


Every second of every day people make contact through Eckoh

www.eckoh.com

always inspiring

Eckoh[•]



September 2005: Eckoh in the financial services sector

TD Waterhouse extends contract with BT and Eckoh for speech-enabled stock quotation service until 2007


In September 2005, Eckoh and BT announced a two-year contract extension to supply TD Waterhouse with an automated stock quotation service, using advanced speech recognition technology.

Under the new two-year contract, the service will allow investors to access real-time share price information on more than 1,500 UK-listed companies, popular indices and registrar information quickly and easily, using automated speech recognition technology.

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"Since its introduction, the service has provided our customers with more than 2 million quotes and has had a positive impact on the number of customers progressing to an agent to complete a trade. We are delighted with the results and are now turning our attention to look at the future potential for self-service, working closely with our partners BT and Eckoh."

Darren Hepworth, Vice President of Customer Contact at TD Waterhouse



June 2006: Eckoh in the logistics sector

Eckoh win three-year contract to supply ground-breaking parcel tracking service to Parcelforce Worldwide

In June 2006, Eckoh in association with strategic business partner BT, announced a new three-year contract with Parcelforce Worldwide, the UK's leading express carrier.

The contract, which marks Eckoh's entry into the £23 billion European express logistics market, is to supply Parcelforce Worldwide with a new automated information service that allows customers to track parcels and make re-delivery arrangements over the phone on a 24-hour, no queue basis. The service, which will go live this summer, will be one of the first in the UK's express logistics industry to give customers personalised information.

"We believe Eckoh and BT's hosted solution not only provides us with the flexibility we need to cater for the variable peaks in our business but most importantly delivers a quality of service and convenience that will impress our customers and enhance our business relationship with them."

Emma Bailey, Customer Services Policy Manager at Parcelforce Worldwide



Highlights of the Year

Eckoh is a leading European provider of outsourced automated solutions.

Eckoh, always inspiring

Eckoh sets the standard for outsourced automated solutions across Europe, specialising in advanced speech recognition and interactive services. We enable our clients to communicate more effectively and to enhance their profitability, whilst making life better for people who use their services.

	6 months ended 31 March 2006 £'000	6 months ended 30 Sept 2005 £'000	Year ended 31 March 2006 £'000	Year ended 31 March 2005 £'000
Turnover	72,077	55,007	127,084	79,720
Adjusted profit before taxation*	1,204	1089	2,293	841
Profit/(loss) before taxation	(81)	1,226	1,145	(9,411)
Retained profit/(loss)	306	969	1,275	(9,440)
Cash and short-term investments	12,737	13,296	12,737	13,296

Group turnover increased by 59% to £127.1m (2005 - £79.7m)

Adjusted profit before taxation increased to £2.3m from £0.8m (Profit before taxation £1.1m (2005 - loss £9.4m))*

Retained Profit of £1.3m (2005 - loss £9.4m)

Cash and short-term investment balances total £12.7m (2005 - £13.3m)

** Profit before taxation, intangible asset amortisation and impairment, exceptional items and discontinued operations (note 29).*



February 2006: Eckoh in the media sector

Eckoh provides IPC, the UK's leading consumer magazine publisher, with an extensive range of premium rate interactive services using a combination of IVR, mobile and on-line technologies. Eckoh provides hundreds of premium content services to over 50 IPC magazine publications; leading titles include: TV Times, What's On TV, Chat, Now, Woman's Own, Marie Claire, Ideal Home and Woman & Home.

By consistently refreshing popular content on existing services as well as proactively developing a steady stream of innovative new services, Eckoh help IPC not just to interact with their readers, but to market to them more effectively.

"Eckoh's proven ability and expertise in operating hundreds of interactive services simultaneously combined with their proactive and innovative approach made them the ideal partner for IPC's Telemedia activity."

Amanda Chester, Direct Marketing
Director IPC



Chairman's Statement

I am very pleased to report a year of significant strategic progress, and strong operating performance in all areas of activity.

Group turnover increased by 59% to £127.1m for the year, generating pre-tax profits of £2.3m before intangible asset amortisation, restructuring charges and discontinued operations. The profit before taxation was £1.1m and group cash balances were £12.7m at year end.

At the start of the financial year the Board agreed a strategic plan for our Symphony Telecom subsidiary designed to enhance the business, and ultimately realise value for Eckoh shareholders. Central to this plan was the April 2005 acquisition of Anglia Telecom Centres Limited for cash consideration of £9.7m and the subsequent listing of the enlarged Symphony Group on AIM in September, which raised a net £3.5m of cash through a placing of new shares. Although we felt the AIM market's initial valuation of Symphony was disappointing compared to other listed peers, we remained confident that the quality of the underlying business was strong, and that Eckoh's 64.64% shareholding in Symphony could ultimately be realised at an appropriate valuation.

Together with the Symphony Board, Eckoh believes that the recommended cash offer for Symphony by Redstone plc of 54.5p per share does represent an appropriate and fair offer for the company, and we will therefore vote our 20,099,999 ordinary shares in favour of the offer - which represents a 32.9% premium to the placing price of the new shares issued last September.

The sale of our stake in Symphony at 54.5p per share will realise gross cash proceeds of approximately £11.0m. In addition, a further £4.7m of cash will be received from the repayment of the Eckoh subordinated loan by Symphony over a 4 year period.

During the year we have also reorganised our remaining Eckoh businesses into two independent businesses with dedicated management teams and operating structures.

Firstly, our successful Speech Solutions business has now merged with IVR Client Services under the "Eckoh" brand. This operation generated combined revenues in excess of £50m last year. However, following the renewal of the ITV and BT contracts, and recent launch of a number of new and exciting "participation TV" channels - including ITV Play - we expect revenues to be significantly higher next year.

Secondly, we have rebranded our Advertised Services division as "Connection Makers", which now operates as a stand-alone entity within the Group under the direction of a newly formed and experienced management team. Connection Makers continued to operate profitably during the year, and is now looking to expand its range of consumer entertainment services over the next twelve months.

We continue to believe that Eckoh's share price does not fully reflect the value of the Group's constituent businesses and assets, and the Board remains committed to pursue a strategy to unlock value for Eckoh shareholders. We are evaluating a number of new strategic options aimed to achieve this goal, and will make further announcements in due course to keep shareholders advised of our progress.

Finally I would like to thank our staff for their continuing loyalty, dedication and hard work over the past twelve months.

Peter Reynolds
Chairman

The Business Review

Overview

The Group has seen another year of strong growth, generating a profit before taxation (excluding intangible asset amortisation and impairment, exceptional items and discontinued operations) of £2.3m (2005 - £0.8m). The profit before tax for the year was £1.1m (2005 - loss £9.4m). Turnover increased by 59% to £127.1m (2005 - £79.7m).

On 22 June 2006 the board of Symphony Telecom Holdings plc ('Symphony') and the Board of Redstone plc ('Redstone') reached agreement on the terms of a recommended offer for the entire issued share capital of Symphony. The offer was made on the basis of 54.5p in cash for each Symphony ordinary share at a premium of 32.9% compared to last September's placing price of 41p per ordinary share. Since the admission of Symphony on AIM on 15 September 2005, Eckoh has held 20,099,999 shares representing 64.64% of the issued ordinary share capital of Symphony. The Eckoh Board has undertaken to accept the Redstone offer, which will realise a cash inflow of approximately £11.0 million for the Eckoh Group.

A recent internal review has led to the reorganisation of the Group's remaining businesses into two independent divisions, each within separate legal entities. Speech Solutions and IVR Client Services have now merged and operate under the 'Eckoh' brand, while the Group's IVR Advertised Services operation has been re-branded as 'Connection Makers'.

Key reasons for these changes include:

- Creation of two separately accountable, stand-alone operations
- The merging of complementary activities - including technical and product development teams
- Appointment of dedicated management teams
- Improvements in operating performance and efficiency

- Enhancement of strategic options available

The Directors are continuing to evaluate a number of strategic options, and will make further announcements in due course.

Operating Review

1. Eckoh

Speech Solutions

Eckoh is a European market leader in self-service call centre solutions using advanced speech recognition and related technologies. The Group has an exclusive partnership with BT to provide its top corporate customers with hosted speech recognition services. To date this alliance has supplied speech solutions services to 20 clients and created over 30 applications, generating over 40 million minutes of self-service speech transactions. The BT alliance was extended in July 2005 until 2010, which will enable BT to fulfil the increasing requirement from customers for long term, multi-year contracts for Eckoh's hosted speech recognition services.

Turnover for the year grew 6% to £5.3m (2005 - £5.0m), and gross margin increased to 56% (2005 - 53%). Direct operating expenses were £2.4m (2005 - £2.2m) resulting in an increased contribution to £0.6m (2005 - £0.5m) of which £0.5m was in the second half. Turnover for H2 was £3.0m, an increase of 28% on H1 and 28% on H2 2005. Eckoh management intends to deliver high growth rates in this area of operation, and has increased its sales and marketing investment as part of the strategy to

achieve this. The results of this investment are bearing fruit with recent contract wins with Parcellforce Worldwide, National Rail Enquiries, Empire Cinemas, Her Majesty's Court Services (HMCS), Government Department for Environment, Food and Rural Affairs (DEFRA), ScottishPower and Hitachi Capital.

A change in the revenue model away from large initial build fees to transactional based charges has enabled clients to fully evaluate the benefit of a speech recognition solution. This has enabled the Group to sign significant clients to long term contracts, with revenue recognised over the term of the contract rather than as significant, one-off fees. The benefit of this approach became visible in the second half of the year.

There have also been key contract renewals with William Hill and TD Waterhouse indicating that Eckoh's proposition remains competitive and is delivering appropriate value to clients. In addition, 'Journey Finder', a speech-based product developed by Eckoh and BT and utilised in the successful TrainTracker™ service for National Rail Enquiries, was voted 'Product of the Year 2005' at last year's European Call Centre Awards.

The speech recognition market is still in its infancy, with future growth rates uncertain. However, recent positive news flow and interest in the product has reaffirmed the Directors confidence that there is potential for significant growth in the UK and European hosted speech markets. Eckoh Speech Solutions has some clear differentiators from its competitors including one of the largest call processing platforms in Europe, highly experienced management and



technical teams, an exclusive alliance with BT and a flexible pricing model benefiting from Eckoh's group traffic volumes. These factors have placed Eckoh in a prime position to cement its position as the European Market leader in speech solutions.

Client IVR

Eckoh is one of the UK's largest providers of IVR and mobile interactive services, and works with a number of prominent media owners such as ITV, Trinity Mirror, Channel 4, IPC Magazines, EMAP and Northcliffe Newspapers. Eckoh delivers an end-to-end interactive solution including creation, design, development, implementation, deployment, hosting and reporting.

Client IVR is able to secure and retain the largest contracts by hosting its services on one of the largest call processing platforms in the UK, by offering very competitive rates and providing top quality customer support. These contracts generate an extremely large aggregated call volume which allows Eckoh to negotiate the best commercial contracts from carriers such as BT and C&W as well as through Eckoh's own network. Although margins are low from its direct activity, the division complements both Speech Solutions and Connection Makers who benefit from accessing the same rate structure, as well as cross-selling their higher margin services.

Eckoh management has focused efforts on its most significant customers which has enabled overheads to be reduced without compromising quality. This strategy has been rewarded with contracts with:

- The UK's largest commercial broadcasting company, ITV, who have renewed their contract to run until at least September 2007
- The UK's largest newspaper publishing group, Trinity Mirror, who have renewed their contract to run until at least December 2006
- The UK's leading consumer magazine group, IPC Magazines, who agreed a three year contract from June 2005

Eckoh has been the interactive telephony partner of ITV in a highly competitive market since March

2004 and it was announced recently that this agreement has once again been renewed for a minimum of 18 months. In addition, this most recent negotiation was of particular significance due to the inclusion of a new contract to supply services to ITV Play, a new 'participation TV' channel which launched in April 2006 on digital terrestrial television and is due to launch on digital satellite television platforms. The new formats commissioned by ITV Play are also being shown across ITV's family of channels, and these have resulted in a quantum jump in the revenues delivered by ITV, which are expected to continue throughout the whole of the coming financial year.

Turnover for the year from Client IVR increased by 22% to £47.5m (2004 - £39.0m), with gross profit decreasing to £3.1m (2005 - £3.4m) due to the proportion of traffic generated by the broadcast clients increasing substantially. However, the refocus of the business on to the largest clients has enabled the division to reduce its cost base with direct operating expenses reducing to £2.4m (2005 - £3.1m) thus increasing the divisional contribution to £0.7m (2005 - £0.2m). The associated risk is that the loss of any key clients would have a significant impact. To mitigate the risk, Eckoh's strategy revolves around providing a level of service and support that our competitors cannot match, whilst being fiercely price competitive. This strategy has seen key renewals and contract wins to date.

2. Connection Makers

Connection Makers is the new brand for Eckoh's IVR Advertised Services. This division has operated profitably for many years and specialises in dating and chat services which it provides to clients on a revenue share basis or advertising directly in newspapers, magazines and on television. Gross margins from individual campaigns fluctuate with advertising efficiency, which is influenced by price, seasonality, TV programming and availability.

During the year the contract with Trinity Mirror to supply dating services to its large range of national and regional newspapers was renewed until December 2006 and a number of IPC magazines launched editorial dating services for the first time.




Martin Turner *Chief Executive Officer*



Nik Philpot *Chief Operating Officer*



Adam Moloney *Group Finance Director*



**July 2005: Eckoh's speech alliance
with BT extended until 2010**

In July 2005, Eckoh announced the extension of their speech alliance contract to provide BT customers with hosted speech recognition services up to 2010. The five-year extension will enable BT to fulfil the increasing requirement from customers for long term, multi-year contracts for Eckoh's hosted speech recognition services.

The speech alliance was created to meet the growing demand from businesses for advanced speech recognition technology and since January 2004, over 30 speech applications have been successfully deployed for 20 BT customers generating over 40 million minutes of self-service speech transactions.

"Over the past three years, Eckoh has consistently demonstrated client service excellence through their leading market expertise, speed of customer response and through their state of the art deployment of sophisticated client handling solutions and broader self-service options to our customers."

Chris Pike, General Manager, CRM solutions at BT



The Business Review continued

Eckoh intends to consolidate its share of the chat and dating market by establishing a market leading telephone and mobile speed dating brand in the UK. This new and ground breaking service will enable participants to speed date over the phone or on their mobile with local users from the comfort of their homes. The launch will require a sizeable marketing investment in the coming year and the new service will also be offered to existing and prospective clients.

In February 2006 changes to the Sky Electronic Programming Guide (EPG) on the digital satellite television platform, resulted in Eckoh's LIVE TV channel being moved to a different channel number and a new index category. The format of the channel has had to change significantly because of this move and has resulted in some uncertainty as to whether the good performance in the second half of the year can be maintained.

Turnover from Connection Makers increased to £12.1m (2005 - £11.6m) with gross profit of £5.5m (2005 - £5.0m). Direct operating expenses were £3.0m (2005 - £2.3m).

The introduction of a dedicated management team to the division is designed to facilitate growth in both turnover and profitability through increased focus and the introduction of new services.

3. Symphony Telecom

On 30 April 2005, Symphony acquired Anglia Telecom Centres Limited ('Anglia') from TTG Europe plc for cash consideration of £9.7m and on 15 September 2005 the enlarged Symphony group floated on AIM, at the same time placing 35.36% of shares with new investors. Since then, Symphony has operated as a 64.64% subsidiary of Eckoh and its financial results have been fully consolidated into Eckoh's financial statements (including Anglia since the date of acquisition).

Turnover increased to £61.3m (2005 - £21.0m), largely due to the acquisitions during the year which contributed £39.6m. Operating profit, before exceptional items of £0.4m (2005 - Nil) and intangible asset amortisation of £2.0m

(2005 - Nil) amounted to £2.1m (2005 - £1.3m). The exceptional items relate to restructuring, integration and other one-off costs. The operating loss for the year was £0.3m (2005 - profit: £1.3m)

After non-operating exceptional items and net interest payable of £0.6m (2005 - Nil) the loss before tax was £0.9m (2005 - £1.3m profit) and the loss per share 4.0p (2005 - 6.2p earnings per share). No dividend has been proposed. (2005 - Nil)

On 22 June 2006 the board of Symphony and the Board of Redstone reached agreement on the terms of a recommended offer for the entire issued share capital of Symphony. The offer was made on the basis of 54.5p in cash for each Symphony ordinary share at a premium of 32.9% compared to last September's placing price of 41p per ordinary share. The Eckoh Board has undertaken to accept the Redstone offer, which will realise a cash inflow of approximately £11.0 million for the Eckoh Group.

Discontinued Operations

Eckoh disposed of Freecom.net Limited, its internet services company, to eDirectory.co.uk plc ('eDirectory') on 29 July 2005. The consideration comprises 4,155,844 eDirectory ordinary shares. Further to this, and subject to certain conditions, a further £1.6 million of deferred consideration is receivable in eDirectory ordinary shares or a cash equivalent. eDirectory shares are currently traded on Ofex. The business has been included within discontinued operations in Eckoh's financial statements and a loss on disposal of £0.2m has been recognised.

Central Costs

Central costs are not allocated to the business divisions of the Group, are largely fixed in nature, and include indirect operating costs (finance, IT, property etc.) and corporate costs (directors, audit, insurance, professional advisors etc.). These costs have reduced to £2.5m (2005 - £3.2m) due to a continued effort to reduce costs. A charge is made to Symphony for a proportion of these costs, this charge is disclosed within the operating expenses of Symphony.

Depreciation on tangible fixed assets has reduced to £1.0m (2005 - £1.3m).

Exceptional Items

During the year, there were three exceptional gains. A gain of £1.5m arose from the 35% disposal as a result of the flotation of Symphony, £0.1m was received following the disposal of the hardware services operation in a prior year and £0.3m was generated from the disposal of investment shares held in Felix Group plc.

The amortisation charge of £2.2m predominantly relates to the amortisation of the goodwill arising on the acquisition of Anglia. In addition, there were restructuring costs of £0.4m, largely consisting of integration costs relating to the acquisition of Anglia, and costs of £0.08m were incurred during the group restructure to establish the Symphony Telecom Holdings Group.

Following the sale of Freecom.net Limited, a loss on disposal of £0.2m has been recognised.

Balance Sheet & Cash Flow Statement

Eckoh generated £3.2m (2005 - £4.5m) of cash from operating activities during the year. Cash balances reduced from £13.3m to £12.7m principally due to outflows in connection with the acquisition of Anglia. At 31 March 2006, cash residing in the Symphony Group amounted to £4.5m, which is offset by an inter-company loan balance, due to be repaid to Eckoh, of £4.7m. As a result, the Eckoh Group, post the Symphony disposal has cash of £12.9m, as well as the cash inflow of £11.0m from the disposal proceeds of the 64.64% holding in Symphony.



June 2006: Eckoh in the travel sector

Eckoh & BT secure five-year deal with National Rail Enquiries to deliver UK's most ambitious speech solution designed for the mass market

In June 2006, Eckoh announced an extended five-year deal worth a minimum of £3 million with National Rail Enquiries to deliver a ground breaking automated train information service which is expected to launch in July 2006.

The new speech-enabled travel information solution will supersede and enhance the already highly successful TrainTracker™ service (0871 200 4950), designed to give travellers up to the minute times for direct train services across all 2,500 mainland stations.

"Eckoh and BT's experience for providing best of breed self-service technology, combined with their proactive partnership approach and proven track record of serving high and volatile call volumes for the successful TrainTracker™ service, led me to extend the existing deal. The advanced intelligence of the new TrainTracker™ service will provide an even more sophisticated, flexible and complete service."

Chris Scoggins, CEO, National Rail Enquiries

Board of Directors

Board Committees

- * Member of the Audit Committee
- † Member of the Remuneration Committee
- β Member of the Nomination Committee
- # Senior Independent Director

Peter Reynolds (68)

Non-executive Director *β †
Chairman of the Board
Chairman of Remuneration Committee

Joined the Board in September 2003. Currently also Executive Chairman of Swallow Ventures Limited, a company specialising in CRM software and of Sterling Designs, a highly profitable kitchen manufacturing company. In May 2004, Peter was appointed as a Non-executive Director of SR Pharma plc, who's principal activity is research and development of pharmaceutical products.



Martin Turner (48)

Chief Executive Officer β

Joined the Board in February 1999 as Group Finance Director and was appointed CEO in September 2001. He was co-founder of Symphony Telecom and formerly worked for Price Waterhouse in North America and Arthur Andersen & Co in London. He qualified as a chartered accountant in 1983.



Nik Philpot (42)

Chief Operating Officer
Deputy Chief Executive Officer

Joined the Board in February 1999 and was appointed COO and Deputy CEO in September 2001. He was a co-founder of Symphony Telecom and formerly worked for British Telecom and Legion. He has 20 years experience in the voice services industry.



Adam Moloney (36)

Group Finance Director

Joined the Company in May 2003 as Group Accountant, taking on the role of Acting Group Finance Director in July 2004, following the departure of the previous Group Finance Director and appointed Group Finance Director with effect from August 2005. He qualified as a CIMA accountant in 1997. Prior to joining Eckoh, he was Manager of Finance & Operations for the UK arm of New York based computer hardware reseller, Resilien Inc.



Martin Smith (51)

Non-executive Director †#*β
Chairman of Audit Committee
Chairman of the Nomination Committee

Joined the Board in September 2003. Has over 25 years experience in the mobile telecommunications sector. Formed Mobile Telecom plc in 1986 and held the position of Chairman and Chief Executive until May 2001 when he sold his majority shareholding to Vodafone plc. Appointed as Non-executive Director and Chairman of Symphony Telecom Holdings plc on 16 June 2005.



Sam Driver

Company Secretary

Appointed as Company Secretary in July 2004. Graduate of the Institute of Chartered Secretaries and Administrators ("ICSA") in February 2003 and elected as Associate of ICSA in February 2004. Worked in South Africa in the banking, auditing, insurance and risk management and communication sectors; joined Eckoh in August 2001 as Company Secretarial Manager.





November 2005: Eckoh in the utilities sector

ScottishPower prepares for winter with speech recognition technology from Eckoh

In November 2005 Eckoh, in association with TFCC, announced a service to provide ScottishPower customers with a power outage reporting solution allowing callers to get updates in their local area and to receive call-back capability.

Eckoh has a strategic partnership with Twenty First Century Communications Inc. of the USA to host the company's High Volume Call Answering (HVCA®) service in the UK market. TFCC currently work with over 70 US electric utility clients in the North American marketplace.

"We are extremely pleased to partner with Eckoh in the UK marketplace and are delighted at the partnership's success in winning this significant contract with ScottishPower. The HVCA® solution selected by ScottishPower combines TFCC's market-leading proven performance in North America with Eckoh's UK market leadership in the provision of high volume automated call handling solutions. Together with Eckoh, we look forward to replicating our success in the UK with ScottishPower and other utility clients."

Thomas Calabro, Senior Vice President for TFCC



Directors' Report

The Directors of Eckoh Technologies plc present their annual report, together with the audited financial statements of the Company and the Group for the year ended 31 March 2006.

Principal activity The principal activity of Eckoh Technologies plc and its subsidiary undertakings ("the Group") is the provision of telecommunications services to businesses and consumers, with a strategic focus on designing, building and managing speech solutions for large corporations and organisations using advanced speech recognition technologies. The Chairman's Statement (page 3) and the Business Review (pages 4 to 7) report on the progress made in the financial year under review.

The principal subsidiary undertakings are listed on page 36.

Results and dividends The audited financial statements and related notes for the year ended 31 March 2006 are set out on pages 24 to 48. The Group's profit for the year is set out in the Profit and Loss Account on page 24.

The Company intends to reinvest any future earnings to finance the growth of its business and does not anticipate paying any dividends in the foreseeable future.

Research and development The Group incurred £2.5m (2005 - £2.1m) of research and development expenditure during the year £0.1m (2005 - £0.1m) of which had been capitalised during the year as an intangible asset, as it expanded its product portfolio and produced bespoke solutions for customers.

Annual General Meeting The next Annual General Meeting of the Company will be held at

11.00 am on Monday 30 October 2006. Details of the business to be proposed at the Annual General Meeting are contained within the Notice of Meeting, which accompanies this Report.

Directors The current Directors of the Company are shown on page 9.

Adam Moloney was appointed Group Finance Director on 1 August 2005 and was re-elected at the Annual General Meeting held on 21 September 2005. All other Directors served throughout the year.

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. All Directors must be re-elected at intervals of not more than three years, in accordance with the provisions of the Combined Code on Corporate Governance appended to the Listing Rules of the United Kingdom Listing Authority. The following Directors retire by rotation and put themselves forward for re-election at the Annual General Meeting:

Nik Philpot
Martin Smith

Directors' Report continued

Directors Remuneration (audited)

Name	Salary and fees £'000	Bonus £'000	Other benefits £000	2006 Total £'000	2005 Total £'000
M R Turner	195	-	18	213	258
N B Philpot	195	117	18	330	258
A P Moloney (i)	61	25	9	95	-
H R P Reynolds	69	-	-	69	51
M E Smith (ii)	25	-	-	25	25
B D McArthur Muscroft (iii)	-	-	-	-	57
D G Best (iv)	-	-	-	-	29
Totals	545	142	45	732	678

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. Except as disclosed in Note 25 to the financial statements, 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.

Amendments to section 309 of the Companies Act came into effect from 6 April 2005. A new concept of a "qualifying third party indemnity provision" which is referred to as a "QTPIP"

was introduced. A QTPIP is a provision which indemnifies a director against liabilities in civil action by a person other than the company (or an associated company). The Company adopted a QTPIP during the year under review. A copy of this document will be open to inspection by members 15 minutes before and during our forthcoming Annual General Meeting.

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, as shown in the register kept by the Company, are set out below:

	21 June 2006 Ordinary shares of 0.25 pence each	31 March 2006 Ordinary shares of 0.25 pence each	1 April 2005 Ordinary shares of 0.25 pence each
M R Turner	1,139,000	1,139,000	1,139,000
N B Philpot (i)	2,282,000	2,282,000	2,282,000
A P Moloney (ii)	-	-	-
H R P Reynolds (iii)	646,550	646,550	646,550
M E Smith	1,034,482	1,034,482	1,034,482

Notes:

- (i) A P Moloney was appointed as Group Finance Director on 1 August 2005
- (ii) M E Smith, as Chairman of Symphony Telecom Holdings plc also received a fee of £39,585
- (iii) B D McArthur Muscroft resigned on 25 June 2004
- (iv) D G Best resigned on 5 July 2004

Notes:

- (i) N B Philpot's spouse is the beneficial owner of 80,000 shares which have been included within the table.
- (ii) A P Moloney was appointed as a Director on 1 August 2005
- (iii) Included in H R P Reynolds' shareholding is 258,620 shares held in the name of Brewin Nominees Limited.



Directors' Share Options The Directors' interests in share options under the Share Option Scheme (1999) are shown in the following table.

	Note	At 31 March 2006 (number)	Granted in year (number)	Lapsed in year (number)	At 1 April 2005 (number)	Exercise price (pence)	Earliest date for exercise	Latest date for exercise
M R Turner	c	3,000,000	-	-	3,000,000	6.50	27.06.05	27.06.12
	a	380,710	-	-	380,710	7.88	07.10.07	07.10.14
	b	337,702	-	-	337,702	7.88	07.10.07	07.10.14
	a	342,857	342,857	-	-	8.75	13.09.08	13.09.15
	b	657,143	657,143	-	-	8.75	13.09.08	13.09.15
N B Philpot	c	3,000,000	-	-	3,000,000	6.50	27.06.05	27.06.12
	a	380,710	-	-	380,710	7.88	07.10.07	07.10.14
	b	337,702	-	-	337,702	7.88	07.10.07	07.10.14
	a	342,857	342,857	-	-	8.75	13.09.08	13.09.15
	b	657,143	657,143	-	-	8.75	13.09.08	13.09.15
A P Moloney	a	250,000	-	-	250,000	8.50	28.02.07	28.02.14
	b	342,857	342,857	-	-	8.75	13.09.08	13.09.15
	c	407,143	407,143	-	-	8.75	13.09.08	13.09.15

Relationship between the Eckoh Board and Symphony Telecom Holdings Board ("Symphony")

During the year the Chairman and Chief Executive of Symphony were both Directors of the Company. Both Martin Smith and Martin Turner report on relevant Symphony matters at Company Board meetings where appropriate.

Substantial shareholdings At 21 June 2006, the Company had been notified of the following material interests, representing 3% or more of

	No of shares	% of issued share capital
Gartmore *	40,515,798	14.87
Herald Investment Trust Limited	19,845,000	7.28
Cavendish Asset Management	13,883,000	5.09
Universities Superannuation Scheme Ltd	12,175,000	4.47

its current issued share capital.

Share capital and reserves Details of changes in the authorised and issued share capital and reserves of the Company are shown in Notes 18

and 19 to the financial statements. As at the year end the Company had the authority to purchase 27,141,659 of its own shares.

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. A new Performance Share Plan was approved by shareholders at the Annual General Meeting

Notes:

- a *Granted under the Inland Revenue approved Appendix to the Eckoh Technologies plc Share Option Scheme (1999).*
- b *Granted under the Eckoh Technologies plc Share Option Scheme (1999) but not qualifying for Inland Revenue approval.*
- c *Granted under the Eckoh Technologies plc Share (1999) but not qualifying for Inland Revenue approval. The objective conditions of these share options were reviewed and amended by the Remuneration Committee on 13 September 2005. The performance target attaching to the above options is the closing middle market price of a share, on any day on which the London Stock Exchange is open for the transaction of business following the third anniversary of the date of grant, must be greater than the exercise price of the Option by RPI plus 15%.*

* *shares held in the name of Gartmore Investments Limited, Gartmore Fund Managers and Gartmore Global Partners. In addition, the USB AG London Branch Holding of 13,537,386 ordinary shares (representing 4.97% of the issued share capital of the company), is included in the Gartmore holding.*



**February 2006: Eckoh in the
leisure sector**

**Britain's newest cinema chain
"Empire" signs three-year speech
deal with Eckoh**

In February 2006, Eckoh announced a new three-year contract to supply Empire Cinemas with an end-to-end automated cinema information and booking solution.

The automated information and booking service is being rolled out to all 17 cinema outlets from March 2006, providing Empire Cinema customers with a 24/7, one-number solution for accessing local cinema and film information as well as the ability to book tickets and specify seating preference.

"Eckoh's reputation for providing best of breed speech technology and their proven track record of operating high volume speech applications for other leading cinema providers, made them the natural provider of choice. By partnering with Eckoh, we look forward to leading the way in the provision of highly sophisticated and innovative cinema services to our customer base."

Justin Ribbons - CEO, Empire Cinemas



Directors' Report continued

held on 28 July 2004.

Charitable and political donations The Group made no political donations during the year. Anglia Telcom Centres Limited made £2,500 of charitable donations during the year (2005 - £918).

Employees The Directors believe that the Group's employees are a source of competitive advantage. The Directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre.

The Group is committed to the principle of equal opportunity in employment. It seeks to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, nationality, race, colour, ethnic or national origin, religion, disability or sexual orientation or is disadvantaged by conditions or requirements, including age limits, which cannot be objectively justified. Entry into and progression within the Group are solely determined by the application of job criteria, personal aptitude and competence.

It is the Group's policy to apply best practice in the employment of disabled people. Full and fair consideration is given to every application for employment from disabled persons whose aptitude and skills can be utilised in the business and to their training and career development. This includes, wherever possible, the retraining and retention of staff who become disabled during their employment.

All staff are informed of matters concerning their interest as employees and the financial and economic factors affecting the business. Established management communication channels have been supplemented by direct presentations to staff by Directors to explain developments of particular significance.

Environmental report The Directors recognise the importance and responsibility of ensuring that the Group's businesses are conducted with respect and care for the environment. Environmental management is regularly monitored by the Board through the internal control risk management process.

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. Its suppliers are, in that way made aware of these terms. The Company seeks to abide by these payment terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At 31 March 2006 the amount of trade creditors shown in the balance sheet represents 31 days of average purchases for the Group (2005 - 46 days). The Company had no trade creditors at 31 March 2006.

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 A resolution to reappoint PricewaterhouseCoopers LLP as auditors of the Company, and to authorise the Directors to set their fees, will be submitted to the forthcoming Annual General Meeting.

By order of the Board

Sam Driver

*Company Secretary
26 June 2006*

Corporate Governance

Compliance Statement The Board of Eckoh Technologies plc recognises its responsibilities to maintain high standards of corporate governance throughout the Group. Except as stated in this report, the Company complied with all the provisions of the Combined Code on Corporate Governance (the "Combined Code"). The Company is committed to complying with the Combined Code so far as is practicable and appropriate for a public company of its size and nature. This statement explains how the Company has applied the principles of the Combined Code.

Board of Directors The Chairman is responsible for the effective running of the Board of Directors. The Board has five members, comprising the Non-executive Chairman, the Chief Executive, the Chief Operating Officer, the Group Finance Director and one Non-executive Director. The Board has considered the independence of its Non-executive Directors. The matters considered included but were not limited to Martin Smith's position as Chairman of Symphony Telecom Holdings plc, the consultancy agreement that was in place for part of the year under review (terminated on 30 June 2005) between the Company and MES Investments Limited (Martin Smith, has an interest in MES Investments Limited), the fee paid to Martin Smith in relation to the acquisition of Anglia Telecom Centres Limited and the position of Peter Reynolds as Non-executive Chairman of the Board. After due consideration the Board considered that the Chairman, Peter Reynolds, and the Non-executive Director, Martin Smith, are independent and do not have any involvement in the day-to-day management of the Company or its subsidiaries.

The biographical details of the Board members are set out on page 9. The Board believes that the balance achieved between Executive and Non-executive Directors is appropriate and effective for the control and direction of the business.

The Board formally met eleven times during the period under review, with full attendance on each occasion, with the exception of the February meeting, where the apology from Martin Turner, was noted.

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 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 Directors' letters of appointment do not specify an expected time commitment. However the relevant letters of appointment do state that the Non-executive Directors are to attend at least seven Board meetings a year. In addition they are to make themselves available on reasonable notice to individual Directors throughout their appointment as Non-executive Directors of the Board.

The Non-executive Directors have 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 three 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.

The Board and the Operating Board are assisted by the Company Secretary, who provides a point of reference and regular support for all Directors and senior managers. The Company Secretary has responsibility for ensuring that Board procedures are followed, for establishing the Group's corporate governance policies with the Chairman and the Chief Executive and for assisting the Board in facilitating compliance by the Company with its legal obligations. The appointment and removal of the Company Secretary is one of the matters reserved for the full Board's decision, in accordance with the formal schedule referred to above.

The Chairman, assisted by the Company Secretary, ensures that all new Directors receive an appropriate induction on joining the Board. An evaluation of the performance of the Board and its Committees is undertaken annually. A Board Effectiveness Questionnaire is completed by all Board members. The Company Secretary co-ordinates the responses and provides feedback to the Board, areas requiring enhancement are discussed and actions agreed. In addition the Chairman undertakes annual performance evaluations of each of the Directors. The Board, excluding the Chairman, meets once a year to discuss the performance of the Chairman. The Senior Independent Director is responsible for providing appropriate



feedback of the outcome of his review to the Chairman.

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 Committee, the Audit and the Nomination Committees. The three committees have written terms of reference, which define their authorities, duties and membership. The written terms of reference are available for inspection at the Company's registered office during normal business hours on any weekday excluding Saturdays, Sundays and public holidays. Details of membership of the committees are given on page 9. The Company has not sought to comply with the requirements of the Combined Code to have three independent Non-executive Directors as members of the Audit Committee. An exemption to this requirement for smaller quoted companies is contained in the Combined Code. The Audit Committee comprises Martin Smith, who chairs the Committee, and Peter Reynolds. The Company has not sought to comply with the requirements of the Combined Code, with regards to a member of the Committee having recent and relevant financial experience. However, Adam Moloney, the Group Finance Director, attends all Audit Committee meetings by invitation and provides advice to the Committee where appropriate. The Committee formally met twice during the period under review, with no absentees. The Chief Executive Officer and Group Finance Director were invited to and attended both meetings. The Company's auditors were available via telephone for the interim results meeting and attended the preliminary results meeting. The Committee considered reports issued by the Company's auditors at these meetings. The auditors have 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 and receives regular reports from the external

auditors. The Committee also reviews the scope and results of the external audit as well as its cost effectiveness.

During the period of review, the terms of reference of the Audit Committee were reviewed and it was agreed that no changes thereto were required.

During the year, the following non audit services were performed: taxation and transaction services. The Committee reviews the external auditor's letter confirming their independence on an annual basis. In accordance with the Combined Code, the Committee's duties include recommendations to the Board relating to the appointment, re-appointment and removal of the external auditor.

The Audit Committee annually reviews the requirement for an internal 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.

The Nomination Committee is responsible for the formal selection process of Executive and Non-executive Directors. It is made up of the two independent Non-executive Directors and the Chief Executive Officer and is chaired by Martin Smith. The Committee met twice during the period under review, with no absentees. The normal selection process involves the formulation of a clear job description and ideal candidate profile, the appointment of independent recruitment consultants, if appropriate, and interviews of suitable candidates by the Committee and one or more of the Executive Directors. A short-list of candidates then meets with the remaining Directors. Following feedback from all Directors, and after due consideration, the Nomination Committee recommends the appointment of the chosen candidate.

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. The organisational structure includes the Operating Board, which comprises the Company's Executive Directors and senior managers, which meet monthly.

An annual operating budget and long-term business plan 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 to the Board.

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

Shareholder Relations The Company holds meetings with its major institutional investors and general presentations are given covering the interim and preliminary results. Peter Reynolds met with shareholders, brokers and analysts during the period under review. The Chairman is available to attend presentation meetings and other presentations on an ongoing basis. Martin



April 2006: Eckoh in broadcasting

Eckoh renews interactive telephony contract with ITV and wins new contract with ITV Play

In April 2006, Eckoh was re-appointed by ITV, the UK's biggest commercial television network, to provide premium rate telephone services for channel programming.

The new contract, which runs until at least September 2007, was awarded following a year in which Eckoh has successfully managed telephone services for ITV across more than thirty hit shows including I'm a Celebrity...Get Me Out of Here!, Celebrity Love Island, Soapstar Superstar, Ant and Dec's Gameshow Marathon and This Morning. In this period Eckoh has successfully handled more than 30 million calls for ITV.

"Eckoh has delivered a first class performance throughout 2005, making it an easy decision to re-appoint the company as our supplier of PRTS services. The breadth of services Eckoh provides and the clients that the company works with gave us the confidence that it remained the right partner for ITV."

Jane Marshall - Commercial Development Director of ITV Consumer



Corporate Governance continued

Smith, as the Senior Independent Director, is available to shareholders to discuss any concerns. 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. The Chairmen of the Audit, Nomination and Remuneration Committees will normally attend the AGM.

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 going concerns. 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.

May 2006: Eckoh in interactive entertainment

Eckoh launch the UK's first mass participation telephone game

In May 2006, Eckoh was commissioned to provide ITV Play, the leading participation TV channel, with the first mass participation telephone quiz format in the UK.

Eckoh was appointed as preferred telephony supplier to ITV Play in April 2006; the new quiz format is expected to become a central strand of Play activity over the coming months.

"The Rovers Return Quiz Night is the best in our new breed of formats, combining Eckoh's cutting edge interactive technology to bring thousands of people together with the nation's favourite soap. Eckoh's experience has been invaluable in the development of this show and the team has pulled out all the stops to ensure that ITV Play continues its reputation as an innovator in participation television."

William van Rest - Controller ITV Play



Statement of Directors' Responsibilities

The following statement sets out the responsibilities of the Directors in relation to the financial statements. The report of the Auditors, shown on page 23, sets out their responsibilities in relation to the financial statements.

Company law requires the Directors to prepare financial statements for each financial year, which give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss and cash flow of the Group for the financial year. In preparing those financial statements, the Directors are required to:

- select appropriate accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed subject to any material departures being disclosed and explained; and
- prepare the financial statements on the going concern basis, unless they consider it to be inappropriate.

The Directors confirm that the financial statements comply with the above requirements.

The maintenance and integrity of the web site of Eckoh Technologies plc is the responsibility of the Directors. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Directors are responsible for ensuring that the Company keeps sufficient accounting records to disclose with reasonable accuracy at

any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for taking reasonable steps to safeguard the assets of the Company and the Group, and in that context must have proper regard to the establishment of appropriate systems of internal control with a view to the prevention and detection of fraud, theft and other irregularities.



November 2006: Eckoh in the government sector

Magistrates Courts to increase fine payment revenues and reduce costs with automated payment collection service from Eckoh

In November 2005, Her Majesty's Courts Service in the North East region signed up to a 24/7, automated payment solution to be deployed by Eckoh and strategic business partner BT. The automated solution is expected to yield similar results to the West Yorkshire HMCS, where it has already yielded transformational cost savings and an overwhelming 36% increase in fine payments since June 2004.

"The self-service solution delivered by Eckoh and BT will be particularly helpful for customers who want to pay their fines quickly and discreetly and who are simply not able to make payments during normal business hours. We look forward to working with Eckoh and BT to match the significant cost savings and tremendous operational achievement being enjoyed by West Yorkshire HMCS."

Paul Skelton North East Regional Performance Manager



Independent Auditors' Report to the Members of Eckoh Technologies plc

We have audited the Group and parent company financial statements (the "financial statements") of Eckoh Technologies plc for the year ended 31 March 2006 which comprise the Group Profit and Loss Account, the Group and Company Balance Sheets, the Group Cash Flow Statement, the Group Statement of Total Recognised Gains and Losses, the Reconciliation of Movements in Group Shareholders' Funds and the related notes. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

The Directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with

the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement and the Business Review. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to

provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements:

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent company's affairs as at 31 March 2006 and of the Group's profit and cash flows for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP

*Chartered Accountants and Registered Auditors
London*

26 June 2006

Group Profit and Loss Account

for the year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Turnover	1,2	127,084	79,720
Continuing operations		86,626	76,529
Acquisitions		39,578	-
Total continuing operations		126,204	76,529
Discontinued operations		880	3,191
Cost of sales	2	(102,696)	(59,675)
Gross profit	2	24,388	20,045
Net operating expenses before intangible asset amortisation and impairment and restructuring costs	2	(22,123)	(19,533)
Amortisation of intangible assets	2,9	(2,165)	(2,539)
Impairment of intangible assets	2,9	-	(7,756)
Restructuring costs	2	(358)	-
Net operating expenses		(24,646)	(29,828)
Operating profit/(loss) before intangible asset amortisation and impairment and restructuring costs		2,265	512
Continuing operations		284	469
Acquisitions		2,214	-
Total continuing operations		2,498	469
Discontinued operations		(233)	43
Operating (loss)/profit	2	(258)	(9,783)
Continuing operations		(241)	(9,826)
Acquisitions		216	-
Total continuing operations		(25)	(9,826)
Discontinued operations		(233)	43
Profit on disposal of subsidiary operations	3	1,388	-
Profit on disposal of fixed asset investment	1,11	300	-
Costs of group restructuring	1	(80)	-
Net interest (payable)/receivable and other similar items	4	(205)	372
Profit/(loss) on ordinary activities before taxation	1	1,145	(9,411)
Taxation	6	(166)	(6)
Profit/(loss) on ordinary activities after taxation		979	(9,417)
Minority interests	21	296	(23)
Retained profit/(loss) for the year	19	1,275	(9,440)
Basic earnings/(loss) per 0.25p share	8	0.5p	(3.5p)
Diluted earnings/(loss) per 0.25p share	8	0.4p	(3.4p)

There is no difference between the profit on ordinary activities before taxation and the profit for the year stated above and their historical cost equivalents.

Group Statement of Total Recognised Gains and Losses for the year ended 31 March 2006

	2006 £'000	2005 £'000
Retained profit/(loss) for the year	1,275	(9,440)
Exchange adjustments offset in reserves	(34)	(8)
Total recognised gains/(losses) for the year	1,241	(9,448)

Reconciliation of Movements in Group Shareholders' Funds for the year ended 31 March 2006

	2006 £'000	2005 £'000
Retained profit/(loss) for the year	1,275	(9,440)
Exchange adjustments offset in reserves	(34)	(8)
Employee share options exercised (note 20)	82	26
Net increase/(decrease) in shareholders' funds	1,323	(9,422)
Shareholders' funds at beginning of year	8,951	18,373
Shareholders' funds at end of year	10,274	8,951

Balance Sheets at 31 March 2006

		Group		Company	
	Notes	31 March 2006 £'000	31 March 2005 £'000	31 March 2006 £'000	31 March 2005 £'000
Fixed assets					
Intangible fixed assets	9	8,604	918	-	-
Tangible fixed assets	10	1,498	1,571	-	-
Investments	11	288	-	9,624	10,401
		10,390	2,489	9,624	10,401
Current assets					
Stock	12	479	22	-	-
Debtors	13	22,537	11,021	9,029	4,036
Short-term investments	16,28	3,000	7,000	3,000	7,000
Cash at bank and in hand	16,28	9,737	6,296	31	398
		35,753	24,339	12,060	11,434
Creditors: amounts falling due within one year	14	(32,277)	(17,353)	(892)	(1,237)
Net current assets		3,476	6,986	11,168	10,197
Total assets less current liabilities		13,866	9,475	20,792	20,598
Creditors: amounts falling due after more than one year	15	(1,493)	(65)	-	-
Provisions for liabilities and charges	17	(172)	(152)	(148)	(93)
Net assets	1	12,201	9,258	20,644	20,505
Capital and reserves					
Called up share capital	18,19	681	679	681	679
Share premium account	19	227	147	227	147
Profit and loss account	19	9,366	8,125	19,736	19,679
Total shareholders' funds		10,274	8,951	20,644	20,505
Minority interests	21	1,927	307	-	-
Capital employed		12,201	9,258	20,644	20,505

The financial statements on pages 24 to 48 were approved by the Board of Directors on 26 June 2006 and were signed on its behalf by:

Martin Turner - *Chief Executive Officer*

Group Cash Flow Statement

for the year ended 31 March 2006

	Notes	2006 £'000	2005 £'000
Net cash inflow from operating activities	26	3,232	4,475
Returns on investments and servicing of finance			
Interest received		286	410
Interest paid		(335)	(38)
Loan issue costs		(298)	-
		(347)	372
Taxation		(362)	-
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(1,023)	(1,167)
Expenditure on intangible fixed assets		(186)	(290)
Proceeds on disposal of tangible fixed asset		12	-
Disposal of trade investment		300	-
		(897)	(1,457)
Acquisitions and disposals			
Purchase of subsidiary undertakings	22	(9,722)	(250)
Net cash acquired with subsidiary undertakings	22	796	-
Contingent consideration paid in respect of a prior year acquisition		(50)	-
Costs of group restructuring (note 1)		(80)	-
Disposal of subsidiary undertaking	22	(29)	-
Net cash disposed with subsidiary undertaking	22	(107)	-
Proceeds on part disposal of subsidiary undertaking (note 3)		3,429	-
Additional proceeds from disposal of operations in a prior year (note 3)		108	-
		(5,655)	(250)
Cash (outflow)/inflow before use of liquid resources and financing		(4,029)	3,140
Management of liquid resources			
Decrease/(increase) in short-term investments	27,28	4,000	(500)
Financing			
Issue of shares		82	26
Loan raised		6,000	-
Loans repaid		(2,560)	(80)
Capital element of finance lease rental payments		(9)	(29)
		3,513	(83)
Increase in cash in the year	27,28	3,484	2,557

Notes to the Financial Statements

for the year ended 31 March 2006

Principal Accounting Policies

Basis of accounting These financial statements have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom.

The principal accounting policies adopted by the Group are described below together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

New accounting standards FRS 21 "Events after the balance sheet date", FRS 22 "Earnings per share", the presentation part of FRS 25 "Financial instruments: Disclosure and presentation", FRS 27 "Life assurance" and FRS 28 "Corresponding amounts" all apply for the first time in respect of the Group's 2006 year end. None of these standards have had an impact on either the current or previous financial years.

Basis of consolidation The Group financial statements consolidate the accounts of the Company and its subsidiary undertakings, the principal ones of which are set out in note 11. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date control passes. Intra-Group transactions are eliminated fully on consolidation. All companies over which the Group actually exercises dominant influence are consolidated as subsidiary undertakings. Dominant influence is defined as the ability to determine the operating and financial policies, which includes determining budgets, product offering and customer acceptance.

On acquisition of a subsidiary, all of the subsidiary's assets and liabilities that exist at the date of acquisition are recorded at their fair values reflecting their condition at that date.

A separate profit and loss account of Eckoh Technologies plc itself is not presented, as permitted by Section 230 of the Companies Act.

Goodwill Goodwill arising on consolidation represents the excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired. Goodwill is capitalised on the Group balance sheet and amortised in equal instalments over its estimated useful economic life. The expected useful economic life is generally assumed to be 5 years for telecommunications businesses. The useful economic life is assessed for each acquisition as it arises. The carrying value of goodwill is assessed at the end of the first full

financial year following the acquisition and thereafter if there is any indication of impairment. Any impairment in value is charged to the profit and loss account.

Other intangible fixed assets Other intangible fixed assets (including customer bases and client contracts) acquired by the Group are capitalised and amortised over their expected useful economic lives. The expected useful economic life of an acquired customer base is generally assumed to be 3-5 years. The useful economic lives for other intangible assets are assessed for each acquisition as it arises. The carrying value of intangible fixed assets is assessed at the end of each financial year if there is any indication of impairment. Any impairment in value is charged to the profit and loss account.

Tangible fixed assets Tangible fixed assets are stated at cost or fair value on acquisition less depreciation. Depreciation is provided at rates calculated to write off the cost less the estimated residual value of each asset over its expected useful economic life by equal instalments, as follows:

Motor vehicles	over 3 years
Fixtures, fittings and office equipment	over 3 years

The carrying value of tangible fixed assets is reviewed when necessary and any impairment in value is charged to the profit and loss account.

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

Borrowings Loans are stated at cost plus interest accrued but not paid. Loan arrangement fees are capitalised as part of the loan and written off over the term of the loan in proportion to the interest payable on the loan. Amounts payable under the loan are analysed between amounts falling due within one year and amounts falling due after more than one year.

Stock and work in progress Stock and work in progress are valued at the lower of cost and net realisable value. In general, cost is determined on a first in first out basis and includes transport and handling costs. Where necessary, provision is made for obsolete and slow moving items.

Foreign currency transactions Transactions in foreign currencies are recorded in Sterling at the rate ruling on the date of the transaction. Assets and liabilities denominated in foreign

currencies are translated into Sterling at the rates of exchange ruling at the balance sheet date. The results of overseas subsidiary undertakings are translated into Sterling at average rates for the year. The assets and liabilities are translated at rates of exchange ruling at the end of the financial year. Differences on exchange arising from the retranslation of the net investment in overseas subsidiary undertakings are taken to reserves and are reported in the statement of total recognised gains and losses. Other foreign exchange gains or losses are taken to the profit and loss account in the year in which they arise.

Finance and operating leases Assets acquired under finance leases are recorded as tangible fixed assets in the balance sheet. The obligations to pay future capital instalments are shown in creditors and are analysed between amounts falling due within one year and amounts falling due after more than one year. The interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the balance of capital repayments outstanding. The amount capitalised in respect of finance leases is the present value of the minimum lease payments payable during the lease term. Rents payable under operating leases are charged against income on a straight line basis over the length of the lease.

Pensions The Group operates a group personal pension scheme and two Group companies operate defined contribution pension schemes. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions payable are charged in the profit and loss account in the year in which they are incurred.

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.

Turnover Turnover represents the invoiced amount, net of Value Added Tax, of goods sold and services provided to customers.

Revenue recognition Symphony's revenue from calls, which excludes value added tax and trade discounts, is recognised in the profit and loss account at the time the call is made. Calls made in the year, but not billed by the year end, are accrued within debtors as accrued income. Revenue from line rentals is recognised in the month which the charge relates to. Revenue from the sale of handsets and the related costs are recognised at the date of delivery. Connection incentive bonuses are recognised when specific performance criteria are met. Provision is made for expected claw-backs.

Speech Solutions build fee revenue is recognised on delivery of the speech application. Call revenue from speech services is recognised when the Group has determined that users have accessed its services via a telephone carrier network and/or the Group's telecommunication call processing equipment connected to that network. In the event that build, call and maintenance revenue are included in the same contract, each component part is separately valued and individual component revenues are recognised when that component is delivered.

Client Services and Advertised Services revenue

is recognised 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. Cost of sales includes media costs, network charges, production costs and facility costs, and is expensed in the accounting period in which the related revenues are generated.

Advertising costs The Group places direct-response advertisements to promote its Eckoh IVR services in a variety of media, including television, radio, magazines, newspapers and other publications. The costs of such advertising are expensed on the date on which the advertisements first appear in the relevant media.

Research and development Research and development expenses include expenses incurred by the Group to develop new products and enhance its systems. Research costs are charged to the profit and loss account in the year in which they are incurred. Development costs are expensed when incurred unless the SSAP 13 criteria are met, in which case the expenditure is capitalised and amortised over the estimated useful life of the asset.

Related party transactions FRS 8, 'Related Party Transactions', requires the disclosure of the details of material transactions between the reporting entity and related parties. The Group has taken advantage of exemptions under FRS 8

not to disclose transactions between group companies.

Costs of share option schemes Under UITF 17 the Company is required to recognise as a charge to the profit and loss account the amount by which the fair market value of any shares or share options issued exceeds their respective issue or exercise price on the date of the grant. The charge is spread over the period to vesting.

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.

Financial instruments In accordance with FRS 13, 'Derivatives and other financial instruments: disclosures', the Group has taken advantage of the exemption available for short-term debtors and creditors. All financial assets and liabilities are recorded at historical cost, apart from the net assets and liabilities of overseas subsidiary undertakings, which are translated into sterling at rates of exchange ruling at the balance sheet date.

Notes to the Financial Statements

for the year ended 31 March 2006 continued

1 Segmental analysis

	Turnover		Contribution		Profit/(loss) before taxation	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Business analysis						
Symphony Telecom	61,324	20,967	2,295	1,546	(637)	1,284
Speech Solutions	5,263	5,001	555	459	(106)	(150)
Client Services	47,532	38,989	681	213	350	(10,306)
Advertised Services	12,085	11,572	2,529	2,667	2,511	2,557
Discontinued operations	880	3,191	(214)	130	(233)	43
Central costs	-	-	-	-	(2,522)	(3,249)
Net interest receivable (note 4)	-	-	-	-	174	410
Profit on part disposal of subsidiary operations (note 3)	-	-	-	-	1,388	-
Profit on disposal of fixed asset investment (note 11)	-	-	-	-	300	-
Costs of group restructuring	-	-	-	-	(80)	-
Total	127,084	79,720	5,846	5,015	1,145	(9,411)

Analyses by business are based on the Group's management structure. Turnover between segments is immaterial. There are no material foreign entities, nor are there material foreign customers thus no segmental information by geographical area is presented.

Contribution by segment is arrived at by taking the segmental turnover less operating costs excluding depreciation.

Central costs comprise corporate costs, the cost of central support functions and head office costs. These costs are not apportioned across the business segments. The reduction in central costs from the prior year is largely as a result of the allocation of costs to Symphony Telecom Holdings plc in respect of shared central resources utilised.

Costs of group restructuring comprise advisory costs incurred in relation to setting up the Symphony Telecom Holdings plc group.

	Net assets		Net assets excluding intangible fixed assets	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Business analysis				
Symphony Telecom	4,442	(600)	(4,018)	(1,075)
Speech Solutions	1,019	812	929	713
Client Services	(6,775)	(3,038)	(6,829)	(3,382)
Advertised Services	351	(63)	351	(63)
Discontinued operations	-	30	-	30
Central short term investments	3,000	7,000	3,000	7,000
Central cash at bank and in hand	5,276	6,296	5,276	6,296
Central net assets	4,888	(1,179)	4,888	(1,179)
Total	12,201	9,258	3,597	8,340

Treasury is managed on a Group basis, as such, short-term investments and cash at bank and in hand can not be practicably divided between the business segments.

2 Cost of sales, gross profit and net operating expenses

	Acquisitions £'000	Continuing £'000	Discontinued £'000	2006 Total £'000	Continuing £'000	Discontinued £'000	2005 Total £'000
Turnover	39,578	86,626	880	127,084	76,529	3,191	79,720
Cost of sales	(34,453)	(67,933)	(310)	(102,696)	(58,730)	(945)	(59,675)
Gross profit	5,125	18,693	570	24,388	17,799	2,246	20,045
Net operating expenses before intangible asset amortisation and impairment and restructuring costs	2,911	18,409	803	22,123	17,330	2,203	19,533
Direct operating expenses	2,911	15,887	803	19,601	14,142	2,203	16,345
Group overhead	-	2,522	-	2,522	3,188	-	3,188
Amortisation of intangible assets	1,861	304	-	2,165	2,539	-	2,539
Impairment of intangible assets	-	-	-	-	7,756	-	7,756
Restructuring costs	137	221	-	358	-	-	-
Net operating expenses	4,909	18,934	803	24,646	27,625	2,203	29,828
Selling and distribution costs	1,812	4,828	250	6,890	6,222	790	7,012
Administrative expenses	3,097	14,106	553	17,756	21,403	1,413	22,816
Operating (loss)/profit	216	(241)	(233)	(258)	(9,826)	43	(9,783)

2006
£'000

2005
£'000

The Group's operating loss is stated after charging:

Staff costs (note 5)	9,169	8,566
Depreciation of tangible owned fixed assets (note 10)	1,008	1,289
Depreciation of tangible leased fixed assets (note 10)	20	30
Amortisation of intangible fixed assets (note 9)	2,165	2,539
Impairment of intangible fixed assets (note 9)	-	7,756
Loss on disposal of tangible fixed assets	-	7
Operating lease rentals - equipment	65	107
Operating lease rentals - land and buildings	298	475
Research and development costs	2,486	2,097
Auditors' remuneration - audit (Company £0.04m (2005 - £0.04m))	280	134
Auditors' remuneration - non-audit services	9	31
Restructuring costs	358	-

In addition to the auditors' remuneration for audit services, Symphony Telecom Holdings plc remunerated the auditors for non-audit services in respect of the acquisition of Anglia Telecom Centres Limited, the flotation on AIM of the enlarged Symphony Group, raising bank debt finance and group restructuring. The non-audit services amounted to £0.6m, of which the full amount has been capitalised within the balance sheet.

The auditors were remunerated for non-audit advisory services in respect of taxation and International Accounting Standards.

The restructuring costs relate to integration costs incurred by Symphony Telecom Holdings plc following acquisitions made during the year.

Notes to the Financial Statements

for the year ended 31 March 2006 continued

3 Profit/(loss) on disposal of subsidiary operations

	2006 £'000	2005 £'000
Profit on part disposal of subsidiary undertaking	1,512	-
Loss on disposal of subsidiary undertaking	(232)	-
Additional proceeds from disposal of operation in a prior year	108	-
Profit on disposal of subsidiary operations	1,388	-

On 15 September 2005, Eckoh's telecoms subsidiary, Symphony Telecom Holdings plc ('Symphony'), floated on AIM, at the same time placing 10,997,561 ordinary shares, equivalent to 35.36% of the issued share capital with new investors. A gain of £1.512m arose on the 35.36% part disposal. Symphony remains a 64.64% subsidiary of Eckoh and its financial results have been consolidated into Eckoh's financial statements.

Eckoh disposed of the entire issued share capital of Freecom.net Limited, its internet services company, to eDirectory.co.uk plc ('eDirectory') on 31 July 2005. The consideration comprises 4,155,844 eDirectory ordinary shares. Further to this, subject to certain conditions, a further £1.6 million of deferred consideration is payable in eDirectory ordinary shares or a cash equivalent. eDirectory shares are currently traded on Ofex. The accounting treatment for this transaction was to show a net loss of £0.232m on disposal in the profit and loss account.

Symphony received proceeds of £0.1m in respect of the disposal of its hardware services operation in a prior year, not previously accounted for.

4 Net interest (payable)/receivable and other similar items

	2006 £'000	2005 £'000
Interest receivable and other similar income		
Bank interest receivable	286	410
	286	410
Interest payable and other similar charges		
Interest payable on bank loans and overdrafts	(348)	(25)
Amortisation of issue costs of bank loan	(130)	-
Interest payable finance leases	(13)	(13)
	(491)	(38)
Net interest (payable)/receivable and other similar items	(205)	372

Of the net interest payable, £379,000 relates to the Symphony Group and has been reported within profit before tax attributable to Symphony Telecom in the segmental analysis. Net interest receivable in respect of the Eckoh Group is £174,000 as reported in the segmental analysis (see note 1).

5 Staff costs

Details of Directors' emoluments are given in the Directors Report on page 12 and form part of the financial statements. The average monthly number of employees (including directors) employed by the Group during the year was:

	2006 Number	2005 Number
Technical support	38	50
Customer services	137	111
Administration and management	67	78
	242	239
	£'000	£'000
Staff costs for the above persons are:		
Wages and salaries	8,265	7,675
Social security costs	874	865
Other pension costs	30	26
	9,169	8,566

6 Taxation

	2006 £'000	2005 £'000
Corporation tax based on the loss for the period was as follows:		
UK Corporation tax charge at 30% (2005 - 30%)	166	6

At 31 March 2006 the Group had accumulated UK tax losses and overseas losses available to offset against future trading profits in certain Group companies. No deferred tax asset has been recognised in respect of these losses (see note 17).

The tax charge assessed for the period is different to the standard rate of corporation tax in the UK (30%). The differences are explained below:

	2006 £'000	2005 £'000
Profit/(loss) on ordinary activities before taxation	1,145	(9,411)
Corporation tax rate of 30% (2005 - 30%)	344	(2,823)
Effect of expenses not deductible for tax purposes	724	2,736
Effect of capital allowances in excess of depreciation	(27)	(29)
Effect of tax losses (utilised)/unutilised	(865)	122
Effect of marginal rate relief	(10)	-
Current tax charge for the year	166	6

7 Profit of Holding Company

Of the profit for the financial period, a profit of £57,000 (2005 - £1,302,000) is dealt with in the accounts of Eckoh Technologies plc. The Directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and not presented a profit and loss account for the Company alone.

Notes to the Financial Statements

for the year ended 31 March 2006 continued

8 Earnings/(loss) per share

Basic earnings/(loss) per share Basic earnings/(loss) per ordinary share is calculated on the basis of the weighted average number of ordinary shares of 271,957,745 (2005 - 271,226,435) in issue during the year and the profit for the year, after minority interests, of £1.275m (2005 - loss of £9.440m).

Diluted earnings/(loss) per share In calculating diluted earnings/(loss) per share, the weighted average number of ordinary shares in issue is 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 market price of ordinary shares as at 31 March 2006.

	Earnings attributable to ordinary shareholders £'000	2006 Weighted average number of shares (number in thousands)	Earnings per share (pence)	Loss attributable to ordinary shareholders £'000	2005 Weighted average number of shares (number in thousands)	Loss per share (pence)
Basic earnings/(loss) per share	1,275	271,958	0.5p	(9,440)	271,226	(3.5p)
Dilutive effect of share options	-	14,339	-		5,615	-
Diluted earnings/(loss) per share	1,275	286,297	0.4p	(9,440)	276,841	(3.4p)

9 Intangible fixed assets

Group	Goodwill £'000	Other intangible assets £'000	Development expenditure £'000	Total £'000
Cost				
At 1 April 2005	71,046	1,135	128	72,309
Additions	9,897	132	54	10,083
Disposals	-	(479)	-	(479)
At 31 March 2006	80,943	788	182	81,913
Amortisation				
At 1 April 2005	71,046	315	30	71,391
Charge for the year	1,861	250	54	2,165
Disposals	-	(247)	-	(247)
At 31 March 2006	72,907	318	84	73,309
Net book value				
At 31 March 2006	8,036	470	98	8,604
At 31 March 2005	-	820	98	918

The other intangible assets purchased represent a customer base and a customer contract, of which the estimated useful economic lives were assessed to be three years and one year respectively. The disposal represents a customer base that was disposed of on 31 July 2005 following the disposal of Freecom.net Limited.

The capitalised development expenditure in the year represents costs in respect of developing additional speech technology solutions which meet the SSAP13 capitalisation criteria. The estimated useful economic life is three years.

Company

The Company had no intangible fixed assets during the year (2005 - Nil).

10 Tangible fixed assets

Group	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 2005	7,130	64	7,194
Acquisitions (note 22)	54	20	74
Additions	961	32	993
Disposals	(215)	(61)	(276)
At 31 March 2006	7,930	55	7,985
Depreciation			
At 1 April 2005	5,569	54	5,623
Charge for the year	1,002	26	1,028
Disposals	(112)	(52)	(164)
At 31 March 2006	6,459	28	6,487
Net book value			
At 31 March 2006	1,471	27	1,498
At 31 March 2005	1,561	10	1,571

The net book value of tangible fixed assets includes £0.042m (2005: £0.032m) in respect of assets held under finance lease contracts.

Company

The Company had no tangible fixed assets during the year (2005 - Nil).

11 Fixed asset investments

	Group £'000	Company £'000
Cost		
At 1 April 2005	-	10,401
Transfer of investments to subsidiary undertaking	-	(777)
Additions	288	-
At 31 March 2006	288	9,624

During the year ended 31 March 2006, Eckoh Technologies plc transferred three subsidiary undertakings, with a total book value of £777,000, to Eckoh Technologies (UK) Limited.

The additional fixed asset investment represents the 4,155,844 eDirectory.co.uk plc ordinary shares received as consideration following the disposal of Freecom.net Limited on 31 July 2005. eDirectory.co.uk plc shares are currently traded on Ofex. The accounting treatment for the disposal was to show a loss of £0.232m in the profit and loss account (see note 3).

During the year ended 31 March 2006, the Group disposed of its investment shares held in Felix Group plc. The resulting gain on disposal of £300,000 has been reported in the profit and loss account. Prior to disposal, the investment was carried at a nil book value.

Notes to the Financial Statements

for the year ended 31 March 2006 continued

The following are the principal subsidiary undertakings of the Group:

Subsidiary undertakings:	Country of incorporation	Class of holdings	Principal activities	Percentage of share capital held by	
				Eckoh Technologies plc	Subsidiary undertaking
Eckoh Technologies (UK) Limited	England and Wales	Ordinary	IVR & Speech solutions	100%	-
Intelliplus Limited	England and Wales	Ordinary	IVR services	-	100%
Medius Networks Limited	England and Wales	Ordinary	IVR services	-	100%
Eckoh Technologies France SAS	France	Ordinary	Speech solutions	-	100%
Connection Makers Limited	England and Wales	Ordinary	IVR services	100%	-
Symphony Telecom Holdings Plc	England and Wales	Ordinary	Holding company	64.64%	-
Symphony Telecom Limited	England and Wales	Ordinary	Network services	-	100%
Anglia Telecom Centres Limited	England and Wales	Ordinary	Network services	-	100%
Telenet Communications Limited	Ireland	Ordinary	Network services	-	100%
IMS-PLUS Beheer	Holland	Ordinary	Network services	-	100%
NT Independent Networks Limited	England and Wales	Ordinary	Network services	-	50%
Unitel Networks Services Limited	England and Wales	Ordinary	Network services	-	50%
Network Business Call Limited	England and Wales	Ordinary	Network services	-	50%
BDR Networks Limited	England and Wales	Ordinary	Network services	-	50%
Fenix Networks Limited (i)	Northern Ireland	Ordinary	Network services	-	50%
Network Billing Services Limited	England and Wales	Ordinary	Network services	-	50%
Open-Link Technology Limited	England and Wales	Ordinary	Network services	-	50%
IP Integration Network Services Limited	England and Wales	Ordinary	Network services	-	50%

(i) On 8 May 2006, the company changed its name from Lloyd Network Services Limited to Fenix Networks Limited.

The eight subsidiary undertakings which are 50% owned are consolidated in accordance with Financial Reporting Standard 2. The Group determines the budgets and key financial matters of each of these undertakings. The Group also determines key strategic and operational decisions such as product offering, customer acceptance and provides substantially all of the back office support.

The Company also holds 100% of the issued share capital of sixteen non-trading or dormant companies, not shown above.

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

12 Stock

Group	31 March 2006 £'000	31 March 2005 £'000
Finished goods	437	-
Work in progress	42	22
At 31 March 2006	479	22

Company

The Company had no stock during the year (2005 - Nil).

13 Debtors

	Group		Company	
	31 March 2006 £'000	31 March 2005 £'000	31 March 2006 £'000	31 March 2005 £'000
Amounts falling due within one year				
Trade debtors	4,823	2,032	-	-
Other debtors	606	1,264	53	53
Amounts due from subsidiary undertakings	-	-	4,904	3,916
Loan to subsidiary undertaking (note 25)	-	-	4,000	-
Prepayments and accrued income	17,108	7,725	72	67
	22,537	11,021	9,029	4,036

14 Creditors: amounts falling due within one year

	Group		Company	
	31 March 2006 £'000	31 March 2005 £'000	31 March 2006 £'000	31 March 2005 £'000
Bank loans and overdrafts	2,007	224	-	-
Trade creditors	10,221	8,907	-	-
Amounts owed to group undertakings	-	-	892	1,237
Obligations under finance leases	23	17	-	-
UK Corporation tax	194	8	-	-
Other taxation and social security	1,282	1,068	-	-
Other creditors	271	38	-	-
Accruals and deferred income	18,279	7,091	-	-
	32,277	17,353	892	1,237

The bank loan is secured on the assets of Symphony Telecom Holdings plc and those of its principal subsidiary undertakings. In addition, Eckoh Technologies plc has provided a parental guarantee.

15 Creditors: amounts falling due after more than one year

	Group		Company	
	31 March 2006 £'000	31 March 2005 £'000	31 March 2006 £'000	31 March 2005 £'000
Bank loan (note 14)	1,473	-	-	-
Obligations under finance leases	20	65	-	-
	1,493	65	-	-

The finance leases are secured on certain assets of the Group.

Notes to the Financial Statements

for the year ended 31 March 2006 continued

16 Financial instruments

The Group's treasury policy requires that funds are invested in short-term (less than 12 months) deposit accounts with AA rated banks or building societies with net assets exceeding £3 billion, to ensure that funds are available to meet current and future operating requirements.

The Group's financial instruments comprise cash, bank loans, finance leases, liquid resources and various items, such as debtors and creditors 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. The main risks arising from the Group's financial instruments are liquidity risk, interest rate risk and foreign currency risk.

The Group monitors its liquidity risk and interest rate risk on cash deposits primarily through cash flow forecasting. Cash at bank is pooled and invested in overnight money market accounts and deposits. Foreign currency risk 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.

Liquidity risk Through cash flow forecasting and acquisition 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 and the cash element of acquisition considerations as they fall due.

Interest rate risk The Group principally finances its operations through shareholders' funds and working capital. In addition Symphony Telecom Holdings plc has a variable rate bank loan which is currently being repaid in instalments. The Group had no other borrowings during the year, other than finance leases and its only material exposure to interest rate fluctuations was on its cash deposits, short-term investments and debt.

Foreign currency risk The Group's principal exposure to exchange rate fluctuations arises on the translation of overseas net assets and losses into sterling for accounting purposes. This risk is managed by taking differences that arise on the retranslation of the net overseas investments to reserves.

Short-term debtors and creditors (other than finance leases) have been excluded from all the following disclosures.

Financial Assets

The currency and interest rate profile of the Group's financial assets at 31 March 2006 and 31 March 2005 were:

	2006			2005		
	Cash at bank and in hand £'000	Short-term investments £'000	Total £'000	Cash at bank and in hand £'000	Short-term investments £'000	Total £'000
Sterling	9,526	3,000	12,526	5,916	7,000	12,916
EU currencies (other than Sterling)	211	-	211	380	-	380
At 31 March	9,737	3,000	12,737	6,296	7,000	13,296
	Cash at bank and in hand £'000	Short-term investments £'000	Total £'000	Cash at bank and in hand £'000	Short-term investments	Total
Floating rate	9,737	-	9,737	6,296	-	6,296
Fixed rate	-	3,000	3,000	-	7,000	7,000
At 31 March	9,737	3,000	12,737	6,296	7,000	13,296

The short-term investments represent fixed rate short-term deposits, which are placed with financial institutions on a rolling basis and earn interest at an average rate of 4.54% (2005 - 4.82%) per annum. Floating rate cash earns interest based on relevant national LIBOR equivalents.

Financial liabilities

The financial liabilities of the Group are detailed in the table below. The interest rate on the finance leases is fixed and the average rate for the year to 31 March 2006 was approximately 10.28% (2005 - 9%). The interest rate on the bank loan is variable and is linked to national LIBOR rates. The average rate for the year to 31 March 2006 was approximately 7.45%. The provision for NIC and other similar taxes on share options and restructuring provision do not bear interest.

The interest rate risk and maturity profile of the Group's financial liabilities, which are all denominated in Sterling, at 31 March 2006 was:

	Bank loan £'000	Finance leases £'000	Restructuring provision £'000	Provision for NIC and other similar taxes on share options £'000	31 March 2006 Total £'000
Fixed rate financial liabilities	-	43	-	-	43
Variable rate financial liabilities	3,525	-	-	-	3,525
Financial liabilities on which no interest is paid	-	-	93	79	172
	3,525	43	93	79	3,740
Maturity profile:					
Within 1 year, or on demand	2,025	23	93	79	2,220
Between 1 and 2 years	1,500	12	-	-	1,512
Between 2 and 5 years	-	8	-	-	8
	3,525	43	93	79	3,740

All the Group's creditors falling due within one year (other than finance leases and bank loans) are excluded from the above table due to the exclusion of short-term items.

The interest rate risk and maturity profile of the Group's financial liabilities at 31 March 2005 was:

	Bank loan £'000	Finance leases £'000	Restructuring provision £'000	Provision for NIC and other similar taxes on share options £'000	31 March 2005 Total £'000
Fixed rate financial liabilities	60	82	-	-	142
Financial liabilities on which no interest is paid	-	-	135	17	152
	60	82	135	17	294
Maturity profile:					
Within 1 year, or on demand	60	17	135	17	229
Between 1 and 2 years	-	54	-	-	54
Between 2 and 5 years	-	11	-	-	11
	60	82	135	17	294

Borrowing facilities Apart from a fixed term, variable rate bank loan held by Symphony Telecom Holdings plc and repayable within 2 years, the Group has no other borrowing facilities.

Fair value of financial assets and liabilities The fair values of the financial assets and liabilities approximate to their book values.

Notes to the Financial Statements

for the year ended 31 March 2006 continued

17 Provisions for liabilities and charges

Group	Restructuring provision £'000	Provision for NIC and other similar taxes on share options £'000	Total £'000
At 1 April 2005	135	17	152
Amounts paid	(400)	-	(400)
Additional provisions charged to the profit and loss account	358	62	420
At 31 March 2006	93	79	172

Company	Restructuring provision £'000	Provision for NIC and other similar taxes on share options £'000	Total £'000
At 1 April 2005	76	17	93
Amounts paid	(52)	-	(52)
Additional provisions charged to the profit and loss account	69	38	107
At 31 March 2006	93	55	148

The restructuring provision at 1 April 2005 consisted of residual costs relating to the termination of the Mobile Wholesale business.

The restructuring provision at 31 March 2006 consists of costs in relation to the post acquisition integration of Anglia Telecom Centres Limited in to the Symphony Telecom Holdings group.

On exercise of share options issued after 6 April 1999, the Company will be required to pay National Insurance on the difference between the exercise price and market value of the shares issued for employees subject to UK taxation. In addition a provision has also been made for similar social security taxes affecting employees not subject to UK taxation. The Company will become unconditionally liable to pay the National Insurance and other similar taxes upon exercise of the options, which are exercisable over a period of up to ten years from the date of grant. The Company spreads the liability over the period to vesting and adjusts it according to the market value of the Company's shares at each subsequent balance sheet date.

All of the above are payable within one year.

	2006 £'000	Group 2005 £'000	2006 £'000	Company 2005 £'000
Total unprovided deferred tax assets are as follows:				
Accelerated capital allowances	(564)	(532)	-	-
Losses available to offset against deferred tax	(8,738)	(9,176)	(1,091)	(1,119)
Unprovided deferred tax asset	(9,302)	(9,707)	(1,091)	(1,119)

No deferred tax asset has been recognised as the Directors are not reasonably certain as to the likelihood of the asset being recoverable.

18 Share capital

Company and Group	31 March 2006 £'000	31 March 2005 £'000
Authorised		
600,000,000 (2005: 600,000,000) ordinary shares of 0.25p each	1,500	1,500

Allotted, called up and fully paid

Date of issue and share type	Number of shares	Nominal Value £'000	Fair value of consideration received £'000
Ordinary shares of 0.25p each			
As at 1 April 2005	271,416,588	679	-
Shares issued under the share option scheme 1 April 2005 - 31 March 2006	1,039,887	2	82
As at 31 March 2006	272,456,475	681	82

The issue of ordinary shares detailed in the above table were to employees following the exercise of share options listed below. The market values of the ordinary shares issued between 1 April 2005 and 31 March 2006 fell within the range 6.75p - 12.5p per share.

On 1 August 2005 the Company issued 643,255 ordinary shares for cash to an employee following the exercise of share options granted in 2004.

On 14 December 2005 the Company issued 321,632 ordinary shares for cash to an employee following the exercise of share options granted in 2004.

On 21 December 2005 the Company issued 75,000 ordinary shares for cash to an employee following the exercise of share options granted in 2002.

19 Share capital and reserves

Group	Share capital £'000	Share premium account £'000	Profit and loss account £'000
Balance at 1 April 2005	679	147	8,125
Profit for the year	-	-	1,275
Net exchange adjustments	-	-	(34)
Shares issued under the share option schemes	2	80	-
Balance at 31 March 2006	681	227	9,366

Company	Share capital £'000	Share premium account £'000	Profit and loss account £'000
Balance at 1 April 2005	679	147	19,679
Profit for the year	-	-	57
Shares issued under the share option schemes	2	80	-
Balance at 31 March 2006	681	227	19,736

Notes to the Financial Statements

for the year ended 31 March 2006 continued

20 Share options

The number of shares subject to options, the period in which they were granted and the periods in which they may be exercised is given below:

Date of grant	Exercise price (pence)	Exercise period	31 March 2006	31 March 2005
30 April 1999	20.0	2002-2012	20,000	40,000
31 May 2001	16.75	2004-2011	2,000	2,000
7 March 2002	7.75	2005-2012	1,335,000	1,532,500
27 June 2002	6.5	2005-2012	6,050,000	6,050,000
29 August 2002	7.5	2005-2012	368,500	552,500
28 November 2002	10.75	2005-2012	1,280,000	1,280,000
7 October 2005	7.88	2008-2015	2,734,783	3,717,516
13 December 2005	9.0	2008-2015	40,362	40,362
28 February 2005	8.5	2008-2015	2,170,000	2,320,000
13 September 2005	8.75	2008-2015	3,000,000	-
Balance as at 31 March 2006			17,000,645	15,534,878

The following options were exercised during the year:

Date of exercise	Number of shares	Exercise price (pence)
1 August 2005	643,255	7.88
14 December 2005	321,632	7.88
21 December 2005	75,000	7.50
	1,039,887	

In addition, 494,328 options lapsed during the year, all of which related to options granted during prior years.

21 Minority interests

	31 March 2006 £'000	31 March 2005 £'000
Balance at beginning of year	307	34
Additions	1,916	250
Minority share of losses for the year	(296)	23
Balance at end of year	1,927	307

The addition during the year relates to the minority interest in the net assets of Symphony Telecom Holdings plc on 15 September 2005, the date on which the Company floated on AIM, at the same time placing 35.36% of shares with new investors.

22 Acquisitions and disposals

The Group made two acquisitions and one disposal during the year ended 31 March 2006. They are considered in turn below:

a) Acquisition of Anglia Telecom Centres Limited

On 29 April 2005, Symphony Telecom Holdings plc, a Group company, purchased the entire issued share capital of Anglia Telecom Centres Limited ('Anglia') for total cash consideration of £9,699,000. Costs of £273,000 were capitalised as part of the investment. Total net liabilities acquired were £125,000 after fair value adjustments of £348,000. From the date of acquisition Anglia contributed £38.0m to turnover, a profit of £2.3m to operating loss and £2.1m to the profit for the year.

	Initial book value of net assets and fair value £'000	Revaluations £'000	Fair value £'000
Tangible fixed assets	67	-	67
Stock	572	(15)	557
Debtors	2,777	(136)	2,641
Cash	792	-	792
Creditors	(3,985)	(197)	(4,182)
Net assets/(liabilities) acquired	223	(348)	(125)
Goodwill			9,824
Consideration			9,699
Consideration satisfied by:			
Cash			9,426
Acquisition costs			273
			9,699

The book value of the assets and liabilities have been taken from the management accounts of Anglia at the date of acquisition.

The revaluations include adjustments to accruals in respect of unprovided liabilities and to debtors in respect of overstated assets. There were no other fair value adjustments.

In its last financial year to 31 March 2005, Anglia Telecom made a profit after tax of £0.9m. For the period since that date to the date of acquisition, Anglia Telecom generated turnover of £3.6m and recorded operating profits of £0.1m and profit after tax of £0.1m.

Goodwill arising on the acquisition is being amortised on a straight-line basis over the estimated useful economic life of 5 years.

b) Acquisition of IMS PLUS Beheer B.V.

On 28 June 2005 Eckoh Technologies plc ('Eckoh') acquired the entire issued share capital of IMS PLUS Beheer B.V. ('IMS') for Nil consideration from Cellular Holdings Limited. Eckoh granted Symphony Telecom Holdings plc ('Symphony') an option to acquire IMS for Nil consideration. Symphony exercised the option to purchase IMS on 30 November 2005. During the period that Eckoh held the shares in IMS Symphony was responsible for the day to day budgetary, financial and operational control of IMS. The Directors believe that Symphony actually exercised dominant influence during the period that Eckoh held the shares in IMS and on that basis the results of IMS have been consolidated within the financial results of Symphony from the date that Eckoh acquired it. This has not been disclosed as a separate geographic segment due to its size.

Total net liabilities acquired were £49,000 after fair value and accounting policy alignment adjustments of £44,000. From the date of acquisition IMS contributed £1.5m to turnover, a loss of £0.2m to both operating loss and profit for the year.

Notes to the Financial Statements

for the year ended 31 March 2006 continued

	Initial book value of net assets £'000	Accounting policy alignment £'000	Revaluations £'000	Fair value £'000
Tangible fixed assets	8	-	-	8
Stock	10	-	-	10
Debtors	299	(78)	-	221
Cash	4	-	-	4
Creditors	(414)	46	76	(292)
Net liabilities acquired	(93)	(32)	76	(49)
Goodwill				72
Consideration				23
Consideration satisfied by:				
Acquisition costs				23
				23

The book value of the assets and liabilities have been taken from the management accounts of IMS at the date of acquisition.

The accounting policy alignment relates to the timing of recognition of revenue and cost of sales of mobile connection commissions. The revaluation adjustment to creditors is in respect of overprovided liabilities. As the Directors consider the goodwill arising on consolidation to be immaterial it has been written off in full to the profit and loss account.

In its last financial year to 31 March 2005 and since then until its acquisition on 31 May 2005, IMS was a dormant company, the trade having previously been part of the vendor business.

c) Disposal of Freecom.net Limited

Eckoh disposed of the entire issued share capital of Freecom.net Limited, its internet services company, to eDirectory.co.uk plc ('eDirectory') on 31 July 2005. The consideration comprises 4,155,844 eDirectory ordinary shares. Further to this, subject to certain conditions, a further £1.6 million of deferred consideration is payable in eDirectory ordinary shares or a cash equivalent. eDirectory shares are currently traded on Ofex. The accounting treatment for this transaction was to show a net loss of £0.232m on disposal in the profit and loss account.

Net liabilities disposed were £100,000 inclusive of cash reserves of £107,000. Costs of £29,000 were incurred in respect of the disposal.

23 Pension commitments

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

24 Financial commitments

The Group had annual commitments under non-cancelable operating leases as follows:

	At 31 March 2006 £'000	At 31 March 2005 £'000
Land & buildings:		
Expiring within one year	-	14
Expiring within two to five years	83	15
Expiring after five years	250	317
	333	346
Other:		
Expiring within one year	47	5
Expiring within two to five years	27	159
	74	164

25 Related party transactions

The Company has taken advantage of the exemption conferred by Financial Reporting Standard 8 that transactions between Group companies do not need to be disclosed.

Related party transactions with directors and other companies are as follows:

A Group company, Eckoh Technologies (UK) Limited, paid an amount of £25,000 (2005 - £25,000) for the year ended 31 March 2006 to Martin Turner and Nik Philpot, both directors of the Company, for the lease of Unit 6, Clifton Court, Hemel Hempstead. The transaction was conducted on an arms length basis.

Eckoh Technologies (UK) Limited paid an amount of £6,000 (2005 - £19,000) for the year ended 31 March 2006 to Martin Smith, a non-executive director of Eckoh Technologies plc, for consultancy services.

Eckoh Technologies (UK) Limited paid an amount of £38,000 (2005 - Nil) for the year ended 31 March 2006 to Lesley Innes, a non-executive director of Symphony Telecom Holdings plc, for consultancy services.

Eckoh Technologies plc paid an amount of £100,000 (2005 - Nil) for the year ended 31 March 2006 to Martin Smith in relation to the acquisition of Anglia Telecom Centres Limited.

There are no balances outstanding on any of the above at the year-end.

As part of the financing arrangements for the acquisition of Anglia Telecom Centres Limited in April 2005, Eckoh Technologies plc loaned Symphony Telecom Holdings plc £7,500,000. £3,500,000 was repaid during May 2005. The loan has no set repayment terms but cannot be repaid until the bank loan is repaid. The loan bears interest at 1.75% above national LIBOR rates. Apart from the £3,500,000 no repayments of capital or interest were made during the year.

The partners to the 50% owned subsidiaries are considered to be related parties due to their 50% interest in the share capital of the respective entity. Where such partners are corporates, companies and individuals related to these corporates are also considered to be related parties of the Symphony Telecom Limited group.

Notes to the Financial Statements

for the year ended 31 March 2006 continued

Fees for management services charged by, and amounts due to, these parties are shown below.

		31 March 2006 Amount charged £'000	31 March 2006 Creditor balance £'000	31 March 2005 Amount charged £'000	31 March 2005 Creditor balance £'000
Related party	Connected entity				
M A McHugh	Network Billing Services Limited	38	24	24	17
N Gravett	Network Billing Services Limited	38	24	24	17
BDR Voice & Data Solutions Limited	BDR Networks Limited	68	32	121	66
Agreed Finance Limited	BDR Networks Limited	55	55	-	-
Nottingham Telephones Limited	NT Independent Networks Limited	-	5	20	5
NT Leasing Limited	NT Independent Networks Limited	130	59	137	94
Lloyd Communication Limited	Fenix Networks Limited	-	30	25	30
Fenix Solutions Limited	Fenix Networks Limited	15	15	-	-
Comec Voice & Data Limited	Open-Link Technology Limited	77	(32)	28	(5)
Telecommunications Management (UK) Limited	Unitel Network Services Limited	128	85	98	37
Digitel Europe Limited	Unitel Network Services Limited	-	-	-	2
Network Finance Limited	Network Business Call Limited	127	79	93	45
IP Integration Limited	IP Integration Network Services Limited	9	9	-	-

26 Cash flow from operating activities

Reconciliation of operating loss to net cash inflow from operating activities

	31 March 2006 Total £'000	Continuing £'000	Acquisitions £'000	Discontinued £'000	31 March 2005 Total £'000	Continuing £'000	Discontinued £'000
Operating (loss)/profit	(258)	(241)	216	(233)	(9,783)	(9,840)	57
Depreciation of tangible fixed assets	1,028	968	41	19	1,319	1,244	75
Amortisation and impairment of intangible assets	2,165	304	1,861	-	10,295	10,295	-
Loss/(profit) on disposal of tangible fixed assets	-	4	(4)	-	7	7	-
Decrease/(increase) in stock	110	(30)	140	-	40	40	-
(Increase)/decrease in debtors	(8,654)	(7,203)	(1,611)	160	(148)	(280)	132
Increase/(decrease) in creditors	8,841	9,206	(256)	(109)	2,745	2,779	(34)
Net inflow/(outflow) from operating activities	3,232	3,008	387	(163)	4,475	4,245	230

27 Reconciliation of net cash flow to net funds

	31 March 2006 £'000	31 March 2005 £'000
Net funds at start of year	13,154	9,988
Increase in net cash	3,484	2,557
Movement in short-term investments	(4,000)	500
Movements in finance leases	39	29
Movements in debt	(3,460)	80
Net funds at end of year	9,217	13,154

28 Reconciliation of movement in net funds

	At 1 April 2005 £'000	Cash flow £'000	At 31 March 2006 £'000
Cash at bank and in hand	6,296	3,484	9,780
Debt due after 1 year	-	(1,359)	(1,359)
Debt due within 1 year	(60)	(2,101)	(2,161)
Finance leases due after 1 year	(65)	45	(20)
Finance leases due within 1 year	(17)	(6)	(23)
	(142)	(3,421)	(3,563)
Short term investments	7,000	(4,000)	3,000
Total	13,154	(3,937)	9,217

Short-term investments consist of short-term deposits with financial institutions that mature within 12 months of the date of inception.

29 Adjusted profit before taxation

	31 March 2006 £'000	31 March 2005 £'000
Profit/(loss) on ordinary activities before taxation	1,145	(9,411)
Adjust for:		
Amortisation of intangible fixed assets	2,165	2,539
Impairment of intangible fixed assets	-	7,756
Restructuring costs	358	-
Additional proceeds of disposal of operation in a prior year	(108)	-
Profit on disposal of fixed asset investment	(300)	-
Profit on part disposal of subsidiary undertaking	(1,512)	-
Loss on disposal of subsidiary undertaking	232	-
Costs of group restructuring	80	-
Discontinued operations	233	(43)
Adjusted profit before taxation	2,293	841

Notes to the Financial Statements

for the year ended 31 March 2006 continued

30 Post balance sheet events

On 22 June 2006 Eckoh Technologies plc ("Eckoh") announced that the Board of Symphony Telecom Holdings plc ("Symphony") and the Board of Redstone plc ("Redstone") reached agreement on the terms of a recommended offer to be made by Evolution Securities Limited, on behalf of Redstone for the entire issued share capital of Symphony. The offer is being made on the basis of 54.5p in cash for each Symphony ordinary share at a premium of 14.7% to the mid-market closing share price on 21 June 2006 and 32.9% compared to last September's placing price of 41p per ordinary share, valuing the entire issued and to be issued share capital of Symphony at £17.3 million. Eckoh has an interest in 20,099,999 ordinary shares representing 64.6% of the issued ordinary share capital of Symphony.

The Eckoh Board has undertaken to accept the Redstone offer, which will realise approximately £11.0 million in cash for Eckoh, the proceeds of which will be placed on deposit.

For the year ended 31 March 2006, Symphony reported an operating loss of £0.3 million on turnover of £61.3 million. As at 31 March 2006, Symphony had net assets of £4.4 million, including cash balances of £4.5million.

Redstone is a leading provider of telecoms and IT solutions for businesses and organisations of all types and sizes.

Shareholder Information

Financial Calendar

Full year results	Preliminary announcement on 27 June 2006
Annual Report	To be posted to shareholders before 30 September 2006
Annual General Meeting	To be held at 11.00 am on 30 October 2006 at the offices of Buchanan Communications, 45 Moorfields, London EC2Y 9AE
Half year results	Interim announcement November/December 2006

Registrar

Please contact our Registrar at the address below to advise change of address and also for any enquiries relating to lost share certificates or other enquiries relating to share registration:

Capita Registrars

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Telephone: 0870 162 3100 (overseas): +44 208 639 2157

Fax: 020 8639 2342

Email: ssd@capitaregistrars.com

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Registered in England and Wales, No. 3435822

Share Price Quotation

The Company's share price is quoted daily in national newspapers as well as on-line at such sites as <http://www.ft.com> under the symbol "ECK".

Web Site

Additional shareholder information including press releases and links to the Group's activities can be found on the Company's web site at:

<http://www.eckoh.com>