



Eckoh[•]

always inspiring

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Overview

Eckoh is a leading provider of hosted speech recognition services, with over 7 years of experience in successfully deploying speech solutions. These allow our clients to efficiently manage their contact centres by replacing the more repetitive calls with an effective and intuitive automated service. Our solutions address high volume service requests including billing queries, delivery tracking services, travel timetable checks or transactional payments at a fraction of the cost of a live agent and on a 24 hour a day basis.

By automating high volume interactions our clients free up real people – their agents – to undertake more complex work; work that's more valuable to their business and more satisfying to them.

All our solutions are designed to enhance and streamline the customer experience to allow the caller to achieve a one call resolution. As a result, our clients have been able to significantly reduce costs in infrastructure, increase efficiencies, unlock new revenue streams and improve customer satisfaction and retention.

The challenging macro-economic climate is impacting most organisations, who have to work within constrained budgets yet still find ways to provide the highest levels of customer service. During times of economic pressure, their customers are more cost-conscious, and are therefore more likely to be querying bills, checking accounts, etc.

In order to bridge this dichotomy of increased customer service with lower spending ability many organisations are turning to self-service solutions. Eckoh have a proven track record of providing automation solutions that deliver an ROI in months if not weeks. Our pay-as-you-go commercial models mean that costs are tied directly to consumption versus the alternative options where a major capital investment is required. As customer retention becomes a greater focus amongst organisations, our speech based solutions offer a more personalised caller experience and can be a powerful tool to maintain customer relationships.

From business understanding, speech application design, development, systems integration and project management through to testing and deployment, Eckoh works with our clients to tailor the right solution to fit their present and future business needs

“Over the many years we have worked with them Eckoh has consistently proved to be absolutely the right supplier of choice for Vue...they are flexible, responsive and have a desire to deliver the best quality service at all levels which makes them an absolute pleasure to work with.”

Steve Knibbs, COO, Vue Cinemas

Highlights of the Year

Financial highlights:

- Adjusted* profit before tax £0.2m in 2008/9, an improvement of £1.8m from 2007/8
- Loss before tax on continuing operations reduced from £2.2m in 2007/8 to £0.7m in 2008/9
- Gross profit of £6.2m (2008: £6.0m) despite a 25% reduction in revenue
- Revenues and gross margins within the Speech Solutions division both increased by 10% to £6.7m (2008: £6.1m) and £4.3m (2008: £3.9m) respectively
- Administrative expenses excluding exceptional items decreased by 22% to £6.5m (2008: £8.3m)
- Balance sheet holding £5.2m cash with an additional £3.2m of outstanding consideration from the sale of non core businesses to be received by June 2010

* on continuing operations excluding exceptional items and amortisation of intangible assets

Operational highlights:

- Significant recent contract wins with the Ministry of Justice, Capita and a global financing company to hit full run rate in early 2009/10 contributing significantly to the anticipated profit for the year ahead
- Recent long term contract renewals with Ideal Shopping, Northern Ireland Electricity and Three Valleys Water
- Challenging economic conditions continue to provide growth opportunities from large organisations looking to cut costs but maintain high standard of customer services

Outlook:

- Growth in Speech Solutions division expected to continue, representing an increasingly large proportion of overall Group revenue
- New and recently awarded contracts to continue to increase revenue contribution through 2009/2010 onwards
- New VoiceXML call handling platform to ensure competitive advantage, deliver better service to current customers and help gain new clients
- On track to grow revenues and profitability in 2009/2010

Chairman's Statement

The year to 31 March 2009, has been the first in which the management have been able to focus their efforts fully on growing the Speech Solutions division following the restructuring and sale of non core businesses seen in recent years, whilst still targeting to reduce costs where possible.

Peter Reynolds
Chairman

I am delighted to be able to report that the results of these efforts can be seen in a transformation in the financial performance of the Group. The 25% reduction in group revenue to £19.1m (2008: £25.6m) has not given rise to a corresponding decrease in gross profit, which amounted to £6.2m to (2008: £6.0m). Alongside this there has been a significant decrease in administrative expenses of 22% to £6.5m (excluding exceptional costs) which has enabled the Group to turn around an adjusted* loss before tax of £1.6m suffered in 2007/8 into an adjusted* profit this year of £0.2m. The loss before tax on continuing operations reduced from £2.2m in 2007/8 to £0.7m in 2008/9.

The strategy of the management to focus their sales efforts on securing larger contracts has also borne fruit with significant contract wins achieved in the year from the likes of the Ministry of Justice and a global financing company, which will not only ensure that growth continues but increases into the coming year.

* on continuing operations excluding exceptional items and amortisation of intangible assets

Furthermore, the quality of the services provided by Eckoh has again been demonstrated with long term renewals with key clients such as Ideal Shopping, Northern Ireland Electricity, and Three Valleys Water.

The decline in headline revenues has mainly arisen from the deliberate reduction in the low margin activity in the Client IVR division. Eckoh is targeting a smaller number of sustainable and quality client accounts with an appropriate margin going forward and where this criteria is not met then these accounts are not being renewed. Eckoh has positioned itself as a best practice Service Provider in the media sector and the selection as a preferred supplier to the BBC is testament to the success of this.

We have recently made a significant investment in the core technology on which our services operate which will help to consolidate our position as market leader for hosted speech recognition services and will ensure that we retain that position for the foreseeable future.

In difficult economic times, we are well positioned to progress even further with our market capitalisation largely represented by cash and with no debt on the balance sheet. The Directors are looking forward to the coming years with optimism and look forward to our efforts being reflected in greater value for shareholders.

A key asset at Eckoh is the employees, who have been critical in helping us to establish our strong reputation for quality and service in the market. I would like to take this opportunity to thank them wholeheartedly for their commitment, loyalty and efforts throughout the year.



“Eckoh's longstanding expertise and their best of breed technology has made them the ideal partner to work with.”

Gerald Robertson, Chief Operating Officer, TFCC

Leading the Way

Technology and infrastructure investment

To ensure that we keep our market leading position and retain existing clients, it is vital that the services we provide and the technology that they utilise are best of breed". We have made a significant investment in a VoiceXML platform from Holly Connects, a leading vendor of software voice platforms.

This investment forms part of a multi-year programme that will enable us to expand our capabilities and offer more application services in a highly reliable, secure and scalable web services framework. Our hosting platforms provide a robust, fault tolerant infrastructure so our clients can focus on their core business activity.

We have upgraded our speech recognition software by purchasing Nuance Recognizer 9, which is clearly established as the industry leader. The Nuance Recognizer will increase the performance and quality of our speech-based solutions. Our investment in this sophisticated technology enhances our capability to deliver significant performance improvements including increased automation rates and decreased call durations. Alongside this decision we have purchased the Nuance Verifier, which will allow us to offer to the market an identification and verification (ID&V) technology delivering a voice authentication process that provides a reassuring and effective method for both authenticating and protecting a customer's identity.

The combination of these investments demonstrates our commitment to adopting the latest technology. These will not only deliver improvements in performance to future services but give our clients the confidence that we continue to invest in the technology and infrastructure on which their business-critical solutions rely.

"We needed a service provider who had the necessary expertise and technical infrastructure to deliver an extremely robust solution together with experience of operating high volume speech recognition applications."

Jonny Shipp, Head of Content Standards, O2

The Business Review

Introduction

The 2007/8 Business Review stated that significant changes made in that year would create a far stronger business going into 2008/9. The board is pleased to announce that these results achieved our goals, with increased revenues in the Speech Solutions division, increased margins and a reduced cost base leading to a much improved financial performance and a positive outlook.

The 25% reduction in group revenue to £19.1m (2008: £25.6m) has not given rise to a corresponding decrease in gross profit, which amounted to £6.2m (2008: £6.0m). This was due to growth in the Speech Solutions business and the higher margins arising from that division, alongside a planned reduction in the very low margin Client IVR activity. A decrease in administrative expenses excluding exceptional items of 22% from £8.3m to £6.5m has enabled the Group to turn around an adjusted* loss before tax suffered in 2007/8 of £1.6m into an adjusted* profit of £0.2m. The loss before tax on continuing operations reduced from £2.2m in 2007/8 to £0.7m in 2008/9.

* on continuing operations excluding exceptional items and amortisation of intangible assets

Speech Solutions

The Speech Solutions division is the UK's largest provider of hosted speech recognition services. Its main target market is large businesses and organisations with contact centre operations who are looking to reduce their costs by switching the more rudimentary and repetitive calls to an effective and user-friendly automated service. Using Eckoh's solutions, organisations can address high volume customer service requests such as billing queries, delivery tracking services, travel timetable checks or transactional payments, at a fraction of a cost of a live agent and on a 24 hour-a-day basis. The services are used by a wide range of mass market organisations to serve millions of their customers each year.

The Speech Solutions division has made strong progress in the year with revenues and margins both increasing by 10% to £6.7m (2008: £6.1m) and £4.3m (2008: £3.9m) respectively.

In 2008/9, the division began to see the initial benefits from the challenging macro-economic climate as organisations working with constrained budgets looked for ways of delivering efficient yet high quality customer services through Eckoh's cost-effective automated response solutions. However, with a successful sale process taking on average around 12 months from initial contact to service launch, the real impact from the opportunities arising directly from the tough economic conditions will not be seen until 2009/10 and 2010/11. The division also saw increased interest from companies who are seeking to repatriate non-UK based call centres, which continue to be unpopular with UK consumers, without adding substantially to their cost base. A more efficient UK based contact centre operation, using a blend of live agent services and Eckoh's automation solutions is a real and viable alternative, both from a financial and customer-centric perspective, to an existing off-shore operation.

Outlook for Speech Solutions Division

The length of contracts in this division are generally for periods of at least three years, and usually with guaranteed minimum levels of revenue either from fixed recurring fees or from specified volumes of call traffic or transactions. As a result, Eckoh has good visibility on future revenues and we can talk with confidence about another period of strong growth in 2009/10.

Additionally, the division is also seeing clients turning to Eckoh to provide customer contact services through complementary channels to the phone such as the web or mobile. Having already established a reputation of providing high quality speech services, the additional cost benefits of working with Eckoh as a single supplier in these other areas is likely to attract more clients to adopt this strategy going forward.

The Business Review *Continued*

The complexity of the services provided to large corporate clients is such that it is not unusual for several months to pass from the announcement of a new contract to the actual commencement of revenues, and there is often a further period until the revenues reach full run rate. For example, moving into 2009/10 the significant contract wins announced in the summer of 2008, with a global financial services company and the Ministry of Justice, are only now beginning to approach their full revenue run rate. This will see even stronger growth in revenue and margin in the coming year as these new revenues layer on top of the recurring revenues generated from the existing client base who tend to be contracted for a period of around three to seven years.

Investment in new technology

To ensure that Eckoh keep its market leading position and retain existing clients, it is vital that the services provided and the technology that they utilise, are best of breed. As a result, in recent months the Group made a major investment in a new VoiceXML call handling platform, which over a number of years is expected to increase in size and ultimately replace our existing platform. Alongside this decision the speech recognition software was updated and upgraded by purchasing the established industry leader, Nuance Recognizer 9. The combination of these decisions will not only deliver improvements in performance to future services but provide clients with the reassurance that Eckoh continues to invest in the technology on which their business critical solutions rely.

Investment in sales and marketing

Over the past six months, the sales and marketing team has been enlarged to take advantage of the exciting opportunities that currently exist. Economies of scale are available when developing services such that newly won high value contracts do not require additional headcount thus resulting in the revenue generated adding substantially to the profits of the Group. Much of the growth to be seen in 2009/10 will result from contracts already won in prior years. It is anticipated that the current sales pipeline will contribute to Eckoh's growth in 2010/11.

Client IVR

The Client Interactive Voice Response ("IVR") division operates in the media sector working with companies to generate incremental revenue streams through a wide variety of premium priced interactive services such as competitions, votes and information lines delivered to the consumer over the telephone or on their mobile.

The revenue generated by the Client IVR division can be divided into two streams. The first stream is where Eckoh acts effectively as a network operator using its telephony infrastructure to provide network services for third parties to operate premium rate services. Eckoh will provide the inbound telephone numbers or SMS shortcodes and either deliver traffic to the client's own equipment or host the services on the client's behalf, retaining a small proportion of any revenue generated. Eckoh will have little or no involvement in the running of these services and does not need to allocate significant resource to these clients and as a result the margins tend to be reasonably low.

The second revenue stream occurs where Eckoh operate as a Service Provider for large media owners such as Trinity Mirror and IPC Magazines. Eckoh will be very involved in the technical development and operation of these competitions, votes and other premium rate promotions, ensuring that the services are operated in a manner that is compliant with the relevant regulatory codes. Consequently, Eckoh employs a broader team of skilled individuals to work on these accounts and a larger share of the revenue remains with Eckoh to cover the cost of those individuals and the wider resource utilised across the company.

Voice Recognition Strengthens Security

There are a wide range of options to choose from for security including; touch-tone PINs, agent identification questions, pre-chosen passwords and now, voice authentication. The biometric technology captures specific physical characteristics of the human voice, using those characteristics to identify callers, something that other security measures just cannot do. From securing financial transactions to allowing access to confidential information, voice authentication takes security to a whole new level.

Our recent purchase of Nuance Verifier, Nuance's advanced voice authentication software, will enable Eckoh to provide clients with the ability to gather secure access to sensitive information over the telephone.

The Nuance Verifier voice authentication software creates individual voiceprints to authenticate callers by their voices, enabling secure access to information. The Nuance Verifier will allow us to offer identification and verification (ID&V) technology delivering a voice authentication process that provides a reassuring and effective method for both authenticating and protecting a customer's identity.

The voice recognition technology coupled with our experience in delivering speech solutions offers our clients the scope to increase the calls that can be automated and by adding the voice authentication element will not only reduce their customers' exposure to fraud, reduce contact centre costs but provide greater levels of customer satisfaction.

The Business Review *Continued*

The Client IVR division stabilised during 2008/9 following the difficulties experienced in the premium rate industry during early 2007. As expected, revenues have declined in the division by 36% to £12.4m (2008: £19.5m). However, most of the revenue reduction has come from very low margin business with the overall margin generated by the division increasing from 11% to 15% and resulting in only a 10% reduction in margin from £2.1m to £1.9m. A thorough review of the division was undertaken in early 2008 which has resulted in administrative expenses of the division decreasing by 40% to £1.2m (2008: £2.1m). As a result, the profit generated by the division has increased from £0.1m to £0.7m.

Outlook for Client IVR

Contracts in the Client IVR division tend to be for shorter periods of time than those held in the Speech Solutions division and operate at significantly lower margins. Media owners remain under pressure to increase revenue despite a background of falling circulations and advertising. The operation of premium rate services is an attractive means of making up the shortfall whilst increasing the interaction with the readers, listeners and viewers of those media.

Eckoh has invested in the compliance aspect of the services, using the technical expertise from the Speech Solutions division to develop systems to ensure that all premium rate services are run in a fully compliant manner. The industry as a whole has seen smaller operators disappear from the market leaving Eckoh as one of only a handful remaining. Media owners looking to run these services are approaching Eckoh to explore opportunities in the area, and the division is beginning to see a level of confidence and modest growth return to the sector. For example, Eckoh was successful in being approved as a preferred supplier by the BBC in its recent process and we would anticipate new business to emerge from this relationship in the future.

The Client IVR division is complementary to the Speech Solutions division and the management continues to explore ways in which the division can contribute further to the profitability of the Group.

Administrative expenses

During the previous financial year, some non core activities were sold resulting in a review of the central overhead required to support the smaller remaining core business. As a result, we have seen pre-exceptional administrative expenses reduce by 23% from £8.3m to £6.5m. These costs continue to be subject to review as demonstrated by an opportunity taken in March 2009 to halve the space rented for the Group office in Hemel Hempstead. The cost benefit from this move will be in the region of £0.2m to be seen in 2009/10. However, the substantial growth being experienced by the Speech division in particular will see an increase in headcount initially in the sales and marketing area and eventually in the technical areas as resource is modestly increased to cope with the anticipated influx of new business. Overall, the saving in property costs will be offset by the increased headcount and a moderate increase in administrative costs is likely in 2009/10.

The Business Review Continued

Exceptional costs

£0.8m of exceptional costs were suffered during the year. £0.6m related to the full and final settlement of all claims made by Channel Four Television Corporation in relation to alleged breaches of contractual duties in relation to the "Richard and Judy" programme. Whilst these breaches are not admitted, the cost of contesting the claim in terms of money and management effort meant that a settlement by mediation was considered a sensible way to conclude the matter.

This particular legal issue caused significant disruption to the business and prompted the Board to look at some opportunities to provide shareholder value through a corporate transaction. However, a combination of global economic conditions, increased optimism about the growth prospects of the business as well as the settlement of the Channel 4 issue caused these discussions to be terminated and legal and professional costs of £0.2m have been expensed to the Income Statement.

Balance sheet

The Group reports £5.2m (2008: £6.8m) of cash and short term investments as at the year end. The reduced cash balance is a result of the unwinding of the working capital benefit from running high levels of Client IVR revenues. Net current assets excluding cash and short term investments at the year end were £0.7m compared to a net current liability on the same basis of £1.5m at 31 March 2008. In addition to the substantial cash balance, £3.2m remains outstanding at the balance sheet date from the sale of non core subsidiaries over the past couple of years. This is all being paid on time and is scheduled to be fully repaid by June 2010.

Group outlook

The trend seen in 2008/9 is expected to continue into the coming years with the Speech Solutions division representing an increasingly large proportion of the overall revenues. The higher margin achieved in this area will increase the blended margin in the Group. In addition, increases in headcount will be moderate in comparison to the growth in revenue meaning that net profit growth will substantially be following the growth in Speech margins.

The Directors are delighted that the efforts consumed in selling non core businesses and restructuring the remaining core activities have got the Group to the point which has long been anticipated whereby each and every new contract won is expected to feed the profit line.

The Directors are pleased with the progress made and are committed to ensure that shareholders obtain value from these efforts.

Board of Directors

Peter Reynolds – *Non-executive Chairman* • • •

Peter joined the board in September 2003. He is also currently Executive Chairman of Swallow Ventures Limited, a company specialising in CRM software, a non-executive director of Silence Therapeutics plc, a European Biopharmaceutical company, Waltech plc, a payment systems supplier and Vialogy plc, a USA based software company specialising in security and defence. Peter is Chairman of the Board, as well as Chairman of the Audit, Nomination and Remuneration Committees.



Board Committees

- *Member of the Audit Committee*
- *Member of the Remuneration Committee*
- *Member of the Nomination Committee*

Nik Philpot – *Chief Executive Officer* •

Nik 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. As co-founder of Eckoh he has created the UK's largest automation solutions provider for the contact centre and media industries. Nik has 22 years experience in the voice services industry.



Adam Moloney – *Group Finance Director*

Adam joined the Company in May 2003, joining the board as a Director in July 2004. He has worked in senior financial roles for a number of organisations and immediately prior to joining Eckoh, was Manager of Finance & Operations for the UK arm of New York based IT hardware reseller, Resilien Inc.



Jim Hennigan – *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 speech solutions business in 2002, and appointed to the Board in February 2007. Jim is a recognised authority on automated multi-channel contact centre solutions and their impact on business performance, staff and customer satisfaction.



“Acquiring or building a technology platform capable of managing our extreme call peaks would have been prohibitively costly. The hosted route has proved ideal, since we haven’t had to invest in technology or the expertise to support it; that’s all taken care of.”

Bill Graham, Chief Operating Officer – Electricity Infrastructure, Northern Ireland Electricity

Delivering the Scalability your Business Demands

Our carrier-grade platform has the scalability to handle over 650,000 calls an hour and up to 8,000 simultaneously. Our platform has the capacity to manage even the most dramatic and unexpected call peaks, making it the most scalable and flexible speech-enabled platform in Europe.

We have proven experience in providing services that have very high volume call profiles.

The solution we provide to National Rail Enquiries TrainTracker™ service saw unexpected and dramatic volumes in calls arising from the bombings on 7 July 2005 and the extreme snow conditions on 2 February 2009. We also have experience in high volume calls lasting for particular time periods; for example the commentary and results services for William Hill during the Cheltenham Gold Cup racing.

We continually invest in our hosting platform and infrastructure enabling our clients to substantially reduce their upfront investment expenditure, reduce operational costs and the impact on internal resource whilst taking advantage of deploying the latest advanced speech recognition and IVR technology.

We host a large number of applications across a broad range of sectors, enabling our clients to reduce the cost per call, increase call response times and utilise agents for more valuable and complex calls.

All of our solutions are underpinned by a common technology and telephony platform, that means all of our clients' automation requirements – from speech, SMS, web to touch tone IVR – can be met via a single infrastructure, protecting them from the need for large scale technology investment – now or in the future.

“The platform’s scalability is exactly what we need. When the stock market’s going crazy – that’s when the pressure is on. We have the confidence and the evidence that the service will stand up to such heavy demand.”

Darren Hepworth, Vice President, Customer Contact Centre, TD Waterhouse

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 2009.

Principal activity

The principal activity of Eckoh plc and its subsidiary undertakings ("the Group") is the provision of hosted speech recognition services and outsourced automated solutions. The Chairman's Statement (page 5) and the Business Review (pages 8 to 12) report on the progress made in the financial year under review.

The principal subsidiary undertakings are listed on page 65.

Results and dividends

The audited financial statements and related notes for the year ended 31 March 2009 are set out on pages 33 to 67. The Group's loss for the year is set out in the Income Statement on page 33.

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 Group's financial risk management is discussed in note 3. The Directors' regularly assess the Group's key commercial risks, which are considered to be the competitive market sector and the infrastructure stability. Commercial risks are managed through the introduction of new products and services and by maintaining high levels of customer service. Infrastructure stability is managed through 24 hour technical monitoring.

Research and development

The Group capitalised £0.4m (2008: £0.1m) of development expenditure during the year as an intangible asset as it expanded its product portfolio and produced bespoke solutions for customers.

Financial instruments

The financial instruments of the Group are set out in the notes to the financial statements on pages 37 to 62. Please refer to note 2 for a summary of principal accounting policies; to note 3 for the Group's financial risk management policies in relation to liquidity risk or cash flow risk, interest rate risk and foreign currency risk, as well as capital management; to note 17 for credit risk and loans and other receivables; to note 18 for short-term investments; to note 19 for cash and cash equivalents and to note 20 for trade and other payables.

Related party transactions are disclosed in note 27.

Annual general meeting

The next Annual General Meeting of the Company will be held at 10:00 on 28 October 2009.

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 13.

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. Nik Philpot will retire by rotation and put himself forward for re-election at the Annual General Meeting.

Directors' Report Continued

Directors' remuneration

Name	Salary and fees £'000	Bonus £'000	Other benefits £'000	2009 Total £'000	2008 Total £'000
N B Philpot	207	59	2	268	210
A P Moloney (i)	118	36	14	168	132
J P Hennigan	150	42	2	194	153
H R P Reynolds	60	-	13	73	71
Total	535	137	31	703	566

The information contained in this table has been audited.

Notes:

(i) Included within the other benefits paid to A P Moloney is an employer pension contribution of £12,000 (2008: £12,000). There were no other pension costs during the year.

Gains on the exercise of share options in the year ended 31 March 2009 totalled £nil (2008: £116,000).

Directors' interests

The interests of the Directors in the share capital of the Company and their options in respect of shares in the Company are shown below. No Director has had any material interest in a contract of significance (other than service contracts) with the Company or with any subsidiary company during the year.

Directors' interests in shares

The interests, all of which are beneficial, of the Directors (and their immediate families) in the share capital of the Company are set out below:

	31 May 2009 Ordinary shares of 0.25 pence each	31 March 2009 Ordinary shares of 0.25 pence each	1 April 2008 Ordinary shares of 0.25 pence each
N B Philpot (i)	2,502,000	2,282,000	2,282,000
A P Moloney	135,000	-	-
H R P Reynolds (ii)	646,550	646,550	646,550
J P Hennigan	172,000	15,000	15,000

Notes:

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

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

The Directors' Report continues on page 19.

European Reach and Capability

We have been working to create a network which will allow calls to be delivered from all major European territories to our call processing platform in the UK. This new capability strengthens our ability to provide cost-effective hosting facilities on a pan-European scale to our clients.

Our advanced technical capability has placed us in a strong position to successfully extend our offering into these new territories.

We have been awarded a significant contract by a global financial services company to provide an automated telephony self-service platform for handling customer enquiries across Europe. Calls will be routed from European destinations including the UK, France, Spain, Germany, Italy, Sweden, The Netherlands, Belgium and Norway to our hosted platform located at both of our UK data centres. We are expecting to process approximately 40 million minutes of traffic annually for this client alone.

Directors' Report Continued

Directors' share options

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

	Note	At 1 April 2008 (number)	Granted in year (number)	Lapsed in year (number)	At 31 March 2009 (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
	c	800,000	-	-	800,000	8.75	31.07.10	31.07.17
	b	200,000	-	-	200,000	8.75	31.07.10	31.07.17
A P Moloney	a	250,000	-	-	250,000	8.50	28.02.08	28.02.15
	b	750,000	-	-	750,000	8.75	13.09.08	13.09.15
	c	900,000	-	-	900,000	8.75	31.07.10	31.07.17
	b	100,000	-	-	100,000	8.75	31.07.10	31.07.17
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
	c	1,000,000	-	-	1,000,000	8.75	31.07.10	31.07.17

The information contained in this table has been audited.

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.

c Granted under the Eckoh plc 2007 Enterprise Management Incentive ("EMI") Share Option Plan.

The performance target attaching to the above options is that the closing price of a share, on any day following the third anniversary of the date of grant, must be greater than the exercise price of the Option by RPI plus 15%.

Share capital and reserves

Details of changes in the authorised and issued share capital and reserves of the Company are shown in notes 23 and 24 to the financial statements.

Share schemes

The Directors believe that a key element in attracting, motivating and retaining employees of the highest calibre is employee involvement in the performance of the Group through participation in share schemes. By doing so, the Directors believe that employees' interests will be aligned with those of shareholders. Details of options granted under the share option schemes are set out in note 25 to the financial statements. All permanent employees are eligible to join a scheme.

Directors' Report Continued

Charitable and political donations

The Group made no political donations during the current or prior year. Charitable donations totalled £1,380 during the year (2008: £300).

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 monthly 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 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. 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 2009 the amount of trade creditors shown in the balance sheet represents 44 days of average purchases for the Group (2008: 33 days). The Company had no trade creditors at 31 March 2009.

Statement of disclosure of information to auditors

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

Auditors

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

By order of the Board
Adam Moloney
Company Secretary
12 June 2009

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 published 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, Peter Reynolds, and after due consideration, has concluded that he is independent. He does not have any involvement in the day-to-day management of the Company or its subsidiaries.

The biographical details of the Board members are set out on page 13.

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 public holidays. Details of membership of the committees are given on page 13.

Continued on page 24

Eckoh provides Parcelforce Worldwide's parcel tracking and redeliveries automated services together with the Royal Mail Group's Track and Trace service. The service is delivered through IVR and web capability and allows their customers to track and rebook deliveries. As a result our name and address capture module processes thousands of calls, changes are frequently made to continuously increase the success rate achieved, ensuring that it is best of breed in the industry.

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

*Emma Bailey, Manager for Customer Service Policy
Manager, Parcelforce*

Multi-Channel Capabilities

Offering your customers the choice

We offer a multi-channel approach with our solutions capable of being implemented across the web, mobile and telephone. Our clients can provide more choice to their customers for less cost, with the ability to choose the relevant medium to ensure a consistent and integrated experience is applied across all communication channels.

Our solutions allow our clients to enhance the customer experience and maintain the ongoing relationships by providing their customers with additional services, complementary information and reminders. There is an increasingly growing trend with our existing clients to expand how they communicate with their customers by adding additional channels to their solution and new clients are approaching Eckoh to provide a broader multi-channel solution.

As customers are being assisted by automated self-service, intelligent information can be captured utilising adaptive personalisation techniques. Repeat callers can be identified and relevant information can be presented back to them based on their call history. For example; linking a customer to a specific fault and providing fault updates or providing return train journey details following a previous enquiry.

We provide Vue Entertainment an advanced speech solution ranging from requesting film and screen information as well as the ability to book and pay for tickets. Confirmation of bookings is then complemented by text message detailing booking information and reference number.

“We have found that Eckoh were extremely responsive to our needs and have demonstrated that they can deliver a top quality speech recognition service in a tight timeframe. We wanted a provider who not only has the necessary capacity to cope with the extreme peaks of response that the cinema market requires but also has future growth plans to match our own.”

Roland Jones, IT Director, Vue Entertainment

Using the award winning Journey Finder technology, the TrainTracker™ service is delivered by both an IVR and SMS functionality. This integrated approach enables cross pollination of user preferences between the services and enhances the adaptive personalisation techniques and capabilities available.

“There’s benefit for everyone – for travellers who get the information they need quickly, for the train operating companies who can offer customers more communication choices and for contact centre advisors, who can focus on more complex and, therefore, more rewarding tasks.”

Chris Scoggins, CEO, National Rail Enquiries

Corporate Governance Continued

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 Chief Executive Officer was invited to and attended both meetings.

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 the Executive Directors. The Committee reviews the effectiveness of the Company's internal financial controls by reference to reports from the external auditors. The Committee also reviews the scope and results of the external audit as well as its cost effectiveness.

The Audit Committee annually reviews the requirement for an internal audit function. The Committee has decided that none is necessary at present. Instead, other monitoring processes have been applied to provide assurance to the Board that the system of internal control is functioning satisfactorily. Internal controls are discussed under the internal control and risk management section below.

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.

A long-term business plan and an annual operating budget are prepared by management and are reviewed and approved by the Board prior to the commencement of each financial year. Monthly reporting and analysis of results against budget, risk assessment and related internal controls and forecasts are received, discussed by management and reported 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.

Corporate Governance *Continued*

Shareholder relations

The Company holds meetings with its major institutional investors and general presentations are given covering the interim and preliminary results. The Chairman, 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 website 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

Outbound Services

Outbound services are becoming increasingly popular for our clients that want to proactively communicate with their customers and deter inbound calls as part of expanding their multi-channel self-service approach. Eckoh's hosted outbound services can be rapidly deployed and offers clients an effective and powerful means of notifying and distributing relevant and content specific information to their customers combined with the capability to interact and complete a call to action, all within the one call.

Simple information and transactions can be automated allowing our clients agents to deal with more complex interactions and customer inquiries therefore freeing up valuable resources and maximising call centre efficiency. By using speech recognition we offer the ability to route calls back to a live agent if necessary. The outbound solution

provides our clients with a higher degree of control over communications and efficiently manages an agent's time to focus on higher value calls thereby reducing costs. The service Eckoh provides is an effective communication tool for customer retention as a means of alerting customers to special offers, service updates or appointment reminders.

Examples where outbound services are proving successful with our clients includes sending automated payment notifications (for bills, credit cards, loans etc), which reduces the cost and time of an agent chasing collections and provides the caller with a convenient means of settling their account.

Outbound services are effective within the travel industry where clients are able to send real-time alerts and update travel information to their customers.

Statement of Directors' Responsibilities

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group, for safeguarding the assets of the company, for taking reasonable steps for the prevention and detection of fraud and other irregularities and for the preparation of a Directors' Report which complies with the requirements of the Companies Act 1985.

The directors are responsible for preparing the annual report and the financial statements in accordance with the Companies Act 1985.

The directors are also required to prepare financial statements for the group in accordance with International Financial Reporting Standards as adopted by the European Union (IFRSs) and the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market. The directors have chosen to prepare financial statements for the company in accordance with UK Generally Accepted Accounting Practice.

Group financial statements

International Accounting Standard 1 requires that financial statements present fairly for each financial year the group's financial position, financial performance and cash flows. This requires the faithful representation of the effects of transactions, other events and conditions in accordance with the definitions and recognition criteria for assets, liabilities, income and expenses set out in the International Accounting Standards Board's 'Framework for the preparation and presentation of financial statements'. In virtually all circumstances, a fair presentation will be achieved by compliance with all applicable IFRSs. A fair presentation also requires the Directors to:


- consistently select and apply appropriate accounting policies;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information; and
- provide additional disclosures when compliance with the specific requirements in IFRSs is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance.

Parent company financial statements

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

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

Financial statements are published on the group's website in accordance with legislation in the United Kingdom governing the preparation and dissemination of financial statements, which may vary from legislation in other jurisdictions. The maintenance and integrity of the group's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.



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

Chris Pike, BT Global Services

Self-Service Solutions in Partnership with BT

Eckoh formed a strategic business alliance with BT in 2003 to capitalise on the growing opportunity for automated self-service solutions. Working in partnership we have helped 20 customers across the financial services, government, utilities, retail & distribution, telecoms and travel & leisure sectors to transform their business operations through the introduction of hosted automated services.

Together Eckoh and BT have combined our competencies to create an unparalleled self-service proposition. The recent launch of BT's 'Making Contact Centres Efficient' programme is an innovative proposition that addresses a common problem that organisations face with their contact centres – how to deliver excellent customer service whilst driving down costs.

The proposition combines best-of-breed technology and professional services solutions to provide organisations with a combination of products and services that enable them to deliver better customer service whilst simultaneously controlling costs to serve customers.

BT will initially focus on the self-service element of the programme; helping customers reduce costs by automating transactions through speech-driven services. Eckoh is an integral part of BT's delivery strategy, we utilise our expertise in successfully delivering voice self-service solutions that are proven to significantly reduce call handling costs without compromising service quality.

“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, BAA Retail

Offshore Contact Centres

There has been a marked increase in organisations wanting to repatriate non-UK based contact centres, which continue to be unpopular with UK consumers. Of course, this repatriation requires a significant investment which few boards are prepared to approve in today's challenging economic environment.

A more efficient UK based contact centre operation using a blend of live agent services and Eckoh's automation is a real and viable alternative both from a financial and customer-centric perspective to an existing off-shore operation. By automating routine but high volume call queries, we free up advisors to handle those calls that need the human touch. Where we partially automate a call and then forward it to a live agent, we also provide all of the information captured up to that time, to save the caller time and frustration. Automation without compromise is at the heart of the Eckoh offering.

"Eckoh has a proven track record and reputation for delivering high quality, hosted automated solutions but we've also been tremendously impressed with their innovative and flexible approach to our business, which made our decision to select them an easy one. We have a clear strategy to improve the communication, information and service that we provide to our customers and we know that Eckoh will work in partnership with us to deliver on that goal over the next 3 years."

Andrew Fryatt, CEO, Ideal Shopping Direct

Independent Auditor's Report

Independent auditor's report to the shareholders 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 2009 which comprise the consolidated income statement, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of changes in equity 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 group financial statements in accordance with applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and for preparing the parent company 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).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985 and whether the information given in the directors' report is consistent with those 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 highlights of the year, the chairman's statement, the business review, the directors' report, the corporate governance statement and the statement of directors' responsibilities. 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.

Our report has been prepared pursuant to the requirements of the Companies Act 1985 and for no other purpose. No person is entitled to rely on this report unless such a person is a person entitled to rely upon this report by virtue of and for the purpose of the Companies Act 1985 or has been expressly authorised to do so by our prior written consent. Save as above, we do not accept responsibility for this report to any other person or for any other purpose and we hereby expressly disclaim any and all such liability.

Continued overleaf

Independent Auditor's Report Continued

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 group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2009 and of its loss for the year then ended;
- the parent company financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the parent company's affairs as at 31 March 2009;
- 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.

BDO Stoy Hayward LLP
Chartered Accountants and Registered Auditors
Hatfield
12 June 2009

Consolidated Income Statement

for the year ended 31 March 2009

	Notes	Pre Exceptional £'000	2009 Exceptional Items £'000	Total £'000	Pre Exceptional £'000	2008 Exceptional Items £'000	Total £'000
Continuing operations							
Revenue	4	19,109	-	19,109	25,590	-	25,590
Cost of sales		(12,940)	-	(12,940)	(19,579)	-	(19,579)
Gross profit	4	6,169	-	6,169	6,011	-	6,011
Administrative expenses	4, 6	(6,458)	(811)	(7,269)	(8,310)	(447)	(8,757)
Loss from operating activities	5	(289)	(811)	(1,100)	(2,299)	(447)	(2,746)
Interest receivable	4,9	382	-	382	569	-	569
Profit / (Loss) before taxation	4	93	(811)	(718)	(1,730)	(447)	(2,177)
Taxation	10	-	-	-	-	-	-
Profit / (Loss) for the year from continuing operations		93	(811)	(718)	(1,730)	(447)	(2,177)
Discontinued operations							
Post tax (loss) / profit for the year from discontinued operations	4,11	(160)	-	(160)	2,647	-	2,647
(Loss) / Profit for the year		(67)	(811)	(878)	917	(447)	470
(Loss) / earnings per share (pence)	12						
Basic and diluted				(0.44)			0.24
Loss per share from continuing (pence)	12						
Basic and diluted				(0.36)			(1.09)

Consolidated Balance Sheet

as at 31 March 2009

	Notes	2009 £'000	2008 £'000
Assets			
Non-current assets			
Intangible assets	13	376	114
Property, plant and equipment	14	714	743
Loans and other receivables	17	1,700	3,293
		2,790	4,150
Current assets			
Inventories	16	4	13
Trade and other receivables	17	4,476	6,382
Short-term investments	18	2,821	1,530
Cash and cash equivalents	19	2,421	5,307
		9,722	13,232
Total assets		12,512	17,382
Liabilities			
Current liabilities			
Trade and other payables	20	(3,812)	(7,896)
Obligations under finance leases	21	(3)	(5)
		(3,815)	(7,901)
Non-current liabilities			
Obligations under finance lease	21	-	(2)
Provisions	22	(79)	(17)
		(79)	(19)
Net assets		8,618	9,462
Shareholders' equity			
Share capital	23,24	499	499
Capital redemption reserve	24	198	198
Share premium	24	695	695
Currency reserve	24	(47)	(27)
Retained earnings	24	7,273	8,097
Total shareholders' equity		8,618	9,462

The financial statements on pages 33 to 62 were approved and authorised for issue by the Board of Directors on 12 June 2009 and signed on its behalf by:

Adam Moloney – Group Finance Director

Consolidated Statement of Changes in Equity

as at 31 March 2009

	Share Capital £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Currency reserve £'000	Total shareholders equity £'000
Balance at 1 April 2007	491	198	477	7,530	(7)	8,689
Profit for the period	-	-	-	470	-	470
Exchange differences and net income recognised directly in equity	-	-	-	-	(20)	(20)
Total recognised income and expense	-	-	-	470	(20)	450
Share based payment charge	-	-	-	97	-	97
Shares issued under the option schemes	8	-	226	-	-	234
Shares held by Share Incentive Plan	-	-	(8)	-	-	(8)
Balance at 31 March 2008	499	198	695	8,097	(27)	9,462
Balance at 1 April 2008	499	198	695	8,097	(27)	9,462
Loss for the period	-	-	-	(878)	-	(878)
Exchange differences and net income recognised directly in equity	-	-	-	-	(20)	(20)
Total recognised income and expense	-	-	-	(878)	(20)	(898)
Share based payment charge	-	-	-	54	-	54
Balance at 31 March 2009	499	198	695	7,273	(47)	8,618

Consolidated Cash Flow Statement

for the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Cash flows from operating activities			
Continuing operations			
Cash utilised in operations	29	(2,799)	(5,870)
Interest paid		-	-
Net cash utilised in continuing operating activities		(2,799)	(5,870)
Discontinued operations			
Cash generated from operations	29	(37)	629
Interest paid		-	-
Taxation		(45)	(10)
Net cash (utilised in) / generated from discontinued operating activities		(82)	619
Cash flows from investing activities			
Continuing operations			
Purchase of property, plant and equipment		(443)	(336)
Purchases of intangible fixed assets		(383)	(109)
(Increase) / Decrease in short-term investments		(1,291)	1,000
Loans repaid by third parties		500	1,500
Interest received		382	591
Net cash (utilised in) / generated in continuing investing activities		(1,235)	2,646
Discontinued operations			
Purchase of property, plant and equipment		-	(13)
Purchases of intangible fixed assets		-	(38)
Net proceeds on disposal of business operations		1,234	666
Net cash generated from discontinued investing activities		1,234	615
Cash flows from financing activities			
Continuing operations			
Issue of shares		-	226
Capital element of finance lease rental payments		(4)	-
Net cash (utilised in) / generated from continuing financing investing activities		(4)	226
Decrease in cash and cash equivalents			
Cash and cash equivalents at the start of the period	19	5,307	7,071
Cash and cash equivalents at the end of the period	19	2,421	5,307

Notes to the Financial Statements

for the year ended 31 March 2009

1. Basis of preparation

The consolidated financial statements of Eckoh plc have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union. These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at 31 March 2009.

IFRS 8, 'Operating Segments' is a new standard which is effective for annual reporting periods beginning on or after 1 January 2009. The Group adopted this standard in the year ended 31 March 2008. The effect of the early adoption is seen in the segmental disclosures but it has had no impact on the financial results.

At year end, the following standards and interpretations, which have not been applied in these financial statements, were in issue but not yet effective:

IFRS 1 (Revised) First Time Adoption of International Financial Reporting Standards

IFRS 1 and **IAS 27** (Amendments) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

IFRS 2 (Amendment) Vesting Conditions and Cancellations

IFRS 3 (Revised) Business Combinations

IAS 1 (Amendments) Presentation of Financial Statements: A Revised Presentation

IAS 23 (Revised) Borrowing Costs

Amendments to **IAS 27** Consolidated and Separate Financial Statements

IAS 32 and **IAS 1** (Amendments) Puttable Financial Instruments and Obligations arising on Liquidation

IAS 39 (Amendment) Financial Instruments: Recognition and Measurement: Eligible Hedged Items

IAS 39 and **IFRS 7** (Amendments) Reclassification of Financial Instruments

IFRIC 13 Customer Loyalty Programmes

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

IFRIC 17 Distribution of Non-cash Assets to Owners

The Directors anticipate that the adoption of these standards and interpretations in future periods will have no material impact on the recognition and measurement of the financial statements of the Group but will affect disclosure.

The principal accounting policies, which have been consistently applied, are described below.

2. Summary of principal accounting policies

Critical accounting policies, estimates and adjustments

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and reasonable expectations of future events. Actual results may differ from those estimates.

The accounting policies cover areas that are considered by the Directors to require estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The policies, and the related notes to the financial statements, are found below:

Intangible assets	note 13
Trade and other receivables	note 17
Provisions	note 22
Share based payment	note 25

Notes to the Financial Statements Continued

for the year ended 31 March 2009

Basis of consolidation

The Group financial statements consolidate the accounts of the Company and its subsidiary undertakings. The results of subsidiaries acquired are included in the consolidated income statement from the date on which control passes to the Group and are included until the date on which the Group ceases to control them. Subsidiaries are all entities over which the Group has power to control the financial and operating policies so as to obtain benefits from their activities. Transactions between Group companies are eliminated on consolidation.

Investments in subsidiary undertakings are accounted for using the purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Business combinations prior to 1 April 2006 have not been restated under an IFRS basis due to the application of an exemption under IFRS 1.

Intangible fixed assets

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

Prior to the adoption of IFRS, goodwill amortised over a period not exceeding 20 years. Following the adoption of IFRS, goodwill was frozen at its value at the date of transition, is not amortised and is reviewed for impairment at least annually. Any impairment is recognised in the period in which it is identified.

(b) Intangible fixed assets Intangible fixed assets acquired by the Group are capitalised at the fair value of the consideration paid and amortised over their expected useful economic lives using the straight line method. The amortisation costs are shown within the administrative expenses of the Group. The expected useful economic life of intangible fixed assets is assessed for each acquisition as it arises, and is generally assumed to be three years.

(c) Research and development Research costs are charged to the income statement in the year in which they are incurred. Development expenses include expenses incurred by the Group to develop new products and enhance its systems. Development costs are predominantly the time costs of Eckoh employees involved in the development of a new service for a client which are capitalised as intangible fixed assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Development costs that do not meet those criteria are expensed as incurred. Capitalised development costs are amortised on a straight line basis over the estimated minimum duration of the commercial contract that they arose from. In the absence of a specific commercial contract the capitalised development costs are amortised over the estimated useful life of the asset, which is generally assumed to be three years.

Amortisation is charged to administrative expenses in the income statement.

The carrying value of intangible fixed assets is assessed at the end of each financial year for impairment. See the policy entitled impairment of assets below.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

Impairment of non-financial assets

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and the value-in-use based on an internal discounted cash flow evaluation. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows.

All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist. An impairment review only takes place when there are indications of impairment.

Property, plant and equipment

Property, plant and equipment is stated at cost or fair value at acquisition, net of depreciation and any provisions for impairment. Cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

The gain or loss arising on the disposal of an asset is determined by comparing the disposal proceeds and the carrying amount of the asset and is recognised in the income statement. Depreciation is calculated using the straight-line method to allocate the cost of each asset to its estimated residual value over its expected useful life, as follows:

Motor vehicles – straight line over 3 years

Fixtures and equipment – straight line over 3 years or the remaining term of the property lease as appropriate

Material residual values and useful lives are reviewed, and adjusted if appropriate, at least annually. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Financial assets

Financial assets include investments in companies other than Group companies, trade and other receivables (see separate policy) financial receivables held for investment purposes, treasury shares and other securities. A permanent impairment is provided as a direct reduction of the securities account.

The Group classifies its financial assets in the following categories: available for sale investments and loans and receivables. The classification depends on the purpose for which the investments were acquired. The classification is determined by management at initial recognition and the designation is re-evaluated at each balance sheet date.

(a) available-for-sale investments: are non-derivative financial assets that are either designated in this category or not classified in any of the other categories. They are included within non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

(b) loans and receivables: are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They are included within current assets, with the exception of those with maturities greater than one year, which are included within non-current assets. Loans and receivables are included within trade and other receivables in the balance sheet.

Gains and losses arising from investments classified as available-for-sale are recognised in the income statement when they are sold or when the investment is impaired.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment losses recognised previously on debt securities are reversed through the income statement when the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement.

An assessment for impairment is undertaken annually. Management consider the financial information in respect of entities from which receivables are due.

A financial asset is derecognised only where the contractual rights to the cash flows from the asset expire or the financial asset is transferred and that transfer qualifies for derecognition. A financial asset is transferred if the contractual rights to receive the cash flows of the asset have been transferred or the Group retains the contractual rights to receive the cash flows of the asset but assumes a contractual obligation to pay the cash flows to one or more recipients. A financial asset that is transferred qualifies for derecognition if the Group transfers substantially all the risks and rewards of ownership of the asset, or if the Group neither retains nor transfers substantially all the risks and rewards of ownership but does transfer control of that asset.

Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of finished goods and work in progress comprises design costs, direct labour and other direct costs. Net realisable value is the estimated selling price in the ordinary course of business less applicable selling expenses.

Trade and other receivables

Trade and other receivables are stated at amortised cost less provision for impairment. A provision for the impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables.

The amount of the provision is determined as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

The amount of the provision is recognised in the income statement. Other receivables are stated at amortised cost less provision for impairment.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand, deposits held at call with banks, other short-term investments, with maturities of three months or less that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

Short-term investments

Short-term investments comprise funds which have been invested in short-term deposit accounts with maturities of less than twelve months and amounts held in escrow. Credit and liquidity risk management is described in note 3.

Equity

Equity comprises the following:

Share capital represents the nominal value of ordinary shares.

Capital redemption reserve represents the maintenance of capital following the share buy back and tender offer.

Share premium reserve represents consideration for ordinary shares in excess of the nominal value.

Currency reserve represents exchange differences arising on consolidation of Group companies with a functional currency different to the presentation currency.

Retained earnings represent retained profits.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

Foreign currency transactions

(a) Functional and presentation currency Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The consolidated financial statements are presented in Sterling, which is the Group's functional and presentation currency.

(b) Group companies The results and position of all Group companies that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities are translated at the closing rates of exchange ruling at the balance sheet date;

(ii) income and expenses are translated at the average exchange rates. If however the average exchange rate is not a reasonable approximation of the exchange rates prevailing on the date of the transactions, the income and expenses are translated at the exchange rates at the transaction dates; and

(iii) resulting exchange differences are recognised as a separate component of equity.

Differences on exchange arising from the retranslation of the net investment in foreign entities are taken to shareholders equity on consolidation. When a foreign entity is sold, such exchange differences are recognised in the income statement as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and as such are translated at the closing rate.

Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognised assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease.

The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are also spread on a straight-line basis over the lease term.

Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the balance sheet date. The discount rate used reflects current market assessments of the time value of money and the risks specific to the liability.

Employee benefits

(a) Pensions The Group operates a group personal pension scheme. The assets of the schemes are held separately from those of the Group in independently administered funds. Contributions payable are charged in the income statement in the year in which they are incurred.

(b) Bonus schemes The Group recognises a liability and an expense for bonuses payable to: i) employees based on a formula that takes in to account gross profit; and ii) senior management and executive directors based on a formula that takes in to account operating profit. A provision is recognised where there is a past practice that has created a constructive obligation.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

(c) Share-based payments From time to time on a discretionary basis, the Board of Directors award high-performing employees bonuses in the form of share options. The options are subject to a three year vesting period and their fair value is recognised as an employee benefits expense with a corresponding increase in equity over the vesting period. The fair value of share options granted is recognised within staff costs with a corresponding increase in equity. The proceeds received are credited to share capital and share premium when the options are exercised.

The fair value of share options was measured using the 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.

IFRS 2 has been applied to all options granted after 7 November 2002 which have not vested on or before 1 April 2006. A deferred tax adjustment is also made relating to the intrinsic value of the share options at the balance sheet date (see separate policy).

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

(d) Employee share ownership plan The Group's Employee Share Ownership Plan ('ESOP') is a separately administered trust. The assets of the ESOP comprise shares in the Company and cash. The assets, liabilities, income and costs of the ESOP have been included in the financial statements in accordance with SIC 12, 'Consolidation - Special purpose entities' and IAS 32, 'Financial Instruments: Disclosure and Presentation'. The shares in the Company are included at cost to the ESOP and deducted from shareholders' funds.

When calculating earnings per share these shares are treated as if they were cancelled.

Revenue recognition

Revenue represents the fair value of goods and services sold, net of Value Added Tax, and after eliminating sales within the Group.

Revenue relating to the development and/or implementation of speech applications for specific customers is recognised on delivery if it can be demonstrated that all build phase obligations have been fulfilled and there is no ongoing obligation to provide ongoing speech services. Where these criteria are not met, the revenue is deferred and recognised in the income statement over the initial contract term.

Call revenue from Speech Solutions and Client IVR is recognised when the Group has determined users have accessed its services via a telephone carrier network and/or the Group's telecommunications call processing equipment connected to that network.

Costs of sale Costs of sale primarily comprise revenue share payments to clients.

Exceptional items Exceptional items are significant instances of income or expenditure which arise from specific events outside the ordinary trading of the group and are considered to be non-recurring.

Taxation

Current tax is the tax currently payable based on taxable profit for the year.

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred tax is not provided if it arises from initial recognition of an asset or liability in a transaction, other than a business combination, that at the time of the transaction affects neither accounting nor taxable profit nor loss. Deferred tax is calculated at tax rates that are expected to apply to their respective period of realisation, provided they are enacted or substantively enacted at the balance sheet date.

Notes to the Financial Statements *Continued*

for the year ended 31 March 2009

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax on temporary differences associated with shares in subsidiaries is not provided if reversal of these temporary differences can be controlled by the Group and it is probable that reversal will not occur in the foreseeable future.

Changes in deferred tax assets or liabilities are recognised as a component of tax expense in the income statement, except where they relate to items that are charged or credited directly to equity in which case the related deferred tax is also charged or credited directly to equity.

Financial liabilities

Financial liabilities are obligations to pay cash or other financial assets and are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial liabilities are stated at amortised cost.

A financial liability is derecognised only when the obligation is discharged, is cancelled or it expires.

3. Financial risk management

The operations of the Group expose it to a variety of financial risks: liquidity risk, interest rate risk and foreign currency risk. Policies for managing these risks are set by the Board following recommendations from the Group Finance Director. All financial risks are managed centrally. The policy for each of the above risks is described in more detail below.

The Group's financial instruments comprise cash, short-term investments and various items, such as receivables and payables that arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. Similarly the Group did not undertake any financial hedging arrangements during the year under review.

The year-end position reflects these policies and there have been no changes in policies or risks since the year-end.

Liquidity risk

Through detailed cash flow forecasting and capital expenditure planning, the Group monitors working capital and capital expenditure requirements and through the use of rolling short-term investments ensures that cash is available to meet obligations as they fall due. Cash at bank is pooled and invested in overnight money market accounts and deposits. The Group's treasury policy requires that funds which are surplus to the ongoing trading of the business are invested in short-term (less than 12 months) deposit accounts across several separate institutions to spread risk. Each individual deposit is not to exceed £500,000 and the institutions are based in the UK and Ireland.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

Interest rate risk

The Group principally finances its operations through shareholders' equity and working capital. The Group had no borrowings during the year, other than finance leases and its only material exposure to interest rate fluctuations was on its cash deposits, short-term deposits and the Symphony receivable.

The Group has adopted a sensitivity analysis that measures changes in the fair value of financial instruments and any resultant impact on the income statement of an increase or decrease of 2% in market interest rates.

	2% decrease in interest rates	2% increase in interest rates
	£'000	£'000
(Decrease)/increase in fair value of loans and other receivables	(58)	58
(Decrease)/increase in fair value of short-term investments	(39)	39
Impact on income statement: (loss)/gain	(116)	116

Foreign currency risk

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

Capital management

The Board's policy is to maintain a strong capital base with the joint objectives to maintain investor, creditor and market confidence and to sustain future development of the business. Capital comprises all components of equity (i.e. share capital, capital redemption reserve, share premium, currency reserve and retained earnings). The Board manages the capital structure and makes adjustments as required in the light of changes in economic conditions. The Board may return capital to shareholders, issue new shares or sell assets in order to maintain capital.

Credit risk management is described in note 17.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

Categories of financial assets and financial liabilities

The Directors consider that the carrying value of all financial assets and liabilities is approximate to their fair value.

	Loans and receivables	
	2009	2008
	£'000	£'000
Current financial assets		
Trade receivables (note 17)	1,020	968
Other receivables (note 17)	27	53
Loans and receivables (note 17)	1,620	1,752
Short-term investments (note 18)	2,821	1,530
Cash and cash equivalents (note 19)	2,421	5,307
Total current financial assets	7,909	9,610
Non-current financial assets		
Loans and receivables (note 17)	1,700	3,293
Total non-current financial assets	1,700	3,293
Total financial assets	9,609	12,903

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost and comprise trade payables of £1,980,000 (2008: £3,983,000), other payables of £27,000 (2008: £84,000) and obligations under finance leases of £3,000 (2008: £7,000). See notes 20 and 21 for further details.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

4. Segment analysis

The Group's primary operating segments reflect the internal financial reporting structure. Eckoh plc operates two business segments Speech Solutions and Client IVR, these business segments are reported within continuing operations. Discontinued operations relate primarily to the Connection Makers business (see note 11). The business segments are described in detail in the business review on page 8. All revenue originates from the United Kingdom. Unallocated central costs, assets and liabilities and cash flows relate to the entity as a whole and can not be allocated to individual segments. The revenues and operating results generated by the business segments within continuing operations are summarised as follows:

2009

	Speech Solutions £'000	Client IVR £'000	Central costs £'000	Total continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	6,674	12,435	-	19,109	-	19,109
Gross profit	4,279	1,890	-	6,169	-	6,169
Administrative expenses	(2,616)	(1,235)	(3,418)	(7,269)	(37)	(7,306)
Net interest receivable	-	-	382	382	51	433
Profit/(loss) before taxation	1,663	655	(3,036)	(718)	14	(704)
Taxation	-	-	-	-	(45)	(45)
Post tax loss from disposal of operations	-	-	-	-	(129)	(129)
Profit/(loss) after taxation	1,663	655	(3,036)	(718)	(160)	(878)

2008

	Speech Solutions £'000	Client IVR £'000	Central costs £'000	Total continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	6,065	19,525	-	25,590	4,682	30,272
Gross profit	3,881	2,130	-	6,011	2,177	8,188
Administrative expenses	(2,845)	(2,065)	(3,847)	(8,757)	(1,648)	(10,405)
Net interest receivable	-	-	569	569	62	631
Profit/(loss) before taxation	1,036	65	(3,278)	(2,177)	591	(1,586)
Taxation	-	-	-	-	(10)	(10)
Post tax gain from disposal of operations	-	-	-	-	2,066	2,066
Profit/(loss) after taxation	1,036	65	(3,278)	(2,177)	2,647	470

In 2008/9 there were two customers which individually accounted for more than 10% of the total revenue of the company (2007/8: one customer). Revenue from these customers in 2008/9 totalled £6,617,394 (2007/8: £9,067,153).

Notes to the Financial Statements Continued

for the year ended 31 March 2009

5. Loss from operating activities

	2009	2008
	£'000	£'000
The Group's operating loss is arrived at after charging:		
Employee benefits expense (note 7)	3,034	5,278
Depreciation (note 14)	474	634
Amortisation (note 13)	121	176
Impairment of available for sale financial assets (note 6 & 15)	-	288
Operating lease payments	501	252
Restructuring costs (note 6)	16	159
Litigation costs (note 6)	627	-
Aborted corporate transaction costs (note 6)	168	-
Property reorganisation costs	131	-
Loss on disposal of property, plant and equipment	-	36

6. Exceptional items

During the year ended 31 March 2009, the Group incurred some non recurring items of expenditure. The largest item was £627,000 relating to the final settlement and legal costs arising from a claim made by Channel Four Television Corporation in relation to alleged breaches of contractual duties relating to the "Richard and Judy" programme. Although this claim was strongly disputed, a commercial decision was made to go to mediation to settle the claim due to the potential costs and uncertainties of disputing the claim in court. No provision for this expense was made in the prior financial year due to the uncertainty of whether a cost would eventually arise.

This particular legal issue caused significant disruption to the business and prompted the Board to look at some opportunities to provide shareholder value through a corporate transaction. However, a combination of global economic conditions, increased optimism about the growth prospects of the business as well as the settlement of the Channel 4 issue caused these discussions to be terminated and legal and professional costs of £168,000 have been expensed to the Income Statement.

During the year ended 31 March 2008, the Group undertook a cost reduction programme incurring employee restructuring costs of £159,000. The programme was completed in the year ended 31 March 2009 resulting in a further £16,000 of employee restructuring costs being incurred.

An impairment write off of £288,000 was made in the prior year in relation to the investment held in eDirectory.co.uk plc which went into administration on 29 April 2008.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

7. Employee benefits expense

	2009 £'000	2008 £'000
Wages and salaries	2,972	4,754
Less: Internal development costs capitalised in the year	(326)	(88)
Amortisation of internal development costs	29	18
Social security costs	300	489
Pension costs	5	8
Share based payments	54	97
	3,034	5,278

The Directors' report on page 16 provides further details on the Directors' emoluments. The average number of people (including executive directors) employed by the Group during the year was:

	2009 Number	2008 Number
Technical support	35	45
Customer services	15	37
Administration and management	36	38
	86	120

8. Auditor remuneration

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

	2009 £'000	2008 £'000
Fees payable for the audit of the parent company and consolidated accounts	25	30
Fees payable for other services:		
The audit of subsidiary undertakings comprising continuing operations	43	40
The audit of subsidiary undertakings comprising discontinued operations	2	13
Services relating to the premium rate services regulation	-	7
Services relating to aborted transaction due diligence	3	-
Taxation services	50	23
Total fees payable to the Group's auditor	123	113

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

Notes to the Financial Statements Continued

for the year ended 31 March 2009

9. Interest receivable and interest payable

	2009 £'000	2008 £'000
Continuing operations		
Bank interest receivable	247	245
Interest receivable on loans and other receivables	135	324
	382	569
Discontinued operations		
Interest receivable on loans and other receivables (note 11)	51	62
Total interest receivable	433	631

10. Taxation

	2009 £'000	2008 £'000
Continuing operations		
Current tax	-	-
Deferred tax	-	-
Taxation	-	-

The tax charge for the year is different to the standard rate of corporation tax in the UK (28%). The differences are explained below:

	2009 £'000	2008 £'000
Continuing operations		
Loss on ordinary activities before taxation	(718)	(2,177)
Loss on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2008: 30%)	(201)	(653)
Effect of expenses not deductible for tax purposes	7	67
Effect of capital allowances in excess of depreciation	7	13
Effect of income not chargeable to tax	(12)	-
Effect of tax losses carried forward	199	573
Current tax charge for the year	-	-

No deferred tax assets have been recognised in respect of tax losses and other temporary differences on the grounds that there is insufficient evidence that the assets will be recoverable. Unprovided deferred taxation assets total £5,412,000 (2008: £5,232,000) in respect of trading losses and £8,768,700 (2008: £6,385,000) in respect of capital losses of which £6,277,000 (2008: £6,277,000) are restricted. In addition there are other temporary timing differences resulting in unprovided deferred tax assets of £266,000 (2008: £258,000).

Notes to the Financial Statements Continued

for the year ended 31 March 2009

11. Post tax loss for the year from discontinued operations

Discontinued operations relate to the three trading divisions of Eckoh Projects Limited (formerly Connection Makers Limited), a wholly owned subsidiary and some costs arising from the administration of eDirectory.co.uk plc who had acquired Freecom.net Limited from the Group in 2005.

Following a detailed review of the Eckoh Projects business, the Board took the decision to close the Dating division, which had become unprofitable, at the end of September 2007. On 1 October 2007, the trade and assets of the Television division were sold for £1.00m payable in cash over two years. During the year ended 31 March 2009 an agreement was made to reduce the consideration payable for the Television division by £150,000. On 14 November 2007, the assets of the second television channel were sold for £0.14m payable in cash over two years. On 1 January 2008, the trade and assets of the Chat division were sold for £1.75m payable in cash over two years. The results of Eckoh Projects are disclosed within discontinued operations.

Prior to the sale of Freecom.net Limited by the Group in 2005, a lease for their main office building in Dudley was guaranteed by the Group. During 2008, the acquirer of Freecom.net Limited, eDirectory.co.uk plc went into administration causing the lease to become the responsibility of Eckoh plc and with £73,000 of associated onerous lease costs to be incurred. The lease will be terminated with effect from December 2009 and no additional costs are anticipated.

The profit on discontinued operations was determined as follows:

	2009	2008
	£'000	£'000
Profit from disposal of operations		
Consideration		
Cash	-	600
Deferred cash	(150)	2,290
Cash consideration	(150)	2,890
Discounting on deferred cash	21	(197)
Net consideration received	(129)	2,693
Cost of disposal - paid	-	(319)
- accrued	-	(154)
Net assets disposed		
Intangible assets	-	(1)
Property, plant and equipment	-	(120)
Trade and other receivables	-	(33)
Pre and post-tax (loss) / gain from the disposal of operations	(129)	2,066

No cash or cash equivalents was disposed of with the sale of these operations (2008: £nil).

Notes to the Financial Statements Continued

for the year ended 31 March 2009

	2009 £'000	2008 £'000
Trading result of discontinued operations		
Revenue	-	4,682
Gross profit	-	2,177
Administrative expenses	(37)	(1,648)
Interest receivable/(payable)	51	62
Profit before taxation	14	591
Taxation	(45)	(10)
Post-tax (loss) / profit for the year from discontinued operations	(31)	581
Post-tax (loss) / gain from the disposal of operations	(129)	2,066
	(160)	2,647

Basic and diluted earnings per share (note 12)	(0.08) pence	1.33 pence
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The taxation charge in the year ended 31 March 2009 is an adjustment in respect of the prior year.

12. Earnings per share

Basic earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares of 199,688,710 (2008: 197,216,792) in issue during the year ended 31 March 2009 after adjusting for shares held by the Employee Share Ownership Plan of 70,866 (2008: 70,866) and the loss for the period attributable to equity holders of the parent of £0.9m (2008: profit of £0.5m).

In calculating diluted earnings per share, the weighted average number of ordinary shares in issue, after adjusting for shares held by the Employee Share Ownership Plan is further adjusted to include the dilutive effect of potential ordinary shares. The potential ordinary shares represent share options granted to employees where the exercise price is less than the average market price of ordinary shares in the period. The total number of options in issue is disclosed in note 25. The dilutive effect of potential ordinary shares outstanding at the end of the year is nil (2008: nil).

	2009 £'000	2008 £'000
Denominator		
Weighted average number of shares in issue in the period	199,760	199,288
Shares held by employee ownership plan	(71)	(71)
Number of shares used in calculating basic earnings per share	199,689	199,217
Dilutive effect of share options	-	-
Number of shares used in calculating diluted earnings per share	199,689	199,217

Notes to the Financial Statements Continued

for the year ended 31 March 2009

13. Intangible assets

Group	Goodwill £'000	Internally developed computer software £'000	Customer contracts £'000	Other intangible assets £'000	Total £'000
Cost					
At 1 April 2007	17,980	427	199	45	18,651
Additions	-	144	-	3	147
Disposals	(2,058)	(101)	(199)	(30)	(2,388)
At 31 March 2008	15,922	470	-	18	16,410
Additions	-	381	-	2	383
Disposals	-	-	-	-	-
At 31 March 2009	15,922	851	-	20	16,793
Amortisation					
At 1 April 2007	17,980	254	199	38	18,471
Charge for the year	-	170	-	6	176
Disposals	(2,058)	(65)	(199)	(29)	(2,351)
At 31 March 2008	15,922	359	-	15	16,296
Charge for the year	-	119	-	2	121
Disposals	-	-	-	-	-
At 31 March 2009	15,922	478	-	17	16,417
Carrying amount					
At 31 March 2009	-	373	-	3	376
At 31 March 2008	-	111	-	3	114

Notes to the Financial Statements Continued

for the year ended 31 March 2009

14. Property, plant and equipment

	Fixtures and equipment £'000	Motor vehicles £'000	Total £'000
Cost			
At 1 April 2007	4,804	4	4,808
Additions	349	-	349
Disposals	(235)	(4)	(239)
At 31 March 2008	4,918	-	4,918
Additions	443	-	443
Disposals	(291)	-	(291)
At 31 March 2009	5,070	-	5,070

Depreciation

At 1 April 2007	3,656	4	3,660
Charge for the year	634	-	634
Disposals	(115)	(4)	(119)
At 31 March 2008	4,175	-	4,175
Charge for the year	474	-	474
Disposals	(293)	-	(293)
At 31 March 2009	4,356	-	4,356

Carrying amount

At 31 March 2009	714	-	714
At 31 March 2008	743	-	743

The carrying amount of property, plant and equipment includes £3,000 (2008: £7,000) in respect of assets held under finance lease contracts. The depreciation charge in respect of assets held under finance lease was £4,000 (2008: £10,000).

15. Financial assets – available for sale

	2009 £'000	2008 £'000
Cost		
At 1 April	-	288
Impairment	-	(288)
At 31 March	-	-

The financial asset, represented by unlisted UK equity securities in eDirectory.co.uk plc, was fully impaired during the financial year ended 31 March 2008.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

Investment in subsidiary undertakings

The following are the principal subsidiary undertakings of the Group:

Subsidiary undertakings	Country of incorporation	Principal activities	Percentage of share capital held
Eckoh UK Limited	England and Wales	Speech Solutions and Client IVR	100%
Eckoh France SAS	France	Speech Solutions and Client IVR	100%(i)
Eckoh Enterprises LBG	England and Wales	Dormant	67% & 33%(i)
Eckoh Projects Limited	England and Wales	Dormant	100%
Avorta Limited	England and Wales	Dormant	100%(i)
Eckoh Technologies Limited	England and Wales	Dormant	100%(i)
Intelliplus Group Limited	England and Wales	Dormant	100%
Intelliplus Limited	England and Wales	Non Trading	100%(i)
Medius Networks Limited	England and Wales	Non Trading	100%(i)
Telford Projects Limited	England and Wales	Dormant	100%
Swwwoosh Limited	England and Wales	Dormant	100%(i)
365 Isle of Man Limited	Isle of Man	Dormant	100%(i)

(i) Share capital held by a subsidiary undertaking.

All companies have 31 March year-ends. All trading companies operate principally in their country of incorporation.

16. Inventories

	2009 £'000	2008 £'000
Work in progress	4	13
	4	13

17. Trade and other receivables

	2009 £'000	2008 £'000
Amounts falling due within one year		
Trade receivables	1,051	994
Less: provision for impairment of receivables	(31)	(26)
Net trade receivables	1,020	968
Loans and receivables	1,620	1,752
Other receivables	27	53
Prepayments and accrued income	1,809	3,609
	4,476	6,382

Amounts falling due after one year

Loans and receivables (note 27)	1,700	3,293
	1,700	3,293

Notes to the Financial Statements Continued

for the year ended 31 March 2009

The Directors' consider that the carrying value of the trade and other receivables approximate to their fair value.

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's trade and other receivables. Concentrations of credit risk with respect to trade receivables are limited due to working capital practices of the market sector and the Group; and the nature of the Group's customer base. The working capital practices of the market sector within which the Group operates are such that the majority of the trade receivables balance is due from the telephony carriers under a self bill agreement. The working capital practices of the Group follow the PhonepayPlus regulations, making out-payments to clients once the relevant trade receivable has been received. For other trade receivables, the reputable nature of the Group's customer base limits exposure to credit risk. At 31 March 2009, trade receivables that are past due but not impaired represent £158,000 or 15.0% of the total trade receivables (2008: £144,000 or 14.7%). The past due balance of £158,000 (2008: £144,000) represents receivables that are over 60 days past due. The movement on the provision for the impairment of receivables of £5,000 (2008: reduction of £18,000) relates to an unrecoverable receivable.

Loans and receivables include amounts in respect of the consideration paid for the Connection Makers TV and Chat businesses totalling £456,000 (2008: £1,770,000). £456,000 (2008: £1,177,000) is recognised within loans and receivables falling due within one year, and £nil (2008: £593,000) is recognised within loans and receivables falling due after one year. The credit risk associated with the consideration receivable is not considered to be material as due to the working capital practices of the market sector described above, the amounts due are deducted from the out-payment made to the relevant purchaser. The receivables for the Connection Makers businesses have been discounted at 10%. Also included within other receivables is the amount receivable from Symphony Telecom of £2,722,000 (2008: £3,275,000). £1,022,000 (2008: £575,000) is recognised within other receivables falling due within one year, and £1,700,000 (2008: £2,700,000) is recognised within other receivables falling due after one year (see note 27). Interest receivable during the year in respect of this receivable totalled £135,000 (2008: £287,000). The effective rate of interest is 4.54% (2008: 5.98%).

The discount rate of 10% used in relation to the Connection Makers deferred consideration has been selected by assessing receivables with a similar risk profile.

18. Short-term investments

	2009	2008
	£'000	£'000
Sterling	2,821	1,530
	2,821	1,530
Fixed rate	2,504	1,000
Floating rate	317	530
	2,821	1,530

Of the amount presented within short-term investments, £316,600 (2008: £530,000) represents an amount held in escrow in connection with a client contract. The amount will become available within three months of the contract termination, expiry or re-negotiation. Short-term deposits have an average maturity of 3 months (2008: one month). The average interest rate on short-term deposits during the year was 4.95% (2008: 5.77%).

Notes to the Financial Statements Continued

for the year ended 31 March 2009

19. Cash and cash equivalents

	2009 £'000	2008 £'000
Sterling	2,409	5,223
Euro	12	84
	2,421	5,307
Floating rate	2,421	5,307
	2,421	5,307

Cash and cash equivalents comprise cash held by the Group. Surplus cash is placed in an interest bearing account. The average interest rate on the interest bearing account during the year was 4.13% (2008: 5.70%).

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

20. Trade and other payables

	2009 £'000	2008 £'000
Trade payables	1,980	3,983
Other payables	27	84
Other taxation and social security	447	335
Accruals and deferred income	1,358	3,494
	3,812	7,896

All of the above are payable within one year and trade payables that are more than three months old at the year end represent £48,000 (2008: nil).

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

21. Obligations under finance leases

	2009 Minimum lease payments £'000	2009 Present value of minimum lease payments £'000	2008 Minimum lease payments £'000	2008 Present value of minimum lease payments £'000
Amounts payable under finance leases				
Within one year	3	3	5	5
After one year	-	-	2	2
	3	3	7	7
Less future finance charges		-		-
Present value of lease obligations		3		7
Less amount due for settlement within one year (shown under current liabilities)		3		5
Amount due for settlement after one year		-		2

Notes to the Financial Statements Continued

for the year ended 31 March 2009

22. Provisions

	Provision for regulatory review £'000	Provision for Dilapidations £'000	Total £'000
At 1 April 2008	17	-	17
Provided in year	-	79	79
Utilisation in year	-	-	-
Release in year	(17)	-	(17)
At 31 March 2009	-	79	79

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. Based on the market value of the Company's shares at 31 March 2009, no provision is required.

The provision for regulatory review related to the balance of potential costs in connection with a regulatory review of the interactive television market. No further costs were incurred in relation to this matter and no further costs are anticipated. As a result, no ongoing provision is required.

The dilapidation provision represents the current estimate of costs that would arise under the terms of the lease agreement for Telford House should the Group decide not to renew the contract in 2015. This provision has been discounted at 6%.

23. Share Capital

	Number of shares	Nominal value £'000
Ordinary shares		
At 1 April 2007	196,509,576	491
Shares issued under the share option scheme	3,250,000	8
Shares held under Share Incentive Plan	(70,866)	-
At 1 April 2008	199,688,710	499
At 31 March 2009	199,688,710	499

Authorised share capital and significant terms and conditions

The total authorised number of shares is 1,000,000,000 ordinary shares with a nominal value of 0.25 pence per share. All ordinary shares in issue are fully paid. The holders of ordinary shares are entitled to receive dividends, if declared, and are entitled to vote at general meetings of the Company. There were no changes to the authorised share capital during the period.

Potential ordinary shares are disclosed in note 25.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

24. Reserves

	Share capital £'000	Capital redemption reserve £'000	Share premium reserve £'000	Currency reserve £'000	Retained earnings £'000
At 1 April 2007	491	198	477	(7)	7,530
Profit for the year	-	-	-	-	470
Share based payment charge	-	-	-	-	97
Shares issued during the year under the share option schemes	8	-	226	-	-
Shares held under Share Incentive Plan	-	-	(8)	-	-
Exchange differences	-	-	-	(20)	-
At 1 April 2008	499	198	695	(27)	8,097
Profit for the year	-	-	-	-	(878)
Share based payment charge	-	-	-	-	54
Exchange differences	-	-	-	(20)	-
At 31 March 2009	499	198	695	(47)	7,273

The nature and purpose of each reserve within shareholders equity is described below:

Share capital represents the nominal value of ordinary shares. The capital redemption reserve represents the maintenance of capital following the share buy back and tender offer. The share premium reserve represents consideration for ordinary shares in excess of the nominal value. The currency reserve represents exchange differences arising on consolidation of Group companies with a functional currency different to the presentation currency and retained earnings represents retained profits.

The Group's capital management policy is described in note 3.

25. Share based payment

The Eckoh plc Share Option Scheme ('the Scheme') was introduced in November 1999. Under the Scheme the Board can grant options over shares in the Company to Group employees. The grant price of share options is the middle market quotation price as derived from the Daily Official List of the London Stock Exchange on the date of the grant. The contractual life of an option is ten years. Options granted under the Scheme become exercisable subject to the share price exceeding RPI plus 15% after the third anniversary of the grant date. Exercise of an option is subject to continued employment, with certain exceptions, as specified in the Scheme rules.

The Eckoh plc Enterprise Management Incentive Scheme ('the EMI Scheme') was introduced in February 2007. Under the Scheme the Board can grant options over shares in the Company to Group employees. The grant price of share options is the middle market quotation price as derived from the Daily Official List of the London Stock Exchange on the date of the grant. The contractual life of an option is ten years. Options granted under the EMI Scheme become exercisable subject to the percentage growth in earnings per share in the three years following the year of grant being at least 5% (compounded) per annum. Exercise of an option is subject to continued employment, subject to certain exceptions as specified in the EMI Scheme rules.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

The Eckoh plc Share Incentive Plan ('the SIP') was introduced in April 2007. Under the SIP, employees can buy partnership shares worth up to up to £1,500 per annum and receive matching shares in the ratio of 2:1 by completing the partnership/matching share agreement. The purchase price will be the prevailing market price on that day when the shares are purchased. The SIP trustees buy shares twice a year. Subject to continuing employment, within three years of purchase partnership shares can be withdrawn from the SIP with a corresponding charge to income tax and national insurance however, the associated matching shares can not be withdrawn within the first three years. Subject to continuing employment, between three and five years of the purchase date, both partnership and matching shares can be withdrawn from the SIP with a corresponding charge to income tax and national insurance. Subject to continuing employment, five years after the purchase date, both partnership and matching shares can be withdrawn from the SIP without a corresponding charge to income tax and national insurance. Both partnership and matching shares can be withdrawn from the SIP within five years of the purchase date without a corresponding charge to income tax and national insurance subject to employment terminating for certain reasons as specified under the SIP rules.

The fair value of share options granted under the Scheme, the EMI Scheme and the SIP was measured using the QCA-IRS option valuer based on the Black-Scholes formula, taking into account the terms and conditions upon which the grants were made. The fair value per option granted and the assumptions used in the calculation are as follows:

	13 Sep 2005	31 Jul 2007
Share price (pence)	8.61	8.50
Exercise price (pence)	8.75	8.75
Number of employees	2	21
Shares under option	1,750,000	4,525,000
Vesting period (years)	3	3
Expected volatility	59%	43%
Option life (years)	10	10
Expected life (years)	3	3
Risk free rate	4.19%	5.49%
Expected dividends expressed as a dividend yield	-	-
Fair value per option (pence)	3.65	2.89

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with assumed option life. A reconciliation of option movements over the year to 31 March 2009 is shown below:

	2009 Number of share options 2009	2009 Weighted average exercise price	2008 Number of share options	2008 Weighted average exercise price
Outstanding at 1 April	14,902,250	8.32	13,156,314	7.88
Granted	-	-	5,250,000	8.75
Forfeited	(1,609,613)	9.04	(254,064)	8.67
Exercised	-	-	(3,250,000)	7.19
Outstanding at 31 March	13,292,637	8.24	14,902,250	8.32
Exercisable at 31 March	8,767,637	7.97	8,102,250	7.97

The weighted fair value of options granted in the year was nil (2008: 2.89 pence).

The weighted average share price on exercise was nil (2008: 9.02 pence).

Notes to the Financial Statements Continued

for the year ended 31 March 2009

	2009	2009	2009	2009	2008	2008	2008	2008
	Weighted average exercise price (pence)	Number of shares ('000's)	Weighted average remaining life		Weighted average exercise price (pence)	Number of shares ('000's)	Weighted average remaining life	
			Expected	Contractual			Expected	Contractual
6.5 – 8.5	7.34	6,167	-	4.2	7.41	6,794	-	5.2
8.5 – 10.5	8.75	6,275	0.8	7.8	8.75	6,807	1.8	8.9
10.5 – 12.5	10.75	830	-	3.7	10.75	1,280	-	4.7
16.5 – 20.0	19.85	21	-	0.2	19.85	21	-	1.2

The total charge for the year relating to employee share based payment plans was £54,000 (2008: £97,000) all of which related to equity-settled share based payment transactions.

26. 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 contributions at the balance sheet date.

27. Related party transactions

Eckoh plc is the parent and ultimate controlling company of the Eckoh Group, the consolidated financial statements of which include the results of the following subsidiary undertakings (note 15):

- Eckoh UK Limited
- Eckoh France SAS
- Eckoh Projects Limited (formerly Connection Makers Limited)
- Intelliplus Limited
- Medius Networks Limited

Each subsidiary is 100% owned by the Eckoh Group and is considered to be a related party.

As part of the financing arrangements for the acquisition of Anglia Telecom Centres Limited in April 2006, Eckoh plc loaned Symphony Telecom Holdings plc ('Symphony') £7,500,000. £3,500,000 was repaid during May 2006. On 18 July 2006, the date of 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. A capital repayment of £500,000 was received during the year ended 31 March 2009 (2008: £1,500,000).

The remaining capital amount of £2,700,000 is due to be repaid in two instalments, the final instalment is due to be paid in June 2010. As at 31 March 2009, the balance on the loan to Symphony totals £2,722,000 (2008: £3,275,000). £1,022,000 (2008: £575,000) is reported within other receivables due within one year and £1,700,000 (2008: £2,700,000) is reported within other receivables due after one year (note 17).

The loan bears interest at 1% above the Bank of England base rate and interest is payable six monthly in arrears. The loan is not secured. Symphony is considered to be a related party. Interest receivable during the year ended 31 March 2009 amounted to £135,000 (2008: £287,000).

Notes to the Financial Statements Continued

for the year ended 31 March 2009

Directors and key management includes the staff costs of the Directors' and the Management Team.

	2009 £'000	2008 £'000
Directors and other key management		
Wages and salaries	890	831
Social security costs	132	94
Pension costs	12	12
Share based payments	43	80
	1,077	1,017

The aggregate Directors' emoluments are shown in the table below. An analysis of Directors' emoluments is included in the Directors' Report on page 16.

	2009 £'000	2008 £'000
Directors'		
Aggregate emoluments	691	566
	691	566

28. Operating lease commitments

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

	2009 £'000	2008 £'000
Land and buildings		
Expiring within one year	397	252
Expiring within two to five years	504	908
Expiring after five years	79	454
	980	1,614

The principal property under operating lease is the Group's head office in Hemel Hempstead for which the annual operating lease charge is £103,000. The term of the lease covers the period to 21 March 2015.

The Group also have an operating lease for a data centre in Heathrow, London at which some of its call processing platform is located. The term of the lease covers the period to July 2010 at a charge of £276,000 per annum.

Notes to the Financial Statements Continued

for the year ended 31 March 2009

29. Cash flow from operating activities

	2009 £'000	2008 £'000
Continuing operations		
Loss after taxation	(718)	(2,177)
Interest expense	(382)	(569)
Depreciation of property, plant and equipment	474	597
Amortisation of intangible assets	121	153
Impairment of investment	-	288
Share based payments	54	34
Exchange differences	(20)	(20)
Operating loss before changes in working capital and provisions	(471)	(1,694)
Decrease in inventories	9	4
Decrease in trade and other receivables	1,687	1,835
Decrease in trade and other payables	(4,086)	(5,516)
Increase/(Decrease) in provisions	62	(499)
Cash utilised in operations	(2,799)	(5,870)
Discontinued operations		
(Loss) / profit after taxation	(160)	2,647
Loss / (profit) on disposal	129	(2,066)
Interest income	(51)	(62)
Taxation recognised in income statement	45	10
Depreciation of property, plant and equipment	-	37
Amortisation of intangible assets	-	23
Share based payments	-	63
Disposal of property, plant and equipment	-	36
Operating loss before changes in working capital and provisions	(37)	688
(Increase)/decrease in trade and other receivables	-	622
Decrease in trade and other payables	-	(681)
Cash (utilised in) / generated from operations	(37)	629

30. Financial Commitments

As at 31 March 2009, the Group had committed to spend £684,000 on the provision of a new VoiceXML call handling platform and the associated upgrade of our speech recognition software to Nuance Recognizer 9.

Company Financial Statements

Prepared under UK GAAP

Company balance sheet as at 31 March 2009

	Notes	2009 £'000	2008 £'000
Fixed assets			
Investments	ii	5,451	9,151
		5,451	9,151
Current assets			
Debtors: amounts falling due within one year	iii	1,240	820
Debtors: amounts falling due after more than one year	iii	1,700	2,700
Short-term investments		2,504	1,000
Cash at bank and in hand		2,071	3,621
		7,515	8,141
Creditors: amounts falling due within one year	iv	(10)	(8)
Net current assets		7,505	8,133
Total assets less current liabilities		12,956	17,284
Net assets		12,956	17,284
Capital and reserves			
Called up share capital	vii,viii	499	499
Capital redemption reserve	viii	198	198
Share premium account	viii	695	695
Share based payment	viii	209	209
Profit and loss account	viii	11,355	15,683
Total shareholders' funds		12,956	17,284

The financial statements on pages 63 to 67 were approved and authorised for issue by the Board of Directors on 12 June 2009 and signed on its behalf by:

Adam Moloney – *Group Finance Director*

Notes to the Company's Financial Statements

For the year ended 31 March 2009

Principal Accounting Policies

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

The principal accounting policies adopted by the Company are described below.

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

Deferred taxation Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date, where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying timing differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

Related party transactions FRS 8, 'Related Party Transactions', requires the disclosure of the details of material transactions between the reporting entity and related parties. The Company has taken advantage of exemptions under FRS 8 Paragraph 3(b) not to disclose transactions between Group companies.

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

The fair value of share options was measured using 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. The provision is held by the relevant group company who employs the share option holders.

Cash flow statement The cash flows of the Company are included in the consolidated cash flow statement on page 36. Consequently the Company is exempt under the terms of FRS 1 (revised) 'Cash flow statements' from publishing a cash flow statement.

Notes to the Company's Financial Statements Cont

For the year ended 31 March 2009

i. Operating expenses

Staff costs

Details of the Directors' emoluments are given in the Directors' Report on page 16. The Director's remuneration costs are borne by a subsidiary undertaking. The Company did not incur any staff costs during the year (2008: £nil). The average number of employees (including directors) employed by the company during the year was 4 (2008: 4).

Services provided by the Group's auditor

Fees payable for the audit of the parent company and consolidated accounts of £25,000 (2008: £30,000) were borne by a subsidiary undertaking.

ii. Investments in subsidiaries

	31 March 2009 £'000
Cost	
At 1 April 2008	9,151
Additions	54
Impairment	(3,754)
At 31 March 2009	5,451

Following the write off of intercompany debt during the year ended 31 March 2009, an impairment charge of £1,161,000 was recognised in respect of the investment in Eckoh Projects Limited. In recognition of the unlikely event that the tax losses available in Telford Projects Limited will be utilised, the value of the investment was reduced to zero resulting in an impairment charge of £2,593,000.

The following are the principal subsidiary undertakings of the Company:

Subsidiary undertakings	Country of incorporation	Principal activities	Percentage of share capital held
Eckoh UK Limited	England and Wales	Speech Solutions and Client IVR	100%
Eckoh France SAS	France	Speech Solutions and Client IVR	100%*
Telford Projects Limited	England and Wales	Dormant	100%
Eckoh Projects Limited	England and Wales	IVR Services	100%

* Share capital held by a subsidiary undertaking.

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.

Notes to the Company's Financial Statements *Cont*

For the year ended 31 March 2009

iii. Debtors

	31 March 2009 £'000	31 March 2008 £'000
Other debtors	1,048	621
Amounts due from subsidiary undertakings	181	181
Prepayments and accrued income	11	18
Amounts due within one year	1,240	820
Other debtors	1,700	2,700
Amounts due after more than one year	1,700	2,700

iv. Creditors: amounts falling due within one year

	31 March 2009 £'000	31 March 2008 £'000
Other creditors	10	8
	10	8

v. Provisions for liabilities and charges

	2009 £'000	2008 £'000
Total unprovided deferred tax assets are as follows		
Tax losses available	(2,881)	(767)
Unprovided deferred tax asset	(2,881)	(767)

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

vi. Loss of Holding Company

The Directors have taken advantage of the exemption available under section 230 of the Companies Act 1985 and have not presented a profit and loss account for the Company alone. During the year ended 31 March 2009 the Company made a loss of £4,328,000 (2008: £5,794,000).

Notes to the Company's Financial Statements Cont

For the year ended 31 March 2009

vii. Share capital

	2009 £'000	2008 £'000
Company		
Authorised		
1,000,000,000 (2008: 1,000,000,000) ordinary shares of 0.25p each	250,000	250,000

Allotted, called up and fully paid

Date of issue and share type	Number of shares	Nominal value £'000
Ordinary shares of 0.25p each		
As at 1 April 2008	199,688,710	499
As at 31 March 2009	199,688,710	499

viii. Share capital and reserves

	Capital redemption on reserve £'000	Share premium account £'000	Share based payment £'000	Profit and loss account £'000
Balance at 1 April 2008	198	695	209	15,683
Loss for the year	-	-	-	(4,328)
Balance at 31 March 2009	198	695	209	11,355

ix. Share options and share based payments

Share options and share based payments are disclosed in note 25 to the consolidated financial statements.

x. Related party transactions

The Company has taken advantage of the exemption conferred by FRS 8 paragraph 3(b) that transactions between Group companies do not need to be disclosed. FRS 8 also provides a disclosure exemption provided equivalent disclosure is made in the consolidated financial statements. Please refer to note 27.

Shareholder information

Eckoh plc is a public limited company registered and domiciled in the United Kingdom.

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

Directors and Company Secretary

Peter Reynolds –
Non-executive Chairman

Nik Philpot –
Chief Executive Officer

Adam Moloney –
Group Finance Director and Company Secretary

Jim Hennigan –
Executive Director

Registered Office

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

www.eckoh.com

Registered in England and Wales,
Company number 3435822.

Registrar

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

Nominated Advisor and Nominated Broker

Seymour Pierce Limited
20 Old Bailey
London, EC4M 7EN

Solicitor

Travers Smith
10 Snow Hill
London, ECA 2AL

Banker

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

Auditor

BDO Stoy Hayward LLP
Prospect Place
85 Great North Road
Hatfield
Hertfordshire, AL9 5BS


The Future

We're leading the way in the development of intelligent automated services, using a combination of caller recognition and self learning capabilities to provide personalised services that remember, anticipate and cater for individual customer behaviour.

We believe automation across all communication channels should complement, not inhibit, proactive customer management. We're using CRM techniques and technologies to capture and report intelligence from every customer interaction; information that helps our clients to refine their products and services, improve customer service and retention, embrace new technologies, deliver cost efficiencies and return on investment.


Customer expectations and the cost of keeping pace with them are constantly rising. Automation lets our clients keep pace, reduce the cost of serving their customers without compromising the ability to please them.





“Our solutions and capability provide our clients with a way of delivering efficiency without compromising customer quality. Using a blend of live agents and our automation is a cost effective and viable option that is proven to significantly reduce call handling costs.”

Nik Philpot, CEO, Eckoh



“Eckoh’s expertise, approach and professionalism was exceptional. They delivered us a series of solutions and services which exceeded expectations.”

Chris Scoggins, Chief Executive, National Rail Enquiries

www.eckoh.com