation	-	-	-	-	-	-	97	97
Total comprehensive income (restated)	**-**	**-**	**-**	**-**	**-**	**(887)**	**97**	**(790)**
Transactions with owners of the Company								
Contributions and distributions								
Dividends paid in the year	-	-	-	-	-	(695)	-	(695)
Shares to be issued relating to the acquisition of Veritape Limited	16	-	-	1,189	-	-	-	1,205
Shares transacted through Employee Benefit Trust	-	(113)	-	-	-	(25)	-	(138)
Shares issued under the share option schemes	2	-	-	42	-	-	-	44
Share based payment charge	-	-	-	-	-	1,370	-	1,370
Deferred tax on share options	-	-	-	-	-	910	-	910
Total contributions and distributions (restated)	**18**	**(113)**	**-**	**1,231**	**-**	**1,560**	**-**	**2,696**
Total transactions with owners of the Company (restated)	**18**	**(113)**	**-**	**1,231**	**-**	**1,560**	**-**	**2,696**
Balance at 31 March 2015 (restated)	558	(135)	198	2,561	1,081	12,581	56	16,900

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONTINUED)

as at 31 March 2016

	Share capital £'000	ESOP reserve £'000	Capital redemption reserve £'000	Share premium £'000	Merger reserve £'000	Retained earnings £'000	Currency reserve £'000	Total shareholders equity £'000
Balance at 1 April 2015	558	(135)	198	2,561	1,081	12,581	56	16,900
Total comprehensive income								
Profit	-	-	-	-	-	1,938	-	1,938
Retranslation	-	-	-	-	-	-	101	101
Total comprehensive income	-	-	-	-	-	**1,938**	**101**	**2,039**
Transactions with owners of the Company								
Contributions and distributions								
Dividends paid in the year	-	-	-	-	-	(826)	-	(826)
Shares issued on acquisition of PSS Inc	7	-	-	-	1,272	-	-	1,279
Shares transacted through Employee Benefit Trust	-	118	-	29	-	(116)	-	31
Shares issued under the share option schemes	35	-	-	22	-	-	-	57
Share based payment charge	-	-	-	-	-	(1,078)	-	(1,078)
Deferred tax on share options	-	-	-	-	-	443	-	443
Total contributions and distributions	**42**	**118**	**-**	**51**	**1,272**	**(1,577)**	**-**	**(94)**
Total transactions with owners of the Company	**42**	**118**	**-**	**51**	**1,272**	**(1,577)**	**-**	**(94)**
Balance at 31 March 2016	**600**	**(17)**	**198**	**2,612**	**2,353**	**12,942**	**157**	**18,845**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 31 March 2016

	Notes	2016 £'000	2015 £'000
Cash flows from operating activities			
Cash generated in operations	24	5,227	680
Taxation		(53)	(101)
Net cash generated in operating activities		5,174	579
Cash flows from investing activities			
Purchase of property, plant and equipment	12	(927)	(5,019)
Purchases of intangible fixed assets	11	(537)	(391)
Interest paid	8	(77)	(19)
Interest received	8	11	20
Acquisition of subsidiary, net of cash acquired	27	(2,717)	-
Net cash utilised in investing activities		(4,247)	(5,409)
Cash flows from financing activities			
Dividends paid		(826)	(695)
Proceeds from new loan		5,000	2,900
Repayment of borrowings		(2,991)	(159)
Issue of shares		57	-
Shares acquired / sold by Employee Benefit Trust		31	(138)
Net cash generated in financing activities		1,271	1,908
Increase / (Decrease) in cash and cash equivalents		2,198	(2,922)
Cash and cash equivalents at the start of the period	16	4,419	7,341
Cash and cash equivalents at the end of the period	16	6,617	4,419

The notes on pages 46 to 74 form an integral part of these financial statements

Notes to the Financial Statements

For the year ended 31 March 2016

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 2016 as endorsed by the EU.

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 5 Non-current Assets Held for Sale and Discontinued Operations (mandatory for year commencing on or after 1 January 2016)
- IFRS 7 Financial Instruments (mandatory for year commencing on or after 1 January 2016)
- IFRS 16 Leases (mandatory for year commencing on or after 1 January 2019)
- IAS 19 Employee Benefits (mandatory for year commencing on or after 1 January 2016)
- IFRS 15 Revenue from Contracts with Customers (mandatory for year commencing on or after 1 January 2017). The impact this may have on our revenue recognition would be recognition of revenue on project milestones completed rather than percentage completion of each project.
- 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 2016.

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 opposite.

Prior Year Restatement

This company has reviewed the way the contingent consideration for the acquisition of Veritape Limited in the year ended 31 March 2014 has been accounted for. On further analysis the contingent consideration arrangement has a continuing employment clause which means that it should have been accounted for in accordance with IAS 19 Employee Benefits and IFRS 2 Share Based Payments and not as contingent consideration under IFRS 3.

As a result, contingent consideration payable recognised on acquisition of £3,680,000 has been reversed resulting in the reversal of goodwill originally recognised on the Veritape Limited acquisition of £3,418,000 and the recognition of negative goodwill, which is recognised immediately in the income statement of £262,000. In addition, employee remuneration charges of £1.9 million and £1.5 million for years ended 31 March 2014 and 31 March 2015 respectively, should have been charged to administration expenses with associated entries in equity £1.1 million (2015:£1.1 million) and creditors £0.8 million (2015:£0.4 million), rather than the fair value changes recorded for the changes in the contingent consideration of a charge of £1.2 million in interest payable in the year ended 31 March 2014 and a credit of £1.5 million in interest receivable in the year ended 31 March 2015.

The above adjustments change the profit after tax for the year ended 31 March 2014 of £298,000 to a loss after tax of £150,000 and the profit after tax in the year ended 31 March 2015 £2,105,000 to a loss of £887,000.

In the year ended 31 March 2016 there is a credit of £1,240,000 relating to the employee benefit expenses as no further payment is expected.

The excess of the nominal value over the fair value of the shares issued to acquire Veritape Limited have been moved from share premium to a merger reserve.

There have been a number of adjustments to the balance sheet and income statement to reflect the above which are set out below:

	2014 (as previously reported) £'000	Impact of Prior Period Adjustment £'000	2014 (restated) £'000
Intangible assets	9,636	(3,418)	6,218
Current liabilities – contingent consideration	(1,952)	1,400	(552)
Non-current liabilities - contingent consideration	(2,941)	2,729	(212)
Other assets / liabilities not impacted	9,540	-	9,540
Net assets	14,283	711	14,994
Shareholders' equity			
Share premium	2,411	(1,081)	1,330
Merger reserve	-	1,081	1,081
Retained earnings	11,197	711	11,908
Other equity entries not impacted	675	-	675
Total shareholders' equity	14,283	711	14,994

	2015 (as previously reported) £'000	Impact of Prior Period Adjustment £'000	2015 (restated) £'000
Intangible assets	8,317	(3,418)	4,899
Trade and other receivables	7,033	16	7,049
Non-current liabilities - contingent consideration	(636)	636	-
Other assets / liabilities not impacted	4,952	-	4,952
Net assets	19,666	(2,766)	16,900
Shareholders' equity			
Share premium	5,175	(2,614)	2,561
Merger reserve	-	1,081	1,081
Retained earnings	13,814	(1,233)	12,581
Other equity entries not impacted	677	-	677
Total shareholders' equity	19,666	(2,766)	16,900
Admin expenses	12,501	1,474	13,975
Finance income	(1,518)	1,518	-
Impact on income statement for the year ended 31 March 2015		2,992	

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 20)

The fair value of share based payments is estimated using the methods detailed in note 20 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.

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 2016, the Group recognised deferred tax assets of £4.8 million, including £3.1 million in respect of tax losses and tax credits. Deferred tax assets amounting to £0.6 million were not recognised in respect of trading losses and £5.6m in respect of capital losses of which £4m 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.

Transaction 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 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 non-financial 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

(a) 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.

(b) 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.

Merger Reserve represents consideration in excess of the nominal value of shares issued on certain acquisitions.

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.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase to equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

(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. This is measured by the minute when a user accesses our services and is billed to our customer on this basis.
- 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 and reflects movements in contingent consideration in the year.

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.

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.

The contractual maturities of financial liabilities are set out in note 19.

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
Impact on financial interest in the income statement: (loss)/gain	(33)	33

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

	2016 £'000	2015 £'000
Current financial assets		
Trade receivables (note 15)	5,456	3,558
Other receivables (note 15)	79	504
Cash and cash equivalents (note 16)	6,617	4,419
Total financial assets	**12,152**	8,481

Financial Liabilities

All financial liabilities held by the Group, except for contingent consideration, are measured at amortised cost and comprise trade payables of £1,370,000 (2015: £2,383,000) and other payables of £3,000 (2015: £637,000). See note 17 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.

	2016 £'000	2015 £'000
Non-current financial liabilities		
Secured bank loans	3,750	2,105
Current financial liabilities		
Current portion of secured bank loans	1,000	636

Terms and Debt Repayment Schedule

	Currency	Nominal interest rate	Maturity date	Carrying amount 2016 £'000
Bank Loan	Sterling	1.25% plus LIBOR.	See note 19	4,750

The collateral to these loans is the land and buildings carrying value of £3m.

4. SEGMENT ANALYSIS

The segmentation is based on analysing Eckoh UK including PSS UK and Eckoh Inc (US) which also includes PSS Inc.

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.

	Eckoh UK £'000	Eckoh US £'000	Total 2016 £'000	Total (restated) 2015 £'000
Current period segment analysis				
Segment Revenue	**18,492**	**3,958**	**22,450**	17,158
Gross profit	**15,266**	**1,577**	**16,843**	13,103
Administrative expenses	**(11,019)**	**(1,683)**	**(12,702)**	(9,715)
Adjusted operating profit	**4,247**	**(106)**	**4,141**	3,388
Amortisation, acquisition costs, expenses relating to share option schemes	**(1,563)**	**(106)**	**(1,669)**	(4,260)
Operating profit/ (loss)	**2,684**	**(212)**	**2,472**	(872)
Interest received	**11**	**-**	**11**	20
Interest payable	**(77)**	**-**	**(77)**	(19)
Profit /(loss) before taxation	**2,618**	**(212)**	**2,406**	(871)
Taxation	**(468)**	**-**	**(468)**	(16)
Profit/(loss) after taxation	**2,150**	**(212)**	**1,938**	(887)
Segment assets				
Trade receivables	**3,383**	**2,073**	**5,456**	3,558
Deferred tax asset	**4,622**	**152**	**4,774**	4,938
Segment liabilities				
Trade and other payables	**506**	**867**	**1,373**	3,020
Capital expenditure				
Purchase of tangible assets	**878**	**49**	**927**	5,019
Purchase of intangible assets	**6,371**	**-**	**6,371**	391
Depreciation	**756**	**43**	**799**	690
Amortisation	**2,008**	**-**	**2,008**	1,710

In 2015/16, no one customer individually accounted for more than 10% of the total revenue of the continuing operations of the company (2014/15: two customers). In 2014/5 revenue from the largest customer totalled £2,559,000 exclusively within the UK segment.

The key segments now reviewed at Board level are the UK & US operations.

	Eckoh UK £'000	Eckoh US £'000	2016 £'000	2015 £'000
Revenue by geography				
UK	**17,714**	**-**	**17,714**	16,770
United States of America	**162**	**3,676**	**3,838**	361
Rest of the World	**616**	**282**	**898**	27
Total Revenue	**18,492**	**3,958**	**22,450**	17,158

	Eckoh UK £'000	Eckoh Inc £'000	Total (restated) 2015 £'000
Prior period segment analysis			
Segment Revenue	16,983	175	17,158
Gross profit	12,952	151	13,103
Administrative expenses	(9,586)	(129)	(9,715)
Adjusted operating profit	3,366	22	3,388
Amortisation, acquisition costs, expenses relating to share option schemes	(4,260)	-	(4,260)
Operating profit/ (loss)	(894)	22	(872)
Interest received	20	-	20
Interest payable	(19)	-	(19)
Profit /(loss) before taxation	(893)	22	(871)
Taxation	(16)	-	(16)
Profit after taxation	(909)	22	(887)
Segment assets			
Trade receivables	3,422	136	3,558
Deferred tax asset	4,938	-	4,938
Segment liabilities			
Trade and other payables	2,967	53	3,020
Capital expenditure			
Purchase of tangible assets	4,558	461	5,019
Purchase of intangible assets	337	54	391
Depreciation	689	1	690
Amortisation	1,699	11	1,710

	Eckoh UK £'000	Eckoh Inc £'000	2015 £'000
Revenue by geography			
UK	16,770	-	16,770
United States of America	186	175	361
Rest of the World	27	-	27
Total Revenue	16,983	175	17,158

5. PROFIT FROM OPERATING ACTIVITIES

	2016 £'000	2015 (restated) £'000
The Group's profit from operating activities is arrived at after charging:		
Employee benefits expense (note 6)	**7,724**	7,682
Depreciation (note 12)	**799**	690
Amortisation (note 11)	**2,008**	1,710
Operating lease payments – property	**397**	442

6. EMPLOYEE BENEFITS EXPENSE

	2016 £'000	2015 (restated) £'000
Wages and salaries	**7,712**	4,793
Less: Internal development costs capitalised in the year	**(369)**	(232)
Amortisation of internal development costs	**337**	357
Social security costs	**1,011**	884
Pension costs	**113**	84
Share based payments	**160**	322
	8,964	6,208
Contingent consideration treated as employee expense	**(1,240)**	1,474
	7,724	7,682

The Directors' report on page 26 provides further details on the Directors' emoluments. The average number of people (including executive directors) employed by the Group during the year was:

	2016 Number	2015 Number
Technical support	**86**	61
Customer services	**19**	16
Administration and management	**64**	39
	169	116

Excluded from the table above are 25 (2015: 20) full time equivalent casual call centre employees who cost £269,269 (2015: £256,893) 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:

	2016 £'000	2015 £'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	57	40
Other tax advisory services	-	40
Corporate financial services	142	-
Total fees payable to the Group's auditor	**214**	95

8. INTEREST RECEIVABLE AND PAYABLE

	2016 £'000	2015 £'000
Bank interest receivable	11	20
	11	20

	2016 £'000	2015 £'000
Bank interest receivable	11	20
	11	20

9. TAXATION

	2016 £'000	2015 £'000
Tax recognised in profit and loss		
Current tax expense		
Current year	182	117
Adjustments in respect of prior periods	-	(79)
	182	38
Deferred tax credit		
Origination and reversal of temporary differences	286	37
Prior year adjustment	-	(59)
	286	(22)
Total tax charge	**468**	16

(£443,000) (2015: £910,000) 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 20% (2015: 21%). The differences are explained on the next page:

	2016 £'000	2015 £'000
Continuing operations		
Profit for the year	1,938	(887)
Total tax charge	468	16
Profit excluding tax	2,406	(871)
Profit multiplied by rate of corporation tax in the UK of 20% (2015: 21%)	481	183
Effect of (income)/expenses not deductible for tax purposes	(34)	56
Adjustments in respect of prior periods (current and deferred)	-	(137)
Share scheme relief	(38)	(82)
Deferred tax not recognised	5	(2)
Effect of tax rate adjustment on closing recognised deferred tax balance	(21)	(2)
Fixed asset differences	(1)	-
Additional overseas tax	76	-
Tax charge for the year	468	16

Recognition of Deferred Tax Assets and Liabilities

	Assets		Liabilities		Net	
	2016 £'000	2015 £'000	2016 £'000	2015 £'000	2016 £'000	2015 £'000
Capital allowances differences	173	376	-	(2)	173	374
Short term timing differences	1,509	1,901	-	-	1,509	1,901
Tax losses	3,092	2,661	-	-	3,092	2,661
Intangible assets	-	-	(1,633)	(860)	(1,633)	(860)
Tax losses carried forward	4,774	4,938	(1,633)	(862)	3,141	4,076

Movement in Deferred Tax Balances During the Year

	2016 £'000	2015 £'000
Balance at 1 April	4,076	3,144
Recognised in income statement	(286)	22
Recognised in Equity	443	910
Recognised through business combinations	(1,095)	-
Other	3	-
Balance at 31 March	3,141	4,076

Unrecognised Deferred Tax Assets

There are unprovided deferred taxation assets totalling £600,000 (2015: £662,000) in respect of trading losses and £5,638,000 (2015: £6,265,000) in respect of capital losses of which £4,035,000 (2015: £4,483,000) are restricted. The trading losses have not been recognised due to the uncertainty of the profits being available to utilise these.

10. EARNINGS PER SHARE

Basic earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares of 224,936,496 (2015: 220,333,985) in issue during the year ended 31 March 2016 after adjusting for shares held by the Employee Share Ownership Plan of 9,156 (2015: 9,156) and shares held in the Employee Benefit Trust of 37,750 (2015: 344,750) and the profit for the period attributable to equity holders of the parent of £1,938,000 (2015: loss of £887,000).

In calculating diluted earnings per share, the weighted average number of ordinary shares in issue, after adjusting for shares held by the Employee Share Ownership Plan and Employee Benefit Trust, is further adjusted to include the dilutive effect of potential ordinary shares. The potential ordinary shares represent share options granted to employees where the exercise price is less than the average market price of ordinary shares in the period. The total number of options in issue is disclosed in note 20.
The dilutive effect of potential ordinary shares outstanding at the end of the year is 27,997,386 (2015: 28,847,335).

	2016 '000	2015 '000
Denominator		
Weighted average number of shares in issue in the period	224,936	220,334
Shares held by employee ownership plan	(9)	(9)
Shares held in Employee Benefit Trust	(38)	(345)
Number of shares used in calculating basic earnings per share	224,889	219,980
Dilutive effect of share options	27,997	28,847
Number of shares used in calculating diluted earnings per share	252,886	248,827

11. INTANGIBLE ASSETS

Group	Goodwill	Internally developed computer software	Customer relationships	Intellectual property	Trade name	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Cost						
At 1 April 2014 (restated)	-	2,461	-	6,630	-	9,091
Additions	-	391	-	-	-	391
Disposals	-	-	-	-	-	-
At 31 March 2015 (restated)	-	2,852	-	6,630	-	9,482
Additions	2,613	537	2,565	385	271	6,371
Disposals	-	-	-	-	-	-
At 31 March 2016	**2,613**	**3,389**	**2,565**	**7,015**	**271**	**15,853**
Amortisation						
At 1 April 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
Charge for the year	-	424	211	1,352	21	2,008
Disposals	-	-	-	-	-	-
At 31 March 2016	**-**	**2,677**	**211**	**3,682**	**21**	**6,591**
Carrying amount						
At 31 March 2016	**2,613**	**712**	**2,354**	**3,333**	**250**	**9,262**
At 31 March 2015	-	599	-	4,300	-	4,899

On an annual basis the impairment review of goodwill is undertaken to determine a value in use calculation for each cash generating unit (CGU) using cash flow projections. In this regard management has performed a profitability forecast for PSS UK and PSS Inc 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.

Goodwill acquired through business combinations have been allocated to the following CGUs:

- PSS – UK
- PSS – US

These represent the lowest level within the Group at which goodwill is monitored for internal management purposes.

	Goodwill 31 March 2016 £'000	Goodwill 31 March 2015 £'000	Market growth rate %	Discount rate %
PSS – UK	348	-	5-10%	10%
PSS – US	2,265	-	5-10%	10%
Total	**2,613**	**-**		

No impairment has been recorded in the current year for PSS. The main assumptions which related to sales volume, selling prices and cost changes, are based on recent history and explanations of future changes in the market for the four main products and services provided: Support, Professional Services, Product Resale and Coral.

No impairment has been recorded in the current year. The discount rate applied to the cash flow forecasts is based on a market participant's pre – tax weighted average cost of capital of 10% adjusted for the specific risks in the CGUs.

Sensitivity to the Changes in Assumptions

If forecast revenues fell by 30%, no impairment in the carrying values of PSS UK and PSS Inc would be required.

12. TANGIBLE ASSETS

	Land and buildings £'000	Fixtures and equipment £'000	Total £'000
Cost			
At 1 April 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
Acquired through business combination	-	45	45
Additions	-	927	927
Foreign exchange	-	16	16
Disposals	-	(100)	(100)
At 31 March 2016	**3,068**	**10,212**	**13,280**
Depreciation			
At 1 April 2014	-	6,606	6,606
Charge for the year	10	680	690
Disposals	-	(95)	(95)
At 31 March 2015	10	7,191	7,201
Charge for the year	43	756	799
Disposals	-	(96)	(96)
At 31 March 2016	**53**	**7,851**	**7,904**
Carrying amount			
At 31 March 2016	**3,015**	**2,361**	**5,376**
At 31 March 2015	3,058	2,133	5,191

13. INVESTMENT IN SUBSIDIARY UNDERTAKINGS

The company has the following investments in subsidiaries, 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	Non trading	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)
Product Support Solutions Inc	United States of America	Support Solutions	100%

(i) Share capital held by a subsidiary undertaking.
All companies hold ordinary class shares and have March year- ends.
Information in relation to geographical operations is set out in note 4.

14. INVENTORIES

	2016 £'000	2015 £'000
Finished goods	741	224
Work in progress	7	-
	748	224

15. TRADE AND OTHER RECEIVABLES

	2016 £'000	2015 £'000
Current		
Trade receivables	5,463	3,558
Less: provision for impairment of receivables	(7)	-
Net trade receivables	5,456	3,558
Other receivables	79	504
Prepayments and accrued income	3,592	2,987
	9,127	7,049

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.

16. CASH AND CASH EQUIVALENTS

	2016 £'000	2015 £'000
Sterling	5,310	4,387
US dollars	1,307	32
	6,617	4,419

	2016 £'000	2015 £'000
Floating rate	5,310	4,387
US dollars	1,307	32
	6,617	4,419

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 0.41% (2015: 0.40%).

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

17. TRADE AND OTHER PAYABLES

	2016 £'000	2015 £'000
Trade payables	**1,370**	2,383
Other payables	**3**	637
Corporation tax creditor	**232**	55
Other taxation and social security	**4,196**	706
Accruals and deferred income	**4,875**	2,436
	10,676	6,217

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 £26,850 (2015: £87,000).

The significant increase in other taxation and social security is a result of income tax and national insurance arising from share options exercised towards the end of the year.

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

18. SHARE CAPITAL

Allotted called up and fully paid

	Number of shares	Nominal Value £'000
Share type		
Ordinary shares of 0.25p each		
At 1 April 2015	223,081,281	558
Shares issued on acquisition of PSS Inc	2,967,084	7
Shares issued under the share option schemes	13,882,961	35
At 31 March 2016	**239,931,326**	**600**

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 20.

There are currently 1,524,159 shares being held with a nominal value of £3,810 which have been issued but are held by Escrow for one year post the PSS acquisition as insurance for any unexpected expenses arising post acquisition.

19. NON-CURRENT LIABILITIES

	Loans £'000	Deferred tax £'000	Total £'000
At 1 April 2015	2,105	862	2,967
Loan drawdown	5,000	-	5,000
Acquired as part of business combinations	-	771	771
Repaid during the year	(3,355)	-	(3,355)
At 31 March 2016	**3,750**	**1,633**	**5,383**

Loans and Borrowings

In November 2015 the Group secured a bank loan with a carrying amount of £5m at 31 March 2016 to assist with the purchase of PSS Inc and to repay the existing bank loan that had a balance of £2.1m at 31 March 2015 which was due over one year.

The loan of £5m is repayable over a period of 5 years. Twenty quarterly repayments of £250,000 have commenced since November 2015. A fixed interest is payable at a rate of 1.25 % per annum plus a variable base rate currently 0.5%.

20. 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 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 March 2012	**8 June 2012**	**12 June 2014**	**05 Dec 2014**	**25 March 2015**	23 March 2016
Share price (pence)	10.875	11.125	46.16	46.25	37.50	**43.50**
Exercise price (pence)	11.0	11.25	37.5	46.25	46.5	**43.50**
Number of employees	13	2	1	1	1	**28**
Shares under option	1,275,000	300,000	500,000	150,000	500,000	**4,100,000**
Vesting period (years)	3	3	3	3	3	**3**
Expected volatility	42%	40%	26%	20%	22%	**32%**
Option life (years)	10	10	10	10	10	**10**
Expected life (years)	3	3	3	3	3	**3**
Risk free rate	2.75%	2.75%	1.76%	1.76%	1.76%	**0.78%**
Expected dividends expressed as a dividend yield	-	-	-	-	-	**0.89%**
Fair value per option (pence)	3.15	3.18	8.89	6.89	6.08	**9.19**

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 2016 is shown below:

		2016		2015
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 April	30,784,260	0.85	30,607,608	0.85
Granted	4,100,000	43.50	1,150,000	0.43
Exercised	(14,189,961)	0.61	(973,348)	5.34
Lapsed	-	-	-	-
Forfeited	-	-	-	-
Outstanding at 31 March	20,694,299	11.57	30,784,260	0.85
Exercisable at 31 March	15,444,299	0.79	12,772,817	0.27

	2016				2015			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise prices (pence)	Weighted average exercise price (pence)	Number of shares (000's)	Expected	Contractual	Weighted average exercise price (pence)	Number of shares (000's)	Expected	Contractual
0-0.5	-	14,156	-	6.7	-	27,474	0.74	7.7
4.5-6.5	5.13	335	-	3.9	5.13	460	-	4.9
8.5 – 10.5	8.75	25	-	1.3	8.75	125	-	2.3
10.5 – 12.5	11.02	928	-	5.9	11.05	1,575	-	6.8
37.5-39.5	37.5	500	2.0	9.0	37.5	500	3.0	10.0
42.5-44.5	43.5	4,100	3.0	10.0	-	-	-	-
44.5-46.5	46.44	650	1.3	8.3	46.44	650	2.3	0.2

The total charge for the year relating to employee share based payment plans was £160,000 (2015: £322,000) all of which related to equity-settled share based payment transactions.

21. 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.

22. 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.

	2016 £'000	2015 £'000
Directors and other key management		
Wages and salaries	**677**	649
Social security costs	**95**	81
Pension costs	**63**	60
Share based payments	**141**	303
	976	1,093

There are 2 directors accruing benefits under the pension scheme.

The aggregate Directors' emoluments are shown in the table below.

	2016 £'000	2015 £'000
Directors		
Aggregate emoluments	**639**	614
	639	614

During the year share options were exercised by Directors, NB Philpot and AP Moloney. NB Philpot exercised options over 6,620,975 ordinary shares making a gain of £2,715,000. From the proceeds of the gain, NB Philpot satisfied the income tax arising from the exercise and retained 1m ordinary shares with a value of £0.4m. AP Moloney exercised options over 3,764,352 ordinary shares making a gain of £1,543,000. From the proceeds of the gain, AP Moloney satisfied the income tax arising from the exercise and retained 0.5m ordinary shares with a value of £0.2m.

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 a monthly basis and was charged at comparable market rates. The expense in the year was £15,210 (2015: £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.

Chris Batterham is a director of NCC Group Security Services Limited who provide services to Eckoh Group. The amount outstanding to them at the end of the current year was £9,240 (2015: £6,600). The expense in the year was £49,793 (2015: £50,645).

23. OPERATING LEASE COMMITMENTS

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

Land and Buildings

	2016 £'000	2015 £'000
Less than one year	**516**	320
Between one and five years	**412**	401
	928	721

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.

PSS Inc has an operating lease for a New York office. The lease covers the period to May 2016 at a cost of £24,365 per annum. A further office in Illinois covers the period to October 2017 at a cost of £22,686 per annum The Coventry office has a lease term to March 2018 at a cost of £7,920 per annum.

24. CASH FLOW FROM OPERATING ACTIVITIES

	2016 £'000	2015 (restated) £'000
Profit / (loss) after taxation	**1,938**	(887)
Interest income	**(11)**	(20)
Interest payable	**77**	19
Taxation	**468**	278
Deferred tax	**-**	(262)
Depreciation of property, plant and equipment	**799**	690
Exchange differences	**79**	-
Amortisation of intangible assets	**2,008**	1,710
Share based payments	**(1,078)**	1,796
Operating profit before changes in working capital and provisions	**4,280**	3,324
Decrease in inventories	**49**	(120)
Increase in trade and other receivables	**(218)**	(3,457)
Increase in trade and other payables	**1,116**	976
Decrease in provisions	**-**	(43)
Net cash generated in operating activities	**5,227**	680

25. ACQUISITION OF VERITAPE LIMITED

Amendment of Veritape Limited Contingent Consideration

As stated in note 1, the contingent consideration relating to the original acquisition of Veritape in June 2013 was treated as an IFRS 3 cost of acquisition amounting to £3.4 million. On further analysis the contingent consideration arrangement has a continuing employment clause which means that it should have been accounted for in accordance with IAS 19 Employee Benefits and IFRS 2 Share Based Payments and not as contingent consideration under IFRS 3.

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

Under the original share purchase agreement, the contingent 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, contingent 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. For the year ended 31 March 2014 an expense of £1.9 m has been recognised in the income statement.

Under the terms of the new agreement, agreed in August 2014, 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”).

At 31 March 2015 it was estimated that the targets set for the Second Tranche of Ordinary Shares would not be achieved and no shares would be issued with respect to this tranche. It was estimated that the probability of the target being achieved to release the Final Tranche was 50%. The new agreement has been treated as a modification under IFRS 2. For the year ended 31 March 2015 an expense of £1.5m has been recognised in the income statement to reflect both the original agreement and the modification to the agreement.

At 31 March 2016 it is estimated that the targets set for the Third Tranche of Ordinary Shares will not be achieved and no shares will be issued with respect to this Tranche or the second tranche. As a result the amounts previously charged to the income statement of £1.2m relating to this element have been credited to the income statement for the year ended 31 March 2016.

26. 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 2016 of 0.45 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 7 October 2016 with payment on 4 November 2016. The ex-dividend date will be 6 October 2016. 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 £1.1m.

27. ACQUISITION OF PSS INC

On 17 November 2015, the Company acquired the entire issued share capital of PSS Inc, a provider of service and support for Interactive Voice Response systems and other infrastructure in contact centers of large enterprises. The initial consideration comprised £3.7m of cash funded by taking out a £5m loan and £1.3m payable in ordinary shares of Eckoh Plc. This has resulted in an increase in share capital and share premium of £1.3m during the period.

The company incurred acquisition related costs of £474,000 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.

	Fair value on acquisition £000's
Intangible assets	3,221
Tangible assets	45
Inventory (parts)	573
Deposits	7
Trade debtors	1,501
Prepayments and accrued income	299
Other current assets	53
Deferred revenue	(2,094)
Trade creditors	(372)
Taxation & Social Security	(68)
Inventory for resale	(99)
Accruals & other creditors	(533)
Cash and cash equivalents	940
Deferred tax liability	(1,095)
Net assets acquired	**2,378**
Goodwill	2,613
Consideration paid	**4,991**
Satisfied by	
Cash	3,657
Shares	1,334
Total purchase consideration	**4,991**
Net cash flow on acquisition	
Cash consideration paid	3,657
Cash acquired	(940)
Cash flow on acquisition	**2,717**

Goodwill arising from the acquisition is attributable to the expected synergistic benefits expected from combining the operations of Eckoh and PSS, including the workforce acquired which will support the anticipated growth of the company in the US.

On acquisition of PSS, all assets were fair valued and appropriate intangible assets recognized following the principles of IFRS 3. Management identified three intangible assets:

i. Customer Relationships

With regards to sales, PSS has long standing customer relationships, with c.22% of the FY 16 sales forecast being from a single customer (Telstra) which Management advise are of 5 years standing since 2011. The overall customer base has a low level of churn as advised by Management. These customer arrangements give rise to the requirement under IFRS 3 to recognize PSS's customer relationships as intangible assets. The fair value for this was £2,565,000.

ii. Trade Name

PSS had developed distinct branded maintenance services, which are recognized by customers and which are likely to have some influence in purchasing. Hence we consider there is value in the trade name and as such it is necessary to recognize the trade name as an intangible asset. The fair value of this was £271,000.

iii. Intellectual Property

Approximately 10% of non- Telstra sales are generated from PSS's own intellectual property and therefore we consider there is value in the Intellectual Property. The fair value of this was £385,000.

The acquired business contributed to revenues of £4m and net profit of £0.5m to the Group for the period 17 November 2015 to 31 March 2016. If the acquisition of PSS had occurred on 1 April 2015, management estimates that consolidated revenues would have been £9.2m and consolidated profit for the year would have been £0.4m.

28. TRANSACTIONS RELATING TO ACQUISITIONS

The company incurred acquisition related costs of £500,000 credit to the income statement relating to external legal fees, due diligence, valuation fees and the share based payment charges relating to the acquisition of Veritape, which have been included in exceptional expenses in the Group's Consolidated Statement of Comprehensive Income. £266,000 of these costs related to the aborted projects, £474,000 were in relation to costs associated with the PSS acquisition and a credit of £1,240,000 relates to the Veritape share based payment.

In the year ended 31 March 2015, the company incurred acquisition related costs of £1,474,000 charge to the income statement relating to the Veritape share based payment.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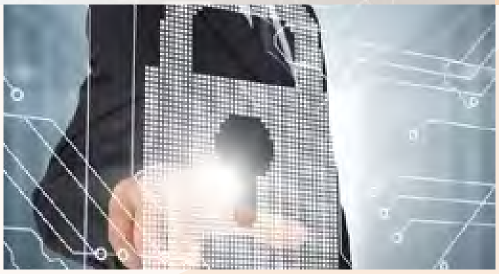

Company Financial Statements

COMPANY BALANCE SHEET

as at 31 March 2016

	Notes	2016 £'000	2015 £'000	2014 £'000
Non-current assets				
Investments	ii	**19,856**	15,954	14,157
		19,856	15,954	14,157
Current assets				
Trade and other receivables	iii	**17**	30	28
Cash and cash equivalents		**5,093**	2,503	5,784
		5,110	2,533	5,812
Total assets		**24,966**	18,487	19,969
Current liabilities				
Trade and other payables	iv	**(7,245)**	(3,339)	(6,438)
		(7,245)	(3,339)	(6,438)
Non-current liabilities				
Other interest-bearing loans and borrowings	iv	**(3,750)**	-	(212)
Total liabilities		**(10,995)**	(3,339)	(6,650)
Net assets		**13,971**	15,148	13,319
Equity attributable to equity holders of the parent				
Share capital	vi	**600**	558	540
ESOP Reserve		**(17)**	(135)	(22)
Capital redemption reserve		**198**	198	198
Share premium		**2,612**	2,561	1,330
Merger reserve		**2,353**	1,081	1,081
Share based payment		**1,783**	1,621	1,299
Currency reserve		**56**	33	-
Profit and loss account		**6,386**	9,231	8,893
Shareholders' funds		**13,971**	15,148	13,319

The financial statements were approved and authorised for issue by the Board of Directors on 14th June 2016 and signed on its behalf by:

Adam Moloney
Group Finance Director

Company Registration Number 3435822

STATEMENT OF CHANGES IN EQUITY

	Share capital	ESOP reserve	Capital redemp-tion reserve	Merger reserve	Share premium account	Share based payment	Currency reserve account	Profit and loss account	Total share-holders' equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance @ 1 April 2014	540	(22)	198	-	2,411	1,299	-	6,534	10,960
Restatement (note 1)	-	-	-	1,081	(1,081)	-	-	2,359	2,359
Balance at 1 April 2014 (restated)	540	(22)	198	1,081	1,330	1,299	-	8,893	13,319
Total comprehensive income									
Profit for the year	-	-	-	-	-	-	-	9	9
Total comprehensive income	-	-	-	-	-	-	-	9	9
Transactions with owners of the company									
Contributions and distributions									
Dividends	-	-	-	-	-	-	-	(695)	(695)
Shares to be issued relating to the acquisition of Veritape Ltd.	16	-	-	-	1,189	-	-	-	1,205
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	-	1,049	1,371
Total contributions and distributions	18	(113)	-	-	1,231	322	33	329	1,820
Total transactions with owners of the company	18	(113)	-	-	1,231	322	33	329	1,820
Balance at 31 March 2015 (restated)	**558**	**(135)**	**198**	**1,081**	**2,561**	**1,621**	**33**	**9,231**	**15,148**

STATEMENT OF CHANGES IN EQUITY (CONTINUED)

	Share capital	ESOP reserve	Capital redemp-tion reserve	Merger reserve	Share premium account	Share based payment	Currency reserve account	Profit and loss account	Total share-holders' equity
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2015 (restated)	558	(135)	198	1,081	2,561	1,621	33	9,231	15,148
Total comprehensive income									
Loss for the year	-	-	-	-	-	-	-	(663)	(663)
Total comprehensive income	-	-	-	-	-	-	-	(663)	(663)
Transactions with owners of the company									
Contributions and distributions									
Dividends	-	-	-	-	-	-	-	(826)	(826)
Shares issued on acquisition of PSS Inc.	7	-	-	1,272	-	-	-	-	1,279
Shares issued under the share option schemes	35	-	-	-	22	-	-	-	57
Shares acquired by Employee Benefit Trust	-	118	-	-	29	-	-	(116)	31
Currency reserve	-	-	-	-	-	-	23	-	23
Share option charge / (credit)	-	-	-	-	-	162	-	(1,240)	(1,078)
Total contributions and distributions	42	118	-	1,272	51	162	23	(2,182)	(514)
Balance at 31 March 2016	**600**	**(17)**	**198**	**2,353**	**2,612**	**1,783**	**56**	**6,386**	**13,971**

The shares issued as part of the acquisition of PSS but held under the Escrow had a value of £654,321.

Notes to the Company's Financial Statements

For the year ended 31 March 2016

Principal Accounting Policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements, except as noted below.

Basis of Preparation

In the transition to FRS 10, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. An explanation of how the transition to FRS 101 has affected the reported financial position, financial performance and cash flows of the Company is provided in note ix.

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

- A Cash Flow Statement and related notes;
- Comparative period reconciliation for share capital;
- Disclosures in respect of transactions with wholly owned subsidiaries ;
- Disclosures in respect of capital management;
- The effects of new but not yet effective IFRSs;
- Disclosures in respect of the compensation of Key Management Personnel; and

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

- IFRS 2 Share Based Payments in respect of group settled share based payments

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

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements and in preparing an opening FRS 101 balance sheet for the purposes of the transition to FRS 101.

No judgements made by the directors, in the application of these accounting policies have a significant effect on the financial statements.

Prior Year Restatement

This company has reviewed the way the contingent consideration for the acquisition of Veritape Limited in the year ended 31 March 2014 has been accounted for. On further analysis the contingent consideration arrangement has a continuing employment clause which means that it should have been accounted for in accordance with IAS 19 Employee Benefits and IFRS 2 Share Based Payments and not as contingent consideration under IFRS 3.

As a result, contingent consideration payable recognised on acquisition of £3,680,000 has been reversed resulting in the reversal of an investment originally recognised on the Veritape Limited acquisition of £3,418,000. In addition, employee remuneration charges of £1.9 million and £1.5 million for years ended 31 March 2014 and 31 March 2015 respectively, should have been charged to investments with associated entries being a credit to equity of £1.1 million (2014: £1.1 million) and creditors £0.8 million (2014: £0.4 million) rather than, the fair value changes recorded for the changes in the contingent consideration of a charge of £1.2 million in interest payable in the year ended 31 March 2014 and a credit of £1.5 million in interest receivable in the year ended 31 March 2015.

In the year ended 31 March 2016 there is a credit of £1,240,000 relating to the employee benefit expenses and the investment as no further payment is expected.

There have been a number of adjustments to the balance sheet and income statement to reflect the above which are set out below:

	2014 £'000 (as previously reported)	Impact of Prior Period Adjustment £'000	2014 £'000 (restated)
Investments	15,927	(1,770)	14,157
Current liabilities – contingent consideration	(1,952)	1,400	(552)
Non-current liabilities - contingent consideration	(2,941)	2,729	(212)
Other assets/liabilities not impacted	(74)	-	(74)
Net assets	10,960	2,359	13,319
Shareholders' equity			
Share premium	2,411	(1,081)	1,330
Merger reserve	-	1,081	1,081
Retained earnings	6,534	2,359	8,893
Other equity entries not impacted	2,015	-	1,015
Total shareholders' equity	10,960	2,359	13,319

	2015 £'000 (as previously reported)	Impact of Prior Period Adjustment £'000	2015 £'000 (restated)
Investments	16,249	(295)	15,954
Trade and other receivables	14	16	30
Non-current liabilities - contingent consideration	(636)	636	-
Other assets/liabilities not impacted	(836)	-	(836)
Net assets	14,791	357	15,148
Shareholders' equity			
Share premium	5,175	(2,614)	2,561
Merger reserve	-	1,081	1,081
Retained earnings	7,341	1,890	9,231
Other equity entries not impacted	2,275	-	2,275
Total shareholders' equity	14,791	357	15,148
Finance income		1,518	

Non-derivative Financial Instruments

Non-derivative financial instruments comprise investments in equity, cash and cash equivalents and loans and borrowings.

Investments

Investments in subsidiaries are stated at amortised cost less impairment.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits. Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose only of the cash flow statement.

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.

Non-derivative Financial Instruments

Interest-bearing Borrowings

Interest-bearing borrowings are recognised initially at fair value less attributable transaction costs. Subsequent to initial recognition, interest-bearing borrowings are stated at amortised cost using the effective interest method, less any impairment losses.

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 opposite.

Related Party Transactions

IAS 24 Related Party requires to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member. There is an exemption in the reduced disclosure framework from disclosing a related party transaction where the related part as entered into between two or more members of a group, provided that any subsidiary which is a party to a transaction is wholly owned by such a member.

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.

IFRS 2 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.

The grant date fair value of share-based payment awards granted to employees is recognised as an employee expense, with a corresponding increase to equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share based payment awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

The fair value of the amount payable to employees in respect of share appreciation rights, which are settled in cash, is recognised as an expense with a corresponding increase in liabilities, over the period that the employees unconditionally become entitled to payment. The liability is re-measured at each reporting date and at settlement date. Any changes in the fair value of the liability are recognised as personnel expenses in profit or loss.

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 44.

i. Operating Expenses

Staff Costs

Details of the Directors' emoluments are given in the Directors' Report on page 26. The Director's remuneration costs are borne by a subsidiary undertaking. The Company did not incur any staff costs during the year (2015: £nil).

The average number of employees employed by the company during the year was 4 (2015: 4).

Services Provided by the Group's auditor

Fees payable for the audit of the parent company and consolidated accounts of £15,000 (2015: £15,000) were borne by a subsidiary undertaking.

ii. Fixed Asset Investments

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
At 1 April 2014 (restated)	17,899	3,244	21,143
Additions	-	1,797	1,797
Disposals	-	-	-
At 31 March 2015 (restated)	17,899	5,041	22,940
Additions	4,982	(1,080)	3,902
Disposals	-	-	-
At 31 March 2016	**22,881**	**3,961**	**26,842**
Impairment			
At 1 April 2014	**(6,986)**	-	**(6,986)**
Charge for the year	-	-	-
Disposals	-	-	-
At 31 March 2015	(6,986)	-	**(6,986)**
Charge for the year	-	-	-
Disposals	-	-	-
At 31 March 2016	**(6,986)**	-	**(6,986)**
Net Book Value			
At 31 March 2016	**15,895**	**3,961**	**19,856**
At 31 March 2015	10,913	5,041	15,954

The Directors have assessed the carrying values of the Company's investments, 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 20 of the consolidated financial statements. The disclosure of these amounts has been reclassified between categories during the year.

Other investment movements include contingent consideration in respect of the acquisition of Veritape Limited is detailed in note 25 to the consolidated accounts. This consideration is in the form of employee share based payments being issued to the previous owners of Veritape. As such, this has been accounted for in line with IFRS 2.

iii. Trade and Other Receivables

	31 March 2016 £'000	31 March 2015 (restated) £'000
Prepayments and Accrued income	17	30
Amounts due within one year	17	30

iv. Trade and Other Payables

	31 March 2016 £'000	31 March 2015 (restated) £'000
Current		
Amounts owed to group undertakings	6,199	3,330
Other creditors and accruals	46	9
Loan due within one year	1,000	-
Amounts due within one year	7,245	3,339
Non-Current		
Loan due over one year	3,750	-
	3,750	-
Loan due over one year		
	10,995	3,339

The loan is detailed further note 3 to the consolidated accounts.

v. Deferred Taxation

	31 March 2016 £'000	31 March 2015 £'000
Total unprovided deferred tax assets are as follows:		
Tax losses available	1,960	2,172
Unprovided deferred tax asset	1,960	2,172

vi. Share Capital

Allotted, called up and fully paid

Share type	Number of shares	Nominal value £'000
Ordinary shares of 0.25p each		
As at 1 April 2015	223,081,281	558
Shares issued on acquisition of PSS Inc	2,967,084	7
Shares issued under the share option schemes	13,882,961	35
As at 31 March 2016	**239,931,326**	**600**

There are currently 1,524,159 shares being held with a nominal value of £3,810 which have been issued but are held by Escrow for one year post the PSS acquisition.

vii. Share Options and Share Based Payments

Share options and share based payments are disclosed in note 20 to the consolidated financial statements.

viii. Related Party Transactions

The Company has taken advantage of the exemption conferred by IAS 24 that transactions between wholly owned Group companies do not need to be disclosed.

ix. Transition Note

In the transition to FRS 101, the Company has applied IFRS 1 whilst ensuring that its assets and liabilities are measured in compliance with FRS 101. No adjustments as a result of the transition to FRS 101 have affected the reported financial position. IFRS 1 grants certain exemptions from the full requirements of Adopted IFRSs in the transition period. The following exemptions have been taken in these financial statements:

- Business combinations- Business combinations that took place prior to transition date have not been restated.
- Fair value or revaluation as deemed cost - At first day of comparative period, fair value has been used as deemed cost for properties previously measured at fair value.
- Share based payments- IFRS 2 is being applied to equity instruments that were granted after 7 November 2002 and that had not vested by first day of comparative period.

x. Events After the Balance Sheet Date

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2016 of 0.45 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 7 October 2016 with payment on 4 November 2016. The ex-dividend date will be 6 October 2016. 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 £1.1m.

Shareholder Information

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

Directors and Company Secretary

C.M. Batterham -
Non-executive Chairman

C. Ansell -
Non-executive Director

N.B. Philpot -
Chief Executive Officer

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

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