



Every second of every day people make contact through Eckoh

Eckoh

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always inspiring

always inspiring



Leading the market in hosted speech recognition services

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Eckoh is the UK's largest provider of hosted speech recognition services. We enable our clients to communicate more effectively and to enhance their profitability, whilst making life better for the people who use their services.

The size and breadth of our client base means we've delivered solutions to companies in virtually every industry sector, developing specific expertise and understanding through hands on experience.

"Eckoh has proven to be absolutely the right supplier of choice for Vue and has delivered an extremely high quality level of service since we first launched. We are consequently delighted to renew our contract with them. Their overall approach and attention to detail gives us great confidence that the new contact centre will also prove to be a huge success."

Roland Jones, IT Director at Vue Entertainment.



Highlights of the Year

Financial highlights:

	Year ended 31 March 2007 £'000	Restated year ended 31 March 2006 £'000
Turnover from continuing operations	86,841	64,880
Adjusted profit/(loss) before taxation* from continuing operations	1,455	(436)
Profit before taxation	8,418	1,036
Retained profit	8,366	1,166
Cash and short-term investments	9,601	12,737

* profit before taxation, intangible asset amortisation and exceptional items.

- *Group turnover from continuing operations increased by 34% to £86.8m (2006: £64.9m)*
- *Adjusted profit before taxation* from continuing operations increased to £1.5m from a loss of £0.4m (Profit before taxation £8.4m (2006: £1.0m))*
- *Retained profit of £8.3 (2006: £1.1m)*
- *Cash and short-term investment balances total £9.6m (2006: £12.7m)*

Operational highlights:

Speech Solutions

- Strong new business generation during the year, particularly in the second half, notable wins include AXA PPP healthcare, BAA, Parcelforce Worldwide, United Utilities and BSKyB
- Virtually no client churn in the year and contract terms are increasing with three-year terms and longer being typical
- Significant long-term contract renewals with ATOC, Vue, O2 and William Hill, three of the top four Speech Solutions clients

Client IVR

- Eckoh continues to be one of the largest players in the UK market
- Eckoh to invest in becoming a "best practice" provider of interactive services for media owners
- New contracts to be negotiated to reflect the market conditions and the service that Eckoh provides.

Chairman's Statement

During the financial year ended 31 March 2007, the Board took steps to restructure and reorganise the Group in order that our efforts could be focused on the high margin, high growth speech solutions market. The excellent financial results are a testament to the success of this reorganisation.

Turnover from continuing operations increased by 34% to £86.8m, and pre-tax profits from continuing operations increased by £1.9m to £1.5m before intangible asset amortisation and exceptional items; cash and short-term investments amounted to £9.6m.

Within the Speech Solutions area I am very pleased to report a number of exciting new long-term contracts as well as a series of significant contract renewals from our existing client base. We are confident that Eckoh will maintain its position as the market leader in the UK for hosted speech recognition solutions and the strong sales pipeline moving in to the new financial year reflects the growing maturity and opportunity in this sector.

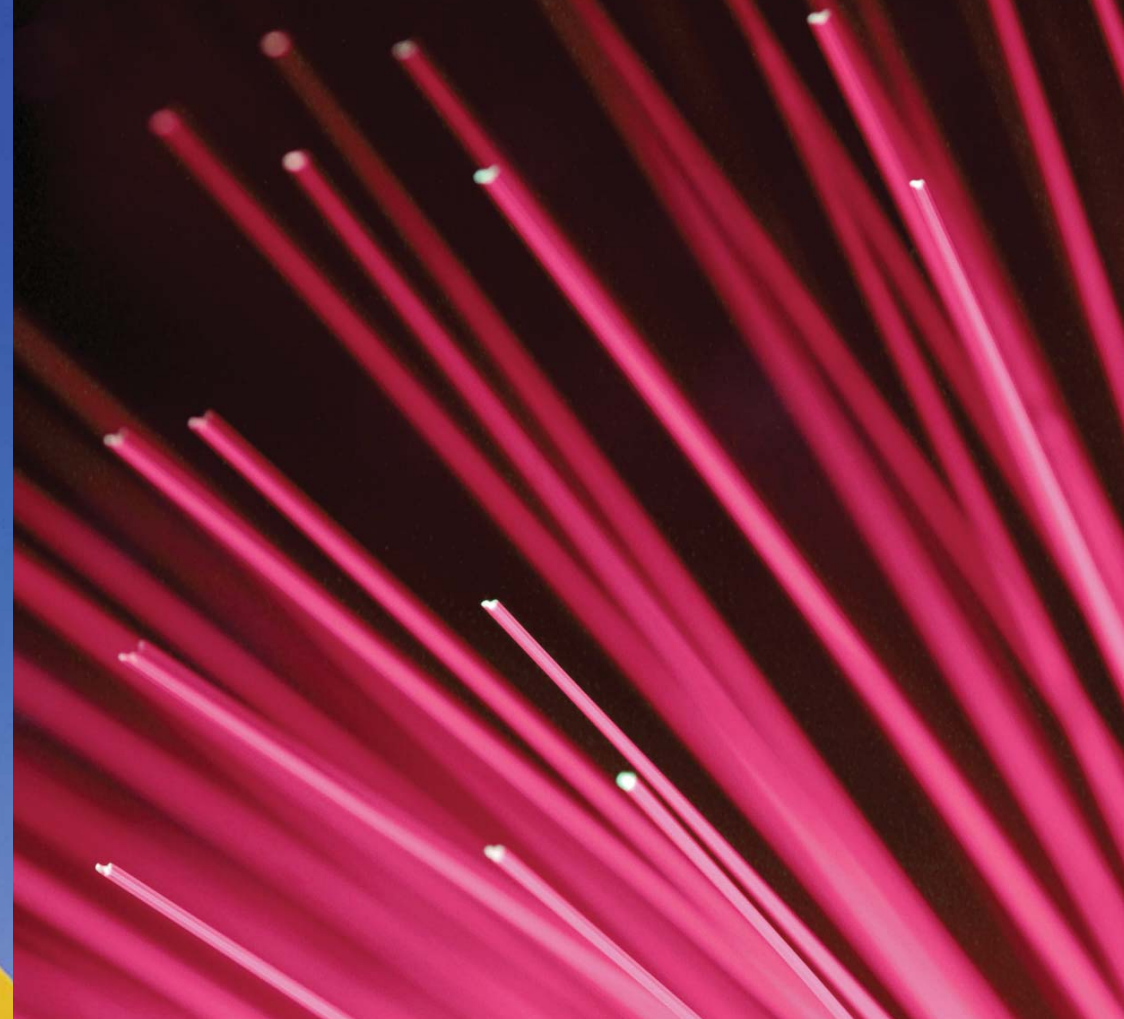
According to analysts, Datamonitor, the market for hosted IVR self-service in the UK is expected to grow to \$283.7 million by 2012; and the market for hosted speech solutions, is expected to double within the same time frame. The Board remain committed to extending our footprint into other European territories and have the necessary resources to achieve this. The Speech Solutions business continues to be the long-term focus of the Group and is where the Board believes the best value for shareholders will be realised.

The recent issues concerning the interactive television market have had a significant impact on response levels, which are currently much lower throughout the sector. Whilst these issues will inevitably reduce the revenues in our Client IVR division, the very low margin nature of these revenues means that this will have a reduced impact on gross profits. As a result, Eckoh's intention is to improve on the very low margin that it currently obtains from this activity by renegotiating its contracts, and thereby providing a superior level of service to media owners who want to ensure that their interactive services operate in a compliant manner with regard to current and future regulations.

To this end, Eckoh has invested in becoming a "best practice" provider of IVR services for media owners and appointed KPMG to conduct a comprehensive review of all of its media services. As well as ensuring that all services were operating in a fully compliant manner, this review served to establish best practice standards and processes which can now be used as a benchmark for industry regulation moving forward.

I would like to take this opportunity to thank Eckoh's staff for their loyalty, commitment and dedication over the past twelve months, as we all look forward to an exciting year ahead.

Peter Reynolds
Chairman



Harnessing the power of speech technology and beyond

Europe's largest speech enabled technology platform, scaleable to any client need, is the foundation stone of every solution we deliver. Implemented across the web, mobile, and telephone, our solutions provide a consistent and integrated customer experience across all channels.

"With more than 11 million travellers passing through BAA Airports each month it is vital that we're able to provide timely, accurate flight information at any time of the day or night. As Eckoh and BT's track record in the travel sector has proven, the introduction of this automated service means we will have the capability to dramatically improve information availability whilst reducing the cost of providing this vital customer service."

Tom Voice, Director of BAA Retail IT



The Business Review

Overview

The past 12 months have been a period of significant change for Eckoh. Following the sale of its 64.64% holding in Symphony Telecom Holdings plc ("Symphony") in July 2006, Eckoh has consolidated its business around its two core divisions, Speech Solutions and Client IVR.

The Group has made excellent progress in these core areas, resulting in a strong financial performance. Turnover from continuing operations has increased by 34% to £86.8m (2006: £64.9m) and profit before tax excluding intangible asset amortisation and exceptional items has improved from a loss of £0.4m to a profit of £1.5m.

The sale of Symphony generated £11.0m cash proceeds before expenses of £0.8m, and a profit of £8.7m for the Group. £10.2m of cash generated was used to acquire shares in Eckoh, including a £7m tender offer to shareholders which concluded in February. The increase in profitability and reduction of shares in circulation has resulted in earnings per share increasing from 0.4p to 3.2p.

Eckoh will continue with a strategy of concentrating on the core parts of the business and the Speech Solutions division in particular. Developments in North America where Microsoft, Google and Nuance have all made significant investments in speech recognition and managed service operations have confirmed the belief of the Directors that huge value exists within this market. Eckoh continues to have substantial cash reserves and will look to expand the Speech business throughout Europe to further establish a clear leadership in the European Speech Recognition market.

Continuing operations

1. Eckoh

The Speech Solutions and Client IVR divisions

both operate under the common Eckoh brand and many employees are shared across both activities. However, the nature of the businesses, their margins and their opportunities for growth are quite different and on that basis we continue to report their results separately.

1.1 Speech Solutions

Eckoh is the UK's largest provider of hosted speech recognition solutions with the broadest client portfolio and sector penetration. Our services are used by a wide range of mass market organisations to serve millions of customers and our clients include BT, National Rail Enquiries, Parcelforce Worldwide, AXA PPP healthcare, TD Waterhouse and Scottish Power.

Eckoh continue to add significant new clients on long term contracts as well as renew contracts with existing clients. This progress was evidenced by a number of announcements made in June 2007. In conjunction with Eckoh's partner Twenty First Century Communications Inc., ("TFCC"), we have signed a new three-year contract to provide advanced power outage services to United Utilities. This is the fourth substantive contract for the Eckoh/TFCC partnership. Additionally, along with our partner, British Telecom ("BT"), we are delighted to have signed a new seven-year contract with a major UK logistics company, further disclosure on this agreement will be made later in the year. Finally, our client of three years O2, has renewed its contract for age verification services for the next three years and increased the scope to include self-service via the web as well as the telephone.

The recently announced contract wins are a continuation of last years excellent progress made

within Speech Solutions as major consumer-facing organisations adopt outsourced and advanced technology from Eckoh to enhance their service levels without needing to increase headcount or reduce cost by moving to offshore locations.

The division increased its revenue by 19% to £6.3m (2006: £5.3m). More significantly, the division's gross profit increased by 33% to £3.9m (2006: £2.9m) contributing to strong improvement in the gross margin from 56% to 62%. The result also reflects the impact of operational gearing, with direct costs increasing by only 13% to £2.7m (2006: £2.4m) validating our belief in the hosted model operated by the division. As a result, the Speech Solutions division more than doubled its contribution to the group overheads to £1.2m (2006: £0.5m) and is anticipated to become the most profitable part of the group in 2008.

It is also pleasing that the division continued to experience virtually no churn in its client base, illustrating the value that the managed solutions provided to clients. During the period some of the largest clients, notably William Hill, National Rail Enquiries and Vue Cinemas, were all retained on new long term contracts.

The decision to outsource services to Eckoh tends to be part of a long term strategy and contract terms are typically signed on three-year terms or longer. New contracted clients won in the period include the British Airports Authority (a three-year contract for flight information services), Parcelforce Worldwide (a three-year agreement for order tracking and re-delivery) and AXA PPP healthcare (a five-year contract for a sickness management solution).

The Group has an exclusive alliance with BT to provide its top corporate customers with hosted speech recognition services and is evaluating entering into similar alliances with high profile technology companies to accelerate sales growth further. The first of these, which was announced in June 2007, is with Genesys, a world leading provider of contact centre software. Eckoh's clients will be able to take advantage of a number of technological advances encapsulated in Genesys' technology, which will supplement Eckoh's hosted solutions. These include more advanced computer telephony integration ("CTI") capabilities, which allows customer data and calls to be transferred between agents and applications and between locations without any additional telephony charge. In addition, IVR solutions may be built using the Voice XML standard. Eckoh will benefit from exposure to Genesys' extensive global client base of more than 4,000 companies in 80 countries.

The service that Eckoh provides typically centres on speech recognition as the primary technology. It is noticeable however, that many clients are looking for a consistent and common approach in how their customers contact them through channels other than the telephone, and to that end are starting to look to Eckoh to provide a broader solution that may encompass internet and mobile technologies. Eckoh has significant technical expertise in these areas which means that it can usually accommodate the client's requirements and provide greater protection in the long term as competition increases.

The increasing level of interest in the Eckoh speech offering has led to a strong sales pipeline which is expected to lead to further growth in both 2008 and future years. Our belief in the technology and the model we operate is reinforced by exciting recent developments in the United States, where the market is more mature than in Europe. Microsoft has acquired Tellme Networks Inc, a hosted speech solutions provider, for a reported \$800m. Google, Yahoo and Nuance are also all investing heavily in speech recognition with further consolidation anticipated in the sector.

Eckoh is confident of remaining the market leader in the UK, the largest single market in Europe for hosted speech services, and remains committed to extending its footprint into other European

territories for which it believes it has the necessary resources. The Speech Solutions business continues to be the long term focus of the group, and where the Board believes the best value for shareholders will be realised.

1.2 Client IVR

Eckoh is one of the UK's largest providers of IVR and mobile interactive services to media owners, delivering an end-to-end solution from design through to development and implementation as well as hosting and reporting.

The Client IVR division has seen a 50% increase in revenue to £71.3m (2006: £47.5m), predominantly as a result of the launch of ITV Play shortly before the start of the financial year. Gross profit increased by 13% to £3.5m (2006: £3.1m) reflecting a gross margin of 5% (2006: 6%). The increased revenue did not impact the direct expenses which remained at £2.4m (2006: £2.4m). Contribution to central overheads from the division increased to £1.1m (2006: £0.7m).

Call volumes into participation TV formats such as those shown by ITV Play were much higher in the first half of the year, but have subsequently declined. In the fourth quarter consumer confidence in TV programmes which use premium rate services was severely dented and as a result participation was much lower. This trend has continued into the beginning of this year, and hence Client IVR revenues are expected to be significantly lower than last year.

The adverse publicity surrounding the interactive television market and the potential increase in risk has led Eckoh to review its involvement in the sector. Eckoh has worked closely with regulators ICSTIS and Ofcom, assisted Deloitte in a review of all ITV programming and appointed KPMG to perform an independent review of all of its premium rate services in the media sector. As a result, we firmly believe that none of our competitors in the sector have the level of compliance expertise or the experience and scale of resource that Eckoh now possesses.

For Eckoh to continue to remain involved, it is imperative that either a higher proportion of the revenue is retained or fee based contracts are implemented to support the "best practice"



Nik Philpot Chief Executive Officer



Adam Moloney Group Finance Director



Jim Hennigan Executive Director

The Business Review continued

service that Eckoh is now obliged to provide. Hence, it is the Company's intention to re-negotiate its contracts, and to that end it has already started discussions with its largest clients.

The technical and operational expertise that Eckoh now has in this sector is un-paralleled on a global basis. Whilst the UK market is relatively mature, around the world there are many emerging markets which are looking to capitalise on the opportunities that interactivity can provide. Eckoh is not only able to assist in setting up these services but is also able to advise on ways of operating them that can reduce the associated risks.

Over recent months, Eckoh has had many discussions with broadcasters and production companies from outside the UK regarding similar participation TV formats. It is possible that international opportunities may provide a positive counter balance to any reduction in the UK market, however, the focus on maximising the Speech Solutions opportunity must remain the primary focus for management.

Regulatory Review of the Interactive Television Market

The last six months have seen a number of high profile investigations and regulatory reviews commence into the use of premium rate calls and text messages in the interactive television sector.

This began towards the end of 2006 with a Select Committee of MP's reviewing the quiz TV market and intensified in February 2007, when a number of major television shows became the subject of media scrutiny following disclosure of the way in which a number of operations were managed exposing flaws in certain procedures.

As a result of the media coverage both ICSTIS, the regulatory body that governs the premium rate sector, and Ofcom, the independent regulator and competition authority for the UK communications industries, have instigated wide-ranging reviews into the way these services are operated and it is anticipated that they will recommend changes to the codes of conduct.

ICSTIS is continuing its investigation into the "You Say, We Pay" competition on Channel 4's "Richard & Judy Show" and Eckoh is cooperating fully with the investigation. The conclusion of this investigation is expected in early July 2007.

There are no other ongoing ICSTIS investigations involving formal breaches of the ICSTIS Code which involve Eckoh.

In September 2007 the new Gambling Act 2005 will come into full effect and it is likely to result in further changes to the way that premium charged competitions are operated. The new Act requires that competitions must either have a significant degree of skill, a genuine free entry route or be provided by a licensed lottery provider. It is as yet unclear which of these three options will be

generally adopted by the industry which currently generates significant revenues from these services.

These significant changes in the market have prompted Eckoh to invest in becoming a "best practice" provider of IVR services for media owners. Eckoh has already appointed KPMG to conduct a comprehensive review of all of its media services to ensure that these are not only operating in a fully compliant manner but that these services could be used as a benchmark for future regulation. As a result, Eckoh's intention is to improve on the very low margin that it currently obtains from this activity by renegotiating its contracts and thereby providing a superior level of service to media owners who want to ensure that their interactive services operate without the risk of non-compliance with current and future regulations.

2. Connection Makers

Connection Makers provides dating and chat services which are accessed over the phone, via mobile and through the internet. These services are advertised or distributed directly in newspapers, magazines or on television, and are provided to clients on a revenue share basis.

The last 12 months has seen a decline in the business as the average selling price of services has reduced significantly through aggressive competition and the lack of availability of suitable television and press advertising that is necessary to drive critical mass. In addition, there have been a number of regulatory changes, particularly in the mobile market, which has impacted the effectiveness of the advertising.

As a result, revenues for the period were down to £9.3m (2006: £12.1m). Gross margin was stable at 48% (2006: 46%), resulting in gross profit of £4.5m (2006: £5.5m). Direct expenses within the division increased slightly to £3.1m (2006: £3.0m), leading to a contribution to central overheads of £1.3m (2006: £2.5m).

The signs of recovery which were seen at the beginning of the second half were unfortunately impacted by the media coverage in the last quarter reducing consumer confidence in premium rate services in general and their propensity to use them. The impact has not however been as significant as the participation TV market and volumes are returning to more normal levels.

As previously stated, Connection Makers operates as a stand-alone entity with an experienced management team. The Board continues to review all options for this business.

3. Discontinued Operations

Eckoh's results include those for the discontinued Symphony operation for the period prior to its

disposal on 18 July 2006. During that period, Symphony reported an operating loss of £0.7m (2006: profit of £0.5m). Included within the operating loss are exceptional costs comprising expenditure incurred by Eckoh in relation to the restructuring and simplification of the Eckoh business following the disposal of Symphony Telecom Holdings plc to Redstone plc, and by Symphony in relation to the disposal. Continuing operations will benefit from the restructuring with an annual cost saving of around £0.5m going forward.

4. Outlook

The Group made a solid start to the new year and trading in the first quarter has been in line with management expectations.

In the first quarter of the year the Client IVR division has continued to be affected by lower consumer demand for premium rate interactive services across the media sector. Whilst this will impact the division's revenues, the impact on overall profitability is likely to be much less significant due to the current low margin business model. Management are intending to improve the low margin through negotiation of new contracts and by positioning the business as a best practice provider in the media sector.

The Speech Solutions division has excellent revenue visibility and with a strong sales pipeline, Eckoh is confident of maintaining its position as the market leader in the UK for hosted speech recognition solutions. The Group remains committed to extending its footprint into other European territories and has the necessary resources to achieve this. The Speech Solutions division continues to be the long term focus of the Group and is where the Board believes the best value for shareholders will be realised.

Despite the challenging conditions in Client IVR, the Group as a whole remains well positioned, with a strong balance sheet, to benefit from long term growth in the Speech Solutions business. As a result the Board remains confident of delivering shareholder value in both the current financial year and beyond.

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 (69)
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. Peter is also currently a non executive director of SR Pharma plc, a European Biopharmaceutical company and Waltech plc, a payment systems supplier. Peter is Chairman of the Board, a member of both the Audit and Nomination Committees and is Chairman of the Remuneration Committee.



Nik Philpot (43)
Chief Executive Officer

Joined the Board in February 1999, appointed COO and Deputy CEO in September 2001 and appointed CEO in September 2006. Nik was a co-founder of Symphony Telecom and formerly worked for British Telecom and Legion. As co-founder of Eckoh he has created the UK's largest automation solutions provider for the contact centre and media industries. Nik has 18 years experience in the voice services industry.



Adam Moloney (37)
Group Finance Director
Company Secretary

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 in August 2005. Prior to joining Eckoh, he was Manager of Finance & Operations for the UK arm of New York based computer reseller, Resilien Inc.



Jim Hennigan (45)
Executive Director

Following a 20 year career in IT, including senior roles at Apple and Marks & Spencer, Jim joined Eckoh in 2000 as Group CTO, becoming Managing Director of its contact centre solutions business in 2002, and appointed to the Board in February 2007. Jim is a recognised authority on speech technology, automation and their impact on customer satisfaction.



Partners for success

We've teamed up with experts in telecommunications, natural language recognition, call handling and data storage to achieve our market leading position. Our strategic alliance with BT has delivered speech services to over 25 leading clients, generating more than 55 million minutes of self-service transactions.

Earlier this year, Eckoh announced a strategic technology partnership with Genesys, the worlds leading global supplier of contact centre solutions to help increase momentum in the speech self-service market place.

Over the past five years, Eckoh has worked with us to establish the industry's premier commentary and results service. We're confident that by re-appointing them, we will maintain access not only to their exceptionally robust and reliable capability, but also to their continued service innovation, which will ensure that we continue to enhance the betting experience we provide to our customers."

Mike Grenham, Head of Sports Information, William Hill



Directors' Report

The Directors of Eckoh plc present their annual report, together with the audited financial statements of the Company and the Group for the year ended 31 March 2007.

Principal activity The principal activity of Eckoh 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 organisations using advanced speech recognition technologies. The Chairman's Statement (page 3) and the Business Review (pages 6 to 8) report on the progress made in the financial year under review.

The principal subsidiary undertakings are listed on page 34.

Results and dividends The audited financial statements and related notes for the year ended 31 March 2007 are set out on pages 22 to 42. The Group's profit for the year is set out in the Profit and Loss Account on page 22.

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.

The principal risks and uncertainties affecting the Group are discussed in the Business Review on page 6.

On 2 November 2006 the Company changed its name from Eckoh Technologies plc to Eckoh plc.

Research and development The Group capitalised £0.2m (2006 £0.1m) of research and development expenditure 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 10:00 on 27 September 2007. 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.

Jim Hennigan was appointed as an Executive Director on 1 February 2007 and will put himself forward for re-election at the Annual General Meeting. Martin Smith retired as a Non-executive Director at the Annual General Meeting on 30 October 2006 and did not seek re-appointment. Martin Turner stood down as Chief Executive Officer in September 2006 and stood down as an Executive Director with effect from 1 December 2006. 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:

Jim Hennigan
Adam Moloney

Directors Remuneration

Name	Salary and fees £'000	Bonus £'000	Other benefits £000	2007 Total £'000	2006 Total £'000
M R Turner (i)	443	117	11	571	213
N B Philpot	195	117	14	326	330
A P Moloney (ii)	90	60	23	173	95
H R P Reynolds	60	-	4	64	69
M E Smith (iii)	39	-	-	39	25
J P Hennigan (iv)	23	79	4	106	-
Totals	850	373	56	1,279	732

The information contained in this table has been audited.

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 22 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.

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:

	31 May 2007 Ordinary shares of 0.25 pence each	31 March 2007 Ordinary shares of 0.25 pence each	1 April 2006 Ordinary shares of 0.25 pence each
N B Philpot (i)	2,282,000	2,282,000	2,282,000
A P Moloney	-	-	-
H R P Reynolds (ii)	646,550	646,550	646,550
J P Hennigan (iii)	15,000	15,000	15,000

Notes:

(i) M R Turner resigned on 1 December 2006. Included within the salary and fees figure is an amount totalling £297,000 which was paid after the date of his resignation as a director in connection with a compromise agreement. In addition, following the exercise of share options M R Turner made gains of £116,000 which are not included in the table.

(ii) Included within the other benefits paid to A P Moloney is an employer pension contribution of £10,000. There were no other pension costs during the year.

(iii) M E Smith resigned on 30 October 2006. As Chairman of Symphony Telecom Holdings plc, he also received fees totalling £12,500 which are included in the table.

(iv) J P Hennigan was appointed as an Executive Director on 1 February 2007.

Notes:

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

(ii) Included in H R P Reynolds' shareholding is 258,620 shares held in the name of Brewin Nominees Limited.

(iii) J P Hennigan was appointed as a Director on 1 February 2007.

"Working with BT and Eckoh has enabled us to create a compelling offering that opens an important new area of business for AXA PPP healthcare. SAM, complemented by our range of additional employee health support services, gives us an even more powerful offering in the corporate marketplace. We are confident that the employee and reporting benefits, not to mention the cost savings and operational benefits afforded by SAM, will impress our clients and strengthen our relationship with them."

Dudley Lusted, Head of Corporate Healthcare Development, AXA PPP healthcare



Directors' Report continued

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 2007 (number)	Granted in year (number)	Lapsed in year (number)	At 1 April 2006 (number)	Exercise price (pence)	Earliest date for exercise	Latest date for exercise
N B Philpot	b	3,000,000	-	-	3,000,000	6.50	27.06.05	27.06.12
	a	380,710	-	-	380,710	7.88	07.10.07	07.10.14
	b	337,702	-	-	337,702	7.88	07.10.07	07.10.14
	b	1,000,000	-	-	1,000,000	8.75	13.09.08	13.09.15
A P Moloney	a	250,000	-	-	250,000	8.50	28.02.05	28.02.08
	b	750,000	-	-	750,000	8.75	13.09.08	13.09.15
J P Hennigan	b	200,000	-	-	200,000	7.75	07.03.05	07.03.12
	b	800,000	-	-	800,000	10.75	28.11.05	28.11.12
	a	34,014	-	-	34,014	7.88	07.10.07	07.10.14
	b	500,000	-	-	500,000	8.75	13.09.08	13.09.15

The information contained in this table has been audited.

Substantial shareholdings At 31 May 2007, the Company had been notified of the following material interests, representing 3% or more of its current issued share capital.

	No of shares	% of issued share capital
Universities Superannuation Scheme Ltd	19,603,000	9.31
Gartmore *	15,152,609	7.59
Cavendish Asset Management	14,483,000	7.25
Herald Investment Trust Limited	9,202,390	4.61

Share capital and reserves Details of changes in the authorised and issued share capital and reserves of the Company are shown in Notes 19 and 20 to the financial statements.

In order to create a more efficient capital structure, enhance earnings per share and to create the potential for improved shareholder value in the future, the Company implemented the authority granted by shareholders on 30 October 2006 to make market purchases of its own shares. The Company purchased 25,500,000 of its own ordinary shares of 0.25 pence each, representing 9.7 per cent. of the issued share capital, for an aggregate

consideration, including fees, of £3,144,155. The shares were purchased from institutional investors who wished to realise part of their investment.

On 22 February 2007, the Company was granted the authority by shareholders to purchase up to 35 per cent. of the existing share capital. The Company implemented this authority, purchasing 53,846,084 of its ordinary shares of 0.25 pence each, representing 21.6 per cent. of the issued share capital by way of a tender offer for aggregate consideration, including fees, of £7,103,166.

Ordinary shares purchased by the Company were subsequently cancelled. As at the year end the Company had the authority to purchase 33,115,506 of its own shares.

Notes:

a *Granted under the Inland Revenue approved Appendix to the Eckoh plc Share Option Scheme (1999).*

b *Granted under the Eckoh plc Share Option Scheme (1999) but not qualifying for Inland Revenue approval.*

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 and Gartmore Fund Managers.*

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

Charitable and political donations The Group made no political donations during the year. Charitable donations totalled £600 during the year (2006: Nil).

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 2007 the amount of trade creditors shown in the balance sheet represents 33 days of average purchases for the Group (2006: 33 days). The Company had no trade creditors at 31 March 2007.

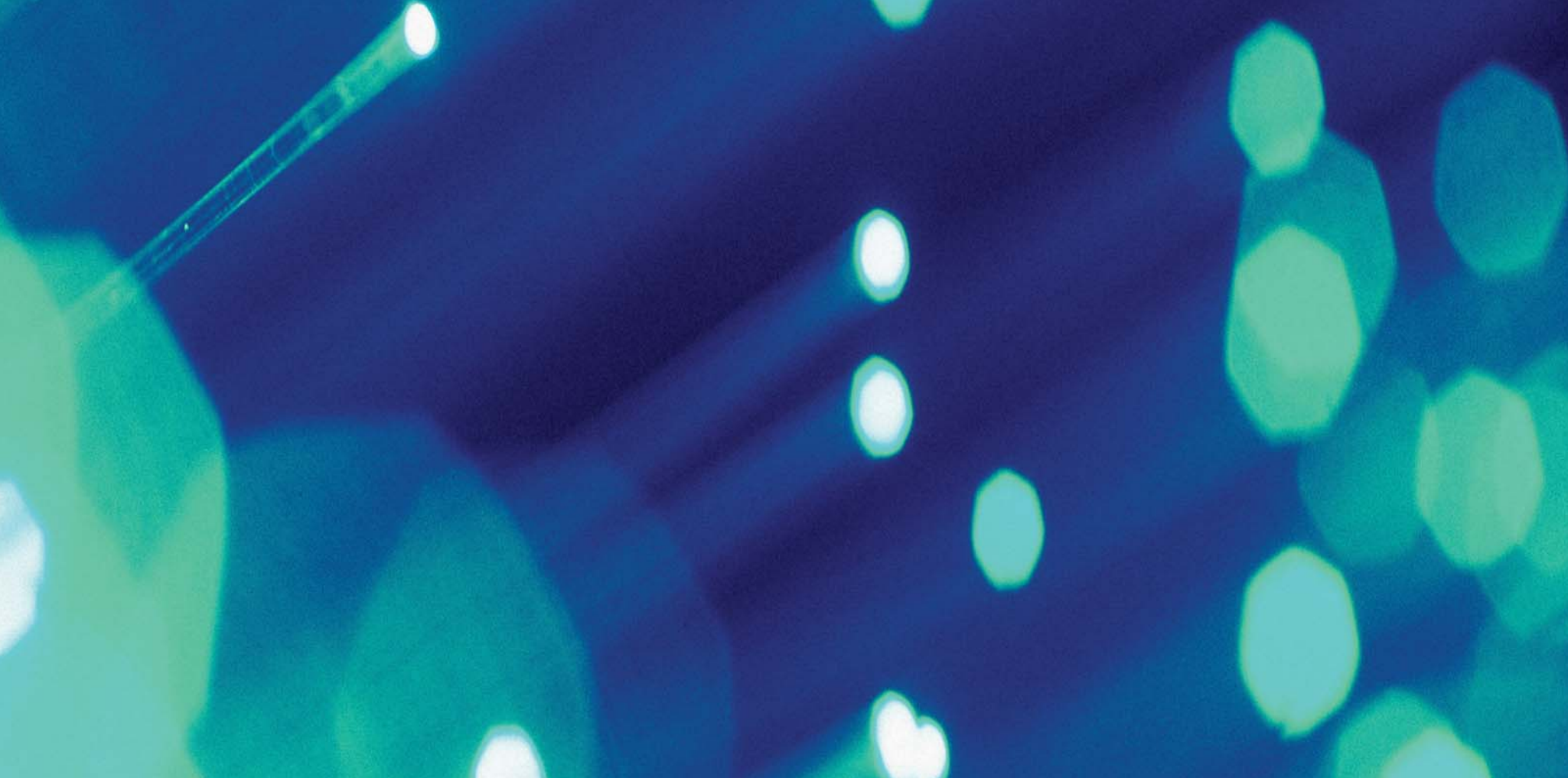
Statement of Disclosure of Information to Auditors As far as the Directors are aware there is no information relevant to the audit of which the Company's auditors are unaware and the Directors have taken all steps that they ought to have taken as Directors in order to make themselves aware of any such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

Auditors The Directors are currently conducting a tender process for the Eckoh plc audit. Following the conclusion of this process a resolution concerning either the reappointment of PricewaterhouseCoopers LLP or the appointment of one of the other tendering firms will be proposed at the Annual General Meeting.

By order of the Board

Adam Moloney

Company Secretary
15 June 2007



The way forward

Looking ahead, Eckoh is confident of maintaining its position as the market leader in the UK for hosted speech recognition solutions. We remain committed to extending our footprint into other European territories and have the necessary expertise, partners, experience, technology infrastructure and resource to achieve this. The Speech Solutions business continues to be the long term focus of the Group and is where the Board believes the best value for shareholders will be realised.

We recognise that the market's appetite for hosted solutions - where the technology infrastructure that underpins the service remains within the supplier's ownership - is growing. Eckoh is our natural partner in this high growth market. Its hosted platform is the largest in Europe and is complemented by its extensive solution design experience."

Mark Turner, Managing Director UK, Genesys.



Corporate Governance

Compliance Statement The Board of Eckoh plc recognises its responsibilities to maintain high standards of corporate governance throughout the Group. The Board continues to give careful consideration to the principles of corporate governance as set out in the Combined Code appended to the Listing Rules issued by the Financial Services Authority, although as a company listed on AIM it is not required to comply with 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.

Compliance Statement The Board of Eckoh plc recognises its responsibilities to maintain high standards of corporate governance throughout the Group. The Board continues to give careful consideration to the principles of corporate governance as set out in the Combined Code appended to the Listing Rules issued by the Financial Services Authority, although as a company listed on AIM it is not required to comply with 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.

Board of Directors The Chairman is responsible for the effective running of the Board of Directors. The Board currently has four members, comprising the Non-executive Chairman, the Chief Executive, the Group Finance Director and an Executive Director. The Board has considered the independence of its Non-executive Chairman. After due consideration the Board considered that the Chairman, Peter Reynolds, is independent and does not have any involvement in the day-to-day management of the Company or its subsidiaries.

The biographical details of the Board members are set out on page 8. The Board intend to recruit a second Non-executive Director to improve the balance between Executive and Non-executive Directors. The second Non-executive Director will be appointed to each of the Audit, Nomination and Remuneration Committees. The Non-executive Chairman is currently the only member of the Audit, Nomination and Remuneration Committees.

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

Day-to-day management of the business is delegated to the Management Team, consisting of the three Executive Directors and certain senior managers, which meets monthly. The Board is dependent on the Management Team for the provision of accurate, complete and timely information and the Directors may seek further information where necessary. The Chairman is responsible for ensuring that all

Directors are properly briefed on issues arising at Board meetings.

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

Board Committees Certain responsibilities are delegated to the Remuneration 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 8.

The Audit Committee formally met twice during the period under review, with no absentees. Adam Moloney, the Group Finance Director, attends all Audit Committee meetings by invitation and provides advice to the Committee where appropriate. The Company's auditors attended both meetings and the Committee considered reports issued by them. 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.

The Committee reviews the external auditor's letter confirming their independence on an annual basis. The Committee's duties include recommendations to the Board relating to the appointment, reappointment 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. 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.

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

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 Management Team, 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.

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 and brokers during the period under review. The Chairman is available to attend presentation meetings and other presentations on an ongoing basis. All Directors have access to the Company's nominated advisors who give feedback from shareholders and receive copies of broker update documents.

All shareholders have the opportunity to raise questions at the Company's Annual General Meeting, or leave written questions, which will be answered in writing as soon as possible. At the meeting the Chairman will give a statement

on the Group's performance during the year, together with a statement on current trading conditions.

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

Going Concern Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are 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.

"By leveraging TFCC and Eckoh's proven track record and highly specialised expertise, we look forward to setting our customer service bar even higher and to driving home real business innovation and operational benefits to our organisation as a whole."

Sally Ainsworth, Electricity Business Customer Services Manager, United Utilities



Statement of Directors' Responsibilities

The Directors are responsible 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).

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the company and group and of the profit or loss and cash flow of the Group for that period. In preparing those financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the

company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditors' Report to the Members of Eckoh plc

We have audited the group and parent company financial statements (the "financial statements") of Eckoh plc for the year ended 31 March 2007 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 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 report to you whether in our opinion the information given in

the Directors' Report is consistent with the financial statements. We also report to you if, in our opinion, 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 2007 and of the group's profit and cash flows for the year then ended;
- the financial statements 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
15 June 2007

Group Profit and Loss Account for the year ended 31 March 2007

	Notes	2007 £'000	Restated 2006 £'000
Turnover	1,2	103,376	127,084
Total continuing operations		86,841	64,880
Discontinued operations		16,535	62,204
Cost of sales	2	(88,484)	(102,696)
Gross profit	2	14,892	24,388
Net operating expenses before intangible asset amortisation and restructuring costs	2	(13,753)	(22,232)
Amortisation of intangible assets	2,9	(755)	(2,165)
Exceptional items relating to continuing operations	2	(646)	-
Exceptional items relating to discontinued operations	2	(781)	(358)
Net operating expenses		(15,935)	(24,755)
Operating profit/(loss) before intangible asset amortisation and restructuring costs		1,139	2,156
Total continuing operations		574	(613)
Discontinued operations		565	2,769
Operating (loss)/profit	2	(1,043)	(367)
Total continuing operations		(310)	(817)
Discontinued operations		(733)	450
Profit on disposal of subsidiary operations	3	8,656	1,388
Profit on disposal of fixed asset investment	1,11	-	300
Costs of group restructuring	1	-	(80)
Net interest receivable/(payable) and other similar items	4	805	(205)
Profit on ordinary activities before taxation	1	8,418	1,036
Taxation	6	(80)	(166)
Profit on ordinary activities after taxation		8,338	870
Minority interests	22	28	296
Retained profit for the year	20,21	8,366	1,166
Basic earnings per 0.25p share	8	3.2p	0.4p
Diluted earnings per 0.25p share	8	3.1p	0.4p

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 2007

	Notes	2007 £'000	Restated 2006 £'000
Retained profit for the year		8,366	1,166
Exchange adjustments offset in reserves		(63)	(34)
Total recognised gains for the year		8,303	1,132
Prior year adjustment: FRS 20 share option charge	21	(109)	-
Total recognised gains since last annual report		8,194	-

Reconciliation of Movements in Group Shareholders' Funds for the year ended 31 March 2007

	Notes	2007 £'000	Restated 2006 £'000
Retained profit for the year		8,366	1,166
Exchange adjustments offset in reserves		(63)	(34)
Share buyback and tender offer		(10,247)	-
Share option charge	21	111	109
Shares issued under the share option schemes	20	258	82
Net (decrease)/increase in shareholders' funds		(1,575)	1,323
Shareholders' funds at beginning of year		10,274	8,951
Shareholders' funds at end of year		8,699	10,274

Balance Sheets at 31 March 2007

	Notes	Group		Company	
		31 March 2007 £'000	31 March 2006 £'000	31 March 2007 £'000	31 March 2006 £'000
Fixed assets					
Intangible fixed assets	9	190	8,604	-	-
Tangible fixed assets	10	1,148	1,498	-	-
Investments	11	288	288	9,928	9,624
		1,626	10,390	9,928	9,624
Current assets					
Stock	12	17	479	-	-
Debtors: amounts falling due within one year	13	8,644	22,537	1,766	9,029
Debtors: amounts falling due after more than one year	15	3,273	-	3,273	-
Short-term investments	17,30	2,000	3,000	2,000	3,000
Cash at bank and in hand	17,30	7,601	9,737	6,146	31
		21,535	35,753	13,185	12,060
Creditors: amounts falling due within one year	14	(13,946)	(32,277)	(403)	(892)
Net current assets		7,589	3,476	12,782	11,168
Total assets less current liabilities		9,215	13,866	22,710	20,792
Creditors: amounts falling due after more than one year	16	-	(1,493)	-	-
Provisions for liabilities and charges	18	(516)	(172)	-	(148)
Net assets	1	8,699	12,201	22,710	20,644
Capital and reserves					
Called up share capital	19,20	491	681	491	681
Capital redemption reserve	20	198	-	198	-
Share premium account	20	477	227	477	227
Profit and loss account	20	7,533	9,366	21,544	19,736
Total shareholders' funds		8,699	10,274	27,710	20,644
Minority interests	23	-	1,927	-	-
Capital employed		8,699	12,201	27,710	20,644

The financial statements on pages 22 to 44 were approved by the Board of Directors on 15 June 2007 and signed on its behalf by:

Adam Moloney - Group Finance Director

Group Cash Flow Statement for the year ended 31 March 2007

	Notes	2007 £'000	2006 £'000
Net cash inflow from operating activities	28	1,083	3,232
Returns on investments and servicing of finance			
Interest received		803	286
Interest paid		(83)	(335)
Loan issue costs		-	(298)
		720	(347)
Taxation		(162)	(362)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(990)	(1,023)
Expenditure on intangible fixed assets		(286)	(186)
Proceeds on disposal of tangible fixed asset		-	12
Disposal of trade investment		-	300
		(1,276)	(897)
Acquisitions and disposals			
Purchase of subsidiary undertakings	24	-	(9,722)
Net cash acquired with subsidiary undertakings	24	-	796
Contingent consideration paid in respect of a prior year acquisition		-	(50)
Costs of group restructuring		-	(80)
Net cash disposed with subsidiary undertaking	24	(3,165)	(107)
Proceeds on disposal of subsidiary undertaking	24	10,188	3,400
Additional proceeds from disposal of operations in a prior year		-	108
		7,023	(5,655)
Cash inflow/(outflow) before use of liquid resources and financing		7,388	(4,029)
Management of liquid resources			
Decrease in short-term investments	29,30	1,000	4,000
Financing			
Issue of shares	20	258	82
Share buyback and tender offer	20	(10,247)	-
Loan raised		-	6,000
Loans repaid	29,30	(400)	(2,560)
Capital element of finance lease rental payments	29,30	(14)	(9)
		(10,403)	3,513
(Decrease)/increase in cash in the year	29,30	(2,015)	3,484

Notes to the Financial Statements

for the year ended 31 March 2007

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 New accounting standard FRS 20 "Share based payment" applies for the first time in respect of the Company's 2007 year end. As a result of the adoption of FRS 20 a charge is made to the profit and loss account to reflect the calculated fair value of employee share options over and above the exercise price paid by employees (note 21). The charge is calculated at the date of the grant of the options and is charged equally over the vesting period. The comparatives have been restated with the corresponding adjustment to reserves made directly to the profit and loss reserve.

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. The consideration paid in relation to the acquisition is also recorded at fair value.

A separate profit and loss account of Eckoh 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
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Fixtures, fittings and office equipment	over 3 years
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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 one Group company operates a defined contribution pension scheme. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions payable are charged in the 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 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.

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

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

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

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

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 2007 continued

1 Segmental analysis

	Turnover		Profit/(loss) before taxation	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Business analysis				
Speech Solutions	6,261	5,263	433	(106)
Client IVR	71,314	47,532	385	350
Connection Makers	9,266	12,085	1,186	2,511
Discontinued operations	16,535	62,204	(809)	(880)
Central costs	-	-	(2,314)	(2,624)
Net interest receivable (note 4)	-	-	881	177
Profit on disposal of subsidiary operations (note 3)	-	-	8,656	1,388
Profit on disposal of fixed asset investment	-	-	-	300
Costs of group restructuring	-	-	-	(80)
Total	103,376	127,084	8,418	1,036

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.

Central costs comprise corporate costs, the cost of central support functions and head office costs. These costs are not apportioned across the business segments.

	Net assets	
	2007 £'000	2006 £'000
Business analysis		
Speech Solutions	855	1,019
Client IVR	(6,546)	(6,775)
Connection Makers	(356)	351
Discontinued operations	-	4,442
Central short term investments	2,000	3,000
Central cash at bank and in hand	7,601	5,276
Central net assets	5,145	4,888
Total	8,699	12,201

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

	2007		2006 Total £'000
	Continuing £'000	Discontinued £'000	
Turnover	86,841	16,535	127,084
Cost of sales	(75,008)	(13,476)	(102,696)
Gross profit	11,833	3,059	24,388
Net operating expenses before intangible asset amortisation and restructuring costs	(11,259)	(2,494)	(22,232)
Direct operating expenses	(8,945)	(2,494)	(19,710)
Group overhead	(2,314)	-	(2,522)
Amortisation of intangible assets	(238)	(517)	(2,165)
Exceptional items	(646)	(781)	(358)
Net operating expenses	(12,143)	(3,792)	(24,755)
Selling and distribution costs	(1,144)	(777)	(6,890)
Administrative expenses	(10,999)	(3,015)	(17,865)
Operating (loss)/profit	(310)	(733)	(367)

	2007 £'000	2006 £'000
The Group's operating loss is stated after charging:		
Staff costs (note 5)	6,588	9,278
Depreciation of tangible owned fixed assets (note 10)	803	1,008
Depreciation of tangible leased fixed assets (note 10)	16	20
Amortisation of intangible fixed assets (note 9)	755	2,165
Operating lease rentals - equipment	18	65
Operating lease rentals - land and buildings	265	298
Research and development costs	213	2,486
Exceptional items relating to continuing operations	646	-
Exceptional items relating to discontinued operations	781	358

Services provided by the Group's auditor

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

	2007 £'000	2006 £'000
Fees payable for the audit of the parent company and consolidated accounts	51	57
Fees payable for other services:		
The audit of the subsidiary undertakings comprising continuing operations	49	52
The audit of the subsidiary undertakings comprising discontinued operations	8	72
Services relating to corporate finance transactions	-	405
Taxation services	6	88
Total fees payable for other services	63	617
Total fees payable to the Group's auditor	114	674

Notes to the Financial Statements

for the year ended 31 March 2007 continued

The exceptional items relating to continuing operations consist of expenditure incurred on an aborted corporate project, and the creation of a provision for costs in connection with the ongoing regulatory review of the interactive television market. The exceptional items relating to discontinued operations consist of expenditure incurred by Eckoh in relation to the restructuring and simplification of the Eckoh business following the disposal of Symphony Telecom Holdings plc to Redstone plc, and by Symphony in relation to the disposal.

3 Profit/(loss) on disposal of subsidiary operations

	2007 £'000	2006 £'000
Profit on disposal of subsidiary undertaking	8,656	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	8,656	1,388

On 18 July 2006, Eckoh disposed of its 64.64% holding in Symphony Telecom Holdings plc ("Symphony"), generating £10.188m of cash after expenses of £0.766m and a profit of £8.656m.

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

	2007 £'000	2006 £'000
Interest receivable and other similar income		
Bank interest receivable	900	286
Interest receivable and other similar income	900	286
Interest payable and other similar charges		
Interest payable on bank loans and overdrafts	(93)	(348)
Amortisation of issue costs of bank loan	-	(130)
Interest payable on finance leases	(2)	(13)
Interest payable and other similar charges	(95)	(491)
Net interest receivable/(payable) and other similar items	805	(205)

Of the net interest receivable, £76,000 (2006: £382,000) interest payable relates to the Symphony Group and has been reported within profit before tax attributable to discontinued operations in the segmental analysis. Net interest receivable in respect of the Eckoh Group is £881,000 (2006: £177,000) 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 executive directors) employed by the Group during the year was:

	2007 Number	Restated 2006 Number
Technical support	45	38
Customer services	56	137
Administration and management	62	67
Total	163	242
	£'000	£'000
Staff costs for the above persons are:		
Wages and salaries	5,850	8,265
Social security costs	617	874
Other pension costs	10	30
Equity settled share based payments under FRS 20	111	109
Total	6,588	9,278

6 Taxation

	2007 £'000	2006 £'000
Corporation tax based on the loss for the period was as follows:		
UK Corporation tax charge at 30% (2006: 30%)	80	166

At 31 March 2007 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 18).

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:

	2007 £'000	2006 £'000
Profit on ordinary activities before taxation	8,418	1,036
Corporation tax rate of 30%	2,525	311
Effect of significant shareholdings exemption	(3,222)	-
Effect of expenses not deductible for tax purposes	1,228	724
Effect of capital allowances in excess of depreciation	(50)	(27)
Effect of tax losses utilised	(401)	(832)
Effect of marginal rate relief	-	(10)
Current tax charge for the year	80	166

Notes to the Financial Statements

for the year ended 31 March 2007 continued

7 Profit of Holding Company

Of the profit for the financial period, a profit of £11,662,000 (2006: £57,000) is dealt with in the accounts of Eckoh 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.

8 Earnings per share

Basic earnings per share Basic earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares of 263,382,969 (2006: 271,957,745) in issue during the year and the profit for the year, after minority interests, of £8.366m (2006: profit of £1.166m).

Diluted earnings per share In calculating diluted earnings 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 plus the unamortised element of the FRS 20 charge is less than the average market price of ordinary shares in the period.

	2007		2006			
	Earnings attributable to ordinary shareholders £'000	Weighted average number of shares (number in thousands)	Earnings per share (pence)	Restated earnings attributable to ordinary shareholders £'000	Restated weighted average number of shares (number in thousands)	Restated earnings per share (pence)
Basic earnings per share	8,366	263,383	3.2p	1,166	271,958	0.4p
Dilutive effect of share options	-	5,152	-	-	2,465	-
Diluted earnings per share	8,366	268,535	3.1p	1,166	274,423	0.4p

9 Intangible fixed assets

Group	Goodwill £'000	Other intangible assets £'000	Development expenditure £'000	Total £'000
Cost				
At 1 April 2006	80,943	788	182	81,913
Additions	-	73	213	286
Disposals	(62,963)	(490)	-	(63,453)
At 31 March 2007	17,980	371	395	18,746
Amortisation				
At 1 April 2006	72,907	318	84	73,309
Charge for the year	517	87	151	755
Disposals	(55,444)	(64)	-	(55,508)
At 31 March 2007	17,980	341	235	18,556
Net book value				
At 31 March 2007	-	30	160	190
At 31 March 2006	8,036	470	98	8,604

The goodwill disposal relates to the disposal of Symphony.

The other intangible assets purchased represent branded television advertisements, the estimated useful economic lives of which were assessed to be three years. The disposal represents the write-off of fully amortised assets that are no longer in use.

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 (2006: Nil).

10 Tangible fixed assets

Group	Fixtures, fittings and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 2006	7,930	55	7,985
Additions	980	10	990
Disposals	(4,778)	(55)	(4,833)
At 31 March 2007	4,132	10	4,142
Depreciation			
At 1 April 2006	6,459	28	6,487
Charge for the year	806	13	819
Disposals	(4,281)	(31)	(4,312)
At 31 March 2007	2,984	10	2,994
Net book value			
At 31 March 2007	1,148	-	1,148
At 31 March 2006	1,471	27	1,498

The net book value of tangible fixed assets includes £18,000 (2006: £42,000) in respect of assets held under finance lease contracts.

Company

The Company had no tangible fixed assets during the year (2006: Nil).

11 Fixed asset investments

	Group £'000	Company £'000
Cost		
At 1 April 2006	288	9,624
Additions	-	354
Disposals	-	(50)
At 31 March 2007	288	9,928

The additional investment represents the eDirectory.co.uk plc shareholding of £288,000 previously held at Group level, and £67,000 capital contribution to Eckoh UK Limited in respect of share option charges.

The disposal represents the disposal of the Company's investment in Symphony.

Notes to the Financial Statements

for the year ended 31 March 2007 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 plc	Subsidiary undertaking
Eckoh UK Limited (i)	England and Wales	Ordinary	IVR & Speech solutions	100%	-
Eckoh France SAS (ii)	France	Ordinary	Speech solutions	-	100%
Connection Makers Limited	England and Wales	Ordinary	IVR services	100%	-

(i) On 19 September 2006, the company name of Eckoh Technologies (UK) Limited was changed to Eckoh UK Limited.
(ii) On 5 March 2007, the company name of Eckoh Technologies France SAS was changed to Eckoh France SAS.

The Company also holds 100% of the issued share capital of nine 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 2007 £'000	31 March 2006 £'000
Finished goods	-	437
Work in progress	17	42
	17	479

Company

The Company had no stock during the year (2006: Nil).

13 Debtors

Amounts falling due within one year	Group		Company	
	31 March 2007 £'000	31 March 2006 £'000	31 March 2007 £'000	31 March 2006 £'000
Trade debtors	1,689	4,823	-	-
Other debtors (note 27)	1,728	606	1,578	53
Amounts due from subsidiary undertakings	-	-	181	4,904
Loan to subsidiary undertaking	-	-	-	4,000
Prepayments and accrued income	5,227	17,108	7	72
	8,644	22,537	1,766	9,029

14 Creditors: amounts falling due within one year

	Group		Company	
	31 March 2007 £'000	31 March 2006 £'000	31 March 2007 £'000	31 March 2006 £'000
Bank loans and overdrafts	-	2,007	-	-
Trade creditors	8,610	10,221	-	-
Amounts owed to group undertakings	-	-	403	892
Obligations under finance leases	7	23	-	-
UK corporation tax	-	194	-	-
Other taxation and social security	257	1,282	-	-
Other creditors	40	271	-	-
Accruals and deferred income	5,032	18,279	-	-
	13,946	32,277	403	892

15 Debtors: amounts falling due after more than one year

	Group		Company	
	31 March 2007 £'000	31 March 2006 £'000	31 March 2007 £'000	31 March 2006 £'000
Other debtors (note 26)	3,273	-	3,273	-
	3,273	-	3,273	-

A contingent asset of up to £850,000 is receivable in consideration for the disposal of Freecom.net Limited to eDirectory.co.uk plc in July 2005. This asset has not been recognised due to the high degree of uncertainty with regard to the timing and amount.

16 Creditors: amounts falling due after more than one year

	Group		Company	
	31 March 2007 £'000	31 March 2006 £'000	31 March 2007 £'000	31 March 2006 £'000
Bank loan (note 14)	-	1,473	-	-
Obligations under finance leases	-	20	-	-
	-	1,493	-	-

The finance leases are secured on the assets of the Group to which the finance leases relate.

17 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, 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.

Notes to the Financial Statements

for the year ended 31 March 2007 continued

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. 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 Symphony 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 2007 was:

	Cash at bank and in hand £'000	Short-term investments £'000	Other debtors due within 1 year £'000	Other debtors due after 1 year £'000	Total £'000
Sterling	7,484	2,000	1,524	3,273	14,281
EU currencies (other than Sterling)	117	-	-	-	117
At 31 March 2007	7,601	2,000	1,524	3,273	14,398

	Cash at bank and in hand £'000	Short-term investments £'000	Other debtors due within 1 year £'000	Other debtors due after 1 year £'000	Total £'000
Floating rate	7,601	-	1,524	3,273	12,398
Fixed rate	-	2,000	-	-	2,000
At 31 March 2007	7,601	2,000	1,524	3,273	14,398

Interest on the loan to Symphony Telecom Holdings, which is included within other debtors, is charged at 1% over the Bank of England base rate.

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

	Cash at bank and in hand £'000	Short-term investments £'000	Total £'000
Sterling	9,526	3,000	12,526
EU currencies (other than Sterling)	211	-	211
At 31 March 2006	9,737	3,000	12,737

	Cash at bank and in hand £'000	Short-term investments £'000	Total £'000
Floating rate	9,737	-	9,737
Fixed rate	-	3,000	3,000
At 31 March 2006	9,737	3,000	12,737

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 4.90% (2006: 4.54%) 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 2007 was approximately 0% (2006: 10.28%). 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 2007 was:

	Finance leases £'000	Provision for regulatory review £'000	Provision for NIC and other similar taxes on share options £'000	31 March 2007 Total £'000
Fixed rate financial liabilities	(7)	-	-	(7)
Variable rate financial liabilities	-	-	-	-
Financial liabilities on which no interest is paid	-	(451)	(65)	(65)
At 31 March 2007	(7)	(451)	(65)	(72)
Maturity profile:				
Within 1 year, or on demand	(7)	(451)	(65)	(72)
Between 1 and 2 years	-	-	-	-
Between 2 and 5 years	-	-	-	-
At 31 March 2007	(7)	(451)	(65)	(72)

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 2006 was:

	Bank loan and overdraft £'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	3,480	-	-	-	3,525
Financial liabilities on which no interest is paid	-	-	93	79	172
At 31 March 2006	3,480	43	93	79	3,740
Maturity profile:					
Within 1 year, or on demand	2,007	23	93	79	2,220
Between 1 and 2 years	1,473	12	-	-	1,512
Between 2 and 5 years	-	8	-	-	8
At 31 March 2006	3,480	43	93	79	3,740

Borrowing facilities The Group has no 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 2007 continued

18 Provisions for liabilities and charges

Group	Restructuring provision £'000	Provision for regulatory review £'000	Provision for NIC and other similar taxes on share options £'000	Total £'000
At 1 April 2006	93	-	79	172
Amounts paid	(25)	-	(17)	(42)
(Release)/charge to the profit and loss account	(68)	451	27	410
Disposals	-	-	(24)	(24)
At 31 March 2007	-	451	65	516

Company	Restructuring provision £'000	Provision for regulatory review £'000	Provision for NIC and other similar taxes on share options £'000	Total £'000
At 1 April 2006	93	-	55	148
Amounts paid	(25)	-	(10)	(35)
(Release)/charge to the profit and loss account	(68)	-	10	(58)
Amounts transferred to subsidiary undertaking	-	-	(55)	(55)
At 31 March 2007	-	-	-	-

The restructuring provision at 1 April 2006 consisted of costs in relation to the post acquisition integration of Anglia Telecom Centres Limited in to the Symphony Telecom Holdings group and of costs in relation to the disposal of Freecom.net. £68,000 was released to the profit and loss account as the provision was no longer required.

£451,000 has been charged to the profit and loss account to create a provision in connection with the ongoing regulatory review of the interactive television market.

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. During the year ended 31 March 2007, Eckoh plc transferred the provision for National Insurance on share options to Eckoh UK Limited, a subsidiary undertaking.

All of the above are payable within one year.

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Total unprovided deferred tax assets are as follows:				
Depreciation in excess of capital allowances	(247)	(564)	-	-
Losses available to offset against deferred tax	(6,795)	(9,062)	(825)	(1,091)
Equity settled share based payments	(73)	(40)	-	-
Unprovided deferred tax asset	(7,115)	(9,666)	(825)	(1,091)

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

19 Share capital

Company and Group	31 March 2007 £'000	31 March 2006 £'000	
Authorised			
600,000,000 (2006: 600,000,000) ordinary shares of 0.25p each	1,500	1,500	
Allotted, called up and fully paid			
	Number of shares	Nominal Value £'000	Consideration received £'000
Date of issue and share type			
Ordinary shares of 0.25p each			
As at 1 April 2006	272,456,475	681	-
Shares issued under the share option scheme			
1 April 2006 - 31 March 2007	3,399,185	8	258
Share buyback and tender offer	(79,346,084)	(198)	-
As at 31 March 2007	195,509,576	491	258

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 2006 and 31 March 2007 fell within the range 9.75p - 13.25p per share.

Details of ordinary shares issued for cash to employees following the exercise of share options during the year are shown in note 22.

20 Share capital and reserves

Group	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
Balance at 1 April 2006	681	-	227	9,366
Profit for the year	-	-	-	8,366
Exchange adjustments offset to reserves	-	-	-	(63)
Share option charge	-	-	-	111
Shares issued under the share option schemes	8	-	250	-
Share buyback and tender offer	(198)	198	-	(10,247)
Balance at 31 March 2007	491	198	477	7,533

Company	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Profit and loss account £'000
Balance at 1 April 2006	681	-	227	20,062
Profit for the year	-	-	-	11,662
Share option charge	-	-	-	67
Shares issued under the share option schemes	8	-	250	-
Share buyback and tender offer	(198)	198	-	(10,247)
Balance at 31 March 2007	491	198	477	21,544

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In order to create a more efficient capital structure, enhance earnings per share and to create the potential for improved shareholder value in the future, the Company implemented the authority granted by shareholders on 30 October 2006 to make market purchases of its own shares. The Company purchased 25,500,000 of its own ordinary shares of 0.25 pence each for an aggregate consideration, including fees, of £3,144,155. The shares were purchased from institutional investors who wished to realise part of their investment. On 22 February 2007, the Company was granted the authority by shareholders to purchase up to 35% of the existing share capital. The Company implemented this authority, purchasing 53,846,084 of its ordinary shares by way of a tender offer for aggregate consideration, including fees, of £7,103,166. Ordinary shares purchased by the Company were subsequently cancelled.

21 Impact of FRS 20, Share-based payment

	Restated 2006 £'000
Profit for the year as previously reported in the 2006 Annual Report	1,275
Share option charge relating to the implementation of FRS 20	109
Restated profit for the year 31 March 2006	1,166

As a result of the FRS 20, Share-based payment charge a deferred tax asset arises of £73,000 as at 31 March 2007. This asset has been disclosed but not accrued due to the uncertainty over its recoverability.

Also as a result of this FRS the total number of dilutive options has decreased from 14,339,000 to 2,465,000 for the year ended 31 March 2006. The effect of this and the change in the profit has reduced the earnings per share from 0.5p to 0.4p with the diluted earnings per share remaining at 0.4p to the year ended 31 March 2006.

22 Share options

The Eckoh plc Share Option Scheme ("the Scheme") was introduced in November 1999. Under the Scheme the Board can grant options over shares in the Company to Group employees. The grant price of share options is the middle market quotation price as derived from the Daily Official List of the London Stock Exchange on the date of the grant. The contractual life of an option is ten years. Options granted under the Scheme become exercisable subject to the closing middle market share price exceeding RPI plus 15% following the third anniversary of the grant date. Exercise of an option is subject to continued employment. The fair value of share options was measured using the QCA-IRS option valuer using the Black-Scholes formula, taking into account the terms and conditions upon which the grants were made. The fair value per option granted and the assumptions used in the calculation are as follows:

Date of grant	7 October 2004	13 December 2004	28 February 2005	13 September 2005
Share price at date of grant (pence)	7.75	9.25	7.95	8.72
Exercise price (pence)	7.75	9.25	7.95	8.72
Number of employees	24	1	17	3
Shares under option	882,614	7,200	1,870,000	2,750,000
Vesting period (years)	3	3	3	3
Expected volatility	68%	67%	66%	59%
Option life (years)	10	10	10	10
Expected life (years)	5	5	5	5
Risk free rate	4.73%	4.43%	4.76%	4.19%
Expected dividends expressed as a dividend yield	-	-	-	-
Fair value per option (pence)	3.64	4.38	3.54	3.65

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with assumed options life. A reconciliation of option movements over the year to 31 March 2007 is shown below:

	2007 Number of shares	2007 Weighted average exercise price (pence)	2006 Number of shares	2006 Weighted average exercise price (pence)
Outstanding at 1 April	17,050,645	7.84	15,534,878	7.68
Granted	-	-	3,000,000	8.75
Forfeited	(495,146)	8.14	(444,328)	8.41
Exercised	(3,399,185)	7.65	(1,039,887)	7.85
Outstanding at 31 March	13,156,314	7.88	17,050,645	7.84
Exercisable at 31 March	8,536,314	7.47	9,457,000	7.40

The weighted average fair value of options granted in the year was nil (2006: £109,500).

Range of exercise prices (pence)	2007 Weighted average exercise price (pence)	2007 Number of shares (000's)	2007 Weighted average remaining life		2006 Weighted average exercise price (pence)	2006 Number of shares (000's)	2006 Weighted average remaining life	
			Expected	Contractual			Expected	Contractual
6.5 - 8.5	7.19	9,098	1.0	6.0	7.31	12,708	2.2	7.2
8.5 - 10.5	8.75	2,757	3.5	8.5	8.75	3,040	4.4	9.5
10.5 - 12.5	10.75	1,280	0.7	5.7	10.75	1,280	1.7	6.7
16.5 - 20.0	19.85	21	0.0	2.2	18.36	22	0.0	3.3

The weighted average share price for options exercised over the year was 7.65 pence (2006: 7.85 pence). The total charge for the year relating to employee share based payments was £111,000 (2006: £109,000).

23 Minority interests

	31 March 2007 £'000	31 March 2006 £'000
Balance at beginning of year	1,927	307
Minority share of losses for the period	(28)	(296)
Additions	-	1,916
Disposals	(1,899)	-
Balance at end of year	-	1,927

24 Acquisitions and disposals

On 18 July 2006, Eckoh disposed of its 64.64% holding in Symphony Telecom Holdings plc ("Symphony"), generating £10.188m of cash net of expenses of £0.766m and a profit of £8.656m. The disposal was a satisfactory conclusion following the AIM flotation of Symphony in September 2005.

Net assets disposed were £4.031m inclusive of cash reserves of £3.165m and a goodwill balance of £7.519m following the write off to reserves of £2.378m.

Notes to the Financial Statements

for the year ended 31 March 2007 continued

25 Pension commitments

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

26 Financial commitments

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

	At 31 March 2007 £'000	At 31 March 2006 £'000
Land & buildings:		
Expiring within one year	-	-
Expiring within two to five years	25	83
Expiring after five years	227	250
	252	333
Other:		
Expiring within one year	-	47
Expiring within two to five years	-	27
	-	74

27 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 UK Limited, paid an amount of £25,000 (2006: £25,000) for the year ended 31 March 2007 to Martin Turner and Nik Philpot for the lease of Unit 6, Clifton Court, Hemel Hempstead. Martin Turner was a director of the Company up to 1 December 2006. Nik Philpot remains a director of the Company. The transaction was conducted on an arms length basis. On 16 January 2007, the building was sold to an unrelated third party.

Eckoh UK Limited paid an amount of £36,000 (2006: £38,000) for the year ended 31 March 2007 to Lesley Innes, for consultancy services. Lesley Innes was a non-executive director of Symphony Telecom Holdings plc up to the date of disposal on 18 July 2006.

Eckoh UK Limited, paid an amount of £100,000 (2006: Nil) for the year ended 31 March 2007 to Peter Reynolds in relation to the disposal of Symphony Telecom Holdings plc. Peter Reynolds is the Chairman of the Company.

eDirectory.co.uk plc paid an amount of £2,000 to Adam Moloney for services as a non-executive director. Adam Moloney is a director of the Company. The Company holds 6.8% of the issued share capital of eDirectory.co.uk plc.

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 2006, Eckoh plc loaned Symphony Telecom Holding plc £7,500,000. £3,500,000 was repaid during May 2006. On the disposal of Symphony amounts due to Eckoh plc totalled £700,000. This amount was added to the principal of the loan, bringing the loan to £4,700,000. The loan bears interest at 1% above the Bank of England base rate and interest is payable six monthly in arrears. The capital amount of £4,700,000 is due to be repaid in four instalments, the fourth and final instalment is due to be paid in June 2010. The first interest payment of £100,771 was received during the year ended 31 March 2007. As at 31 March 2007, the balance on the loan totals £4,797,000. £1,524,000 is reported within other debtors due within 1 year and £3,273,000 is reported within other debtors due after more than one year.

28 Cash flow from operating activities

Reconciliation of operating loss to net cash inflow from operating activities

	31 March 2007 Total £'000	Continuing £'000	Discontinued £'000	31 March 2006 Total £'000	Continuing £'000	Discontinued £'000
Operating loss	(1,043)	(310)	(733)	(367)	(817)	450
Depreciation of tangible fixed assets	819	756	63	1,028	775	253
Amortisation of intangible assets	755	238	517	2,165	204	1,961
Share option charge	111	80	31	109	99	10
(Increase)/decrease in stock	(21)	(17)	(4)	110	20	90
Decrease/(increase) in debtors	3,949	2,649	1,300	(8,654)	(7,637)	(1,017)
(Decrease)/increase in creditors	(3,487)	(1,997)	(1,490)	8,841	6,987	1,854
Net inflow/(outflow) from operating activities	1,083	1,399	(316)	3,232	(369)	3,601

29 Reconciliation of net cash flow to net funds

	At 31 March 2007 £'000	At 31 March 2006 £'000
Net funds at start of year	9,214	13,154
Increase in net cash	(2,015)	3,484
Movement in short-term investments	(1,000)	(4,000)
Movements in finance leases	36	39
Movements in debt	3,359	(3,460)
Net funds at end of year	9,594	9,217

30 Reconciliation of movement in net funds

	At 1 April 2006 £'000	Cash flow £'000	Disposals £'000	At 31 March 2007 £'000
Cash at bank and in hand	9,616	(2,015)	-	7,601
Debt due after 1 year	(1,473)	-	1,473	-
Debt due within 1 year	(1,886)	400	1,486	-
Finance leases due after 1 year	(20)	-	20	-
Finance leases due within 1 year	(23)	14	2	(7)
	(3,402)	414	2,981	(7)
Short-term investments	3,000	(1,000)	-	2,000
Total	9,214	(2,601)	2,981	9,594

Short-term investments consist of short-term deposits with financial institutions that mature within 12 months of the date of inception. The disposals relate to the debt in Symphony on the date of disposal.

Notes to the Financial Statements

for the year ended 31 March 2007 continued

31 Adjusted profit before taxation

	At 31 March 2007 £'000	At 31 March 2006 £'000
Profit/(loss) on ordinary activities before taxation	8,418	1,036
Adjust for:		
Amortisation of intangible fixed assets	755	2,165
Exceptional items relating to continuing operations	646	-
Exceptional items relating to discontinued operations	781	358
Profit on disposal of fixed asset investment	-	(300)
Profit on disposal of subsidiary undertaking	(8,656)	(1,388)
Costs of group restructuring	-	80
Adjusted profit before taxation	1,944	1,951

Shareholder Information

Financial Calendar

Full year results	Preliminary announcement on 18 June 2007
Annual Report	Posted to shareholders September 2007
Annual General Meeting	To be held at 10:00am on 27 September 2007 at the offices of Travers Smith, 10 Snow Hill, London, EC1A 2AL
Half year results	Interim announcement November/December 2007

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

Northern House, Woodsome Park, Fenay Bridge, Huddersfield, West Yorkshire, UK, HD8 0LA
Telephone: 0870 162 3131
Fax: 01484 600 911
Email: shareholder.services@capitaregistrars.com
Website: www.capitaregistrars.com

Share Price Quotation

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

Secretary

A P Moloney
Telephone: 01442 458 300
Fax: 01442 458 486

Registered Office

Telford House, Corner Hall, Hemel Hempstead, Hertfordshire HP3 9HN.
 Registered in England and Wales, No. 3435822

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: www.eckoh.com

Our Clients:

Financial Services

AXA PPP healthcare
 Barclays Stockbrokers
 Hitachi Capital Consumer Finance
 London Stock Exchange
 TD Waterhouse

Public Sector

Central Office of Information
 Her Majesty's Courts Service
 Rural Payments Agency

Retail and Distribution

Electrolux
 Ideal Shopping Direct
 Parcelforce Worldwide
 Rentokil Initial
 Wyevale Garden Centres

Media and Broadcast

BSkyB
 Emap
 IPC
 ITV
 Trinity Mirror

Travel and Leisure

BAA
 Empire Cinemas
 Enterprise Rent-A-Car
 National Rail Enquiries
 William Hill
 Vue Entertainment

Telecoms and Utilities

BT
 Northern Ireland Electricity
 O2
 ScottishPower
 Tesco Mobile
 Three Valleys Water
 United Utilities