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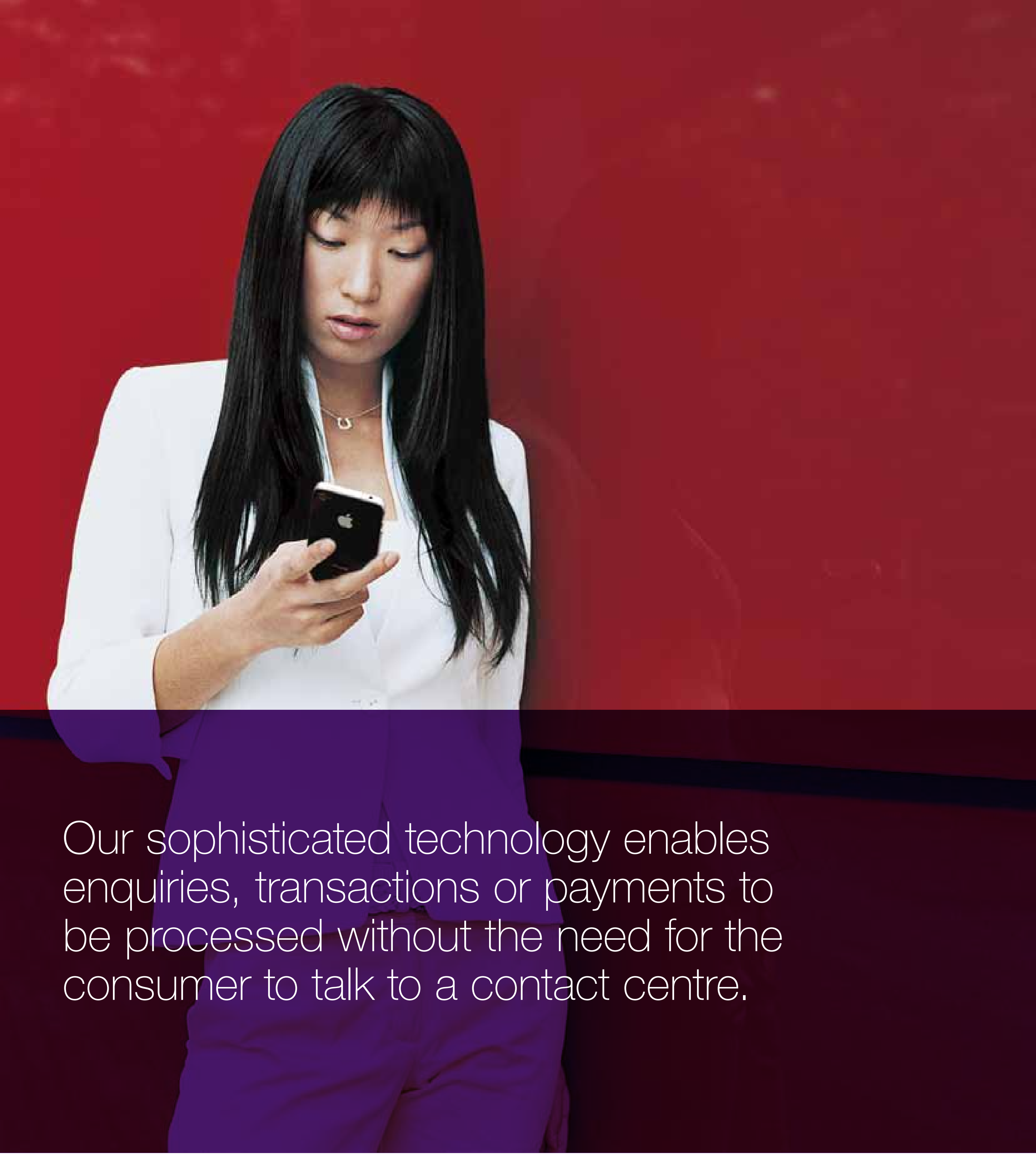
London Stock Exchange

Eckoh

always inspiring

annual report 2011

Contents



Our sophisticated technology enables enquiries, transactions or payments to be processed without the need for the consumer to talk to a contact centre.

Overview

Eckoh is the UK's leading provider of customer service solutions using speech recognition, and complementary services on the web and mobile.

Our solutions enable transactions, enquiries or payments to be processed without the need for the consumer to talk to a contact centre. This significantly reduces our clients' operational costs, whilst freeing up their contact centre agents to deal with more complex enquiries. We are the largest provider of such hosted services in the UK.

As a Payment Card Industry Data Security Standards (PCI DSS) Level One compliant Service Provider, we have extensive expertise in card payment services, currently processing over £200 million in card payments annually.

Our secure and resilient technical infrastructure has the scalability to handle over 650,000 calls an hour and up to 8,000 calls simultaneously, which means calls can always be answered no matter how unpredictable the circumstances. Over a million calls a week are typically answered by Eckoh.

Typical applications:

- Intelligent call routing
- Real-time information
- Bill and account payment
- Product purchase
- Customer identification
- Balance enquiry
- Subscription and renewals
- Membership services
- Delivery tracking
- Fulfilment
- Ticket booking
- Service outage notifications

Our clients

Eckoh clients generally contract for an initial three year period. Once the value of the service has been proven it is usual for the initial contract to be extended, resulting in minimal client churn.

The contractual arrangements usually involve a usage commitment based upon calls, minutes or transactions, which provide a regular and predictable level of revenue across the duration of the contract.

Revenue arising from call and transactional volumes along with fixed monthly fees represented 91% of Group revenue for 2010/11 and gives excellent visibility on likely revenue levels going forward.

Our clients include:

- Addison Lee
- AXA
- BAA
- Barclays
- BT
- Capita
- Central Office of Information
- Comic Relief
- Defra
- Dŵr Cymru Welsh Water
- Electrolux
- Enterprise Rent-a-Car
- Gatwick Airport
- Ideal Shopping Direct
- Lead the Good Life
- London Stock Exchange
- Ministry of Justice
- National Rail Enquiries
- NIE Energy
- Northumbrian Water
- O2
- Parcelforce Worldwide
- Premier Inn
- RCI Financial Services
- Rentokil Initial
- Resilient Networks
- Royal Mail
- Rural Payments Agency
- TD Waterhouse
- The Garden Centre Group
- Transport for London
- United Utilities
- Utilita
- Veolia Water
- Vue
- William Hill

Highlights of the Year

Financial Highlights:

- Revenue from continuing operations up 14% to £9.0m (FY10: £7.9m); 91% of FY11 revenue is of a recurring nature from contracted clients
- Gross profit from continuing operations up 17% to £6.7m (FY10: £5.7m); gross margin increased to 74% (FY10: 72%)
- Adjusted* profit before taxation up 68% to £1.1m (FY10: £0.7m)
- Adjusted* EBITDA up 57% to £1.3m (FY10: £0.8m)
- Operating profit from continuing operations up from a loss of £0.5m to a profit of £0.6m
- Settlement on loan owed by Redstone plc; £1.5m cash inflow and impairment of the receivable of £1.2m. Impairment led to a loss after tax for the period of £0.2m (FY10: £0.1m)
- Strong debt free financial position with a cash and short term investment balance up 46% to £5.7m (FY10: £3.9m)
- The Board recommends a full year maiden dividend of 0.1 pence per share for the year ended 31 March 2011

*on continuing operations excluding non-recurring administrative expenses, amortisation of intangible assets and share option charges

Operational Highlights:

- New contracts won with Premier Inn, Rural Payments Agency, RCI Financial Services, Utilita, Addison Lee and Lead the Good Life
- Contract renewals include Ideal Shopping and Enterprise Rent-a-Car
- Signed collaboration agreement with a global management consultancy
- PCI compliant having received highest level of accreditation with the Payment Card Industry Data Security Standards (PCI DSS); major benefit for clients
- Closure of French office with all costs provided for in the prior financial year
- Disposal of Client Interactive Voice Response division to Telecom Express Limited

Current Trading:

- Feasibility study for a new automated call steering application based on natural dialogue for a major Government transport organisation
- Contract renewal with O2
- New agreement with NIE Energy for the provision of smartphone services; part of Eckoh's multi-channel customer solutions

Chairman's Statement

I am very pleased to be able to report on a further year of strong growth with double digit percentage revenue and gross profit margin growth supported by a modest increase in administrative expenses, excluding non recurring items, leading to a significant increase in the underlying profitability of the Company. The decision to make a maiden dividend payment of 0.1 pence per share to our shareholders is anticipated to be the first of an annual payment increasing in line with the future growth in profitability of the business.

We also reached a settlement for the outstanding receivable from Redstone plc resulting in a cash inflow of £1.5m to Eckoh and the impairment of the remaining receivable. The impairment of £1.2m resulted in a loss after tax for the period of £0.2m.

My statement of last year referred to the disposal of non core activities allowing the Board and Management to focus on the opportunity presented by the Speech Solutions business. The growth experienced during the 2010/11 financial year has further strengthened the belief in this strategy and that there is significant shareholder value to be realised from continuing the growth in revenue and profitability of the business.

Revenue generated by the business is typically of a recurring nature from contracts of at least three years with blue chip organisations. The high quality of these revenues gives excellent visibility on the future profitability of the business. The Board are confident that the levels of profit and cash being generated will continue to grow in future periods and can therefore propose the first of an expected annual dividend.

The 2011/12 financial year presents several opportunities for incremental growth. Compliance with the Payment Card Industry Data Security Standards (PCI DSS) will provide a regulatory driver of growth. The uncertain economic environment will drive organisations, particularly within the public sector, to review their cost base, providing further growth opportunities for Eckoh. Whilst Eckoh remain a specialist in Speech Recognition, we are developing our capabilities into other channels and have recently won business requiring web, SMS and smartphone interactions between our clients and their customers. We will be looking to develop our existing client base by selling additional services to those clients.

We were pleased during the year that the results from the 2011 Sunday Times "Best Companies to Work for" survey had demonstrated that our employees had responded positively resulting in Eckoh being classified as a "first class" employer.

The success of Eckoh is largely dependent on the engagement and commitment of our employees. I would, therefore, like to take this opportunity to thank my board colleagues and all our employees for all of their efforts in transforming and growing the business in the two years since I became Chairman. Whilst economic conditions remain challenging, with a healthy balance sheet and pipeline, we continue to look forward to the future with confidence.

Chris Batterham
Chairman

Business Review

Introduction

At the end of the last financial year, much of the focus for management was still around completing the steps necessary to simplify Eckoh into a pure speech recognition solutions business. With those steps completed by the summer of 2010, we were able to focus on growing the Company, delivering a strong set of results and creating a business with healthy future prospects.

Moving forward we have a number of strategic goals which will help accelerate our growth:

- Expand our indirect sales channels to broaden our customer reach
- Continue to innovate through new product development to maintain our market leading position
- Offer alternative ways of providing our solutions to our clients (e.g. hosted, 'bunkered', premised based), to increase sales from financial services and public sector
- Increase incremental sales from our existing customer base by expanding the range of multi-channel services
- Maximise our Level One PCI DSS status and the EckohPAY product

Operational Review

Following an intense period of reorganisation, Eckoh is now purely focused on providing customer service solutions using speech recognition, and complementary services on the web and mobile, and is the largest provider of such hosted services in the UK.

Eckoh's sophisticated technology enables enquiries, transactions or payments to be processed without the need for the consumer to speak with a contact centre agent. This significantly reduces the client's operational costs, whilst freeing up the agents to deal with more complex and high-value enquiries.

Contracts are typically three years and it is highly unusual for an initial contract not to be renewed, providing an excellent basis for developing a strong and influential relationship with the client. With many companies looking to rationalise the number of suppliers that they work with to improve efficiency and achieve economies, this presents Eckoh with an opportunity to up sell supplementary services to our clients. This has occurred in a largely opportunistic manner historically, but going forward, the Company is investing in sales and account management functions to facilitate a coordinated effort to drive incremental sales from existing customers.

These sales are largely expected to come from complementary versions of the services Eckoh currently provides, but accessible to the consumer through a different channel. For example, Eckoh's payment product EckohPAY is now available for the telephone, the web, by SMS and most recently as a smartphone application. We are pleased to announce today that NIE Energy ("NIE") is one of the first Eckoh clients to have contracted for an Eckoh smartphone application which will allow their prepay electricity customers to make credit card payments using their smartphones. These transactions will be charged to NIE on the same basis as if they came through the existing telephone or web based services.

Eckoh believe that by positioning ourselves as a provider of multi-channel customer contact solutions rather than just of telephony based solutions, the Company will be able to maintain the high growth already achieved over the last three years whilst providing protection from any future cannibalisation that might occur from consumer trends.

Business Review

The other sales trend that the Company expects to see this year is an increase in indirect sales opportunities. In February we announced the signing of a teaming agreement with a global management consulting, technology services and outsourcing company, to collaborate in offering services to both parties' clients and prospective customers. Eckoh and the Consultancy will focus in particular on public sector organisations to help them meet their large spending cuts without compromising on service quality. We are actively engaged with other possible partners that include global management consultancy companies, contact centre providers, Telco's and resellers; and we would expect to put in place other agreements during the course of the year.

We are also actively considering expanding the way our services can be sold in to our clients. Whilst we expect our hosted offering to remain the most popular there are certain sectors such as financial services and public sector, where traditionally they have purchased premised based solutions. We do expect these sectors to be more willing to consider a hosted solution going forward, but where appropriate we would consider offering the potential client an alternative. This could be a premised based solution which is managed remotely by Eckoh, or a 'bunkered' solution where the equipment is dedicated to the client but is housed within Eckoh's data centres. We believe this flexibility will allow us to be considered for a greater number of sales opportunities.

Contract Wins and Renewals

A key feature of Eckoh's payment proposition is our highest level of accreditation of compliance with the Payment Card Industry Data Security Standards ("PCI DSS"), which we announced in October following a 3 year process. The PCI DSS is the payment card industry requirement for all organisations that store, process or transmit credit or debit cardholder data.

EckohPAY, which is one of the Company's productised offerings, has been developed to target the increasing demand for PCI DSS compliant card processing solutions. Since Eckoh received its PCI DSS accreditation we have announced two significant contract wins which were contingent on us having this level of compliance.

The first was a three-year contract with RCI Financial Services Ltd, a wholly-owned subsidiary of Renault S.A., for the provision of a card payment solution utilising speech recognition technology for Renault and Nissan customers. This service has just gone live.

The second was a three-year contract with Whitbread plc for the provision of a fully PCI DSS compliant speech enabled reservations and cancellations service to Whitbread's hotel brand, Premier Inn. The service will provide Premier Inn customers with the ability to book and cancel rooms at any Premier Inn hotel throughout the UK and is expected to launch in the summer.

During the period the Company won a number of other important contracts which illustrate the variety of clients that Eckoh work with and the breadth of services that are delivered. At the beginning of the year Eckoh was awarded a three-year contract with the Rural Payments Agency for the provision of a speech recognition solution that allows authenticated users to register the identity and movement of livestock. The service provides farmers with more choice in the way they contact the Agency and helps to improve the quality of disease control information as well as reducing administration costs.

Eckoh also secured a significant agreement with Addison Lee, Europe's largest minicab fleet and one of the UK's fastest growing private companies. The Eckoh service which began in December provides an automated booking service which uses the speech recognition technology to identify the customer, book a journey time and take address details of the pick-up and drop-off destinations.

A 3 year contract was won with Lead the Good Life ("LTGL"), which is a gardening retailer that was acquired by Ideal Shopping Direct ("ISD") in 2009. The contract is to provide a range of automated services and live call handling launched in December 2010 and has seen greater volumes than were initially expected. Shortly before winning this deal Eckoh also renewed its contract with LTGL's parent company ISD until late 2013, this contract is one of Eckoh's largest accounts. The recent news that ISD has been acquired by private equity firm Inflexion is considered to be a positive development for the Company.

Business Review

Financial Review

Revenue and Margin

Our strong new business momentum achieved towards the end of the 2009/10 and in the first half of 2010/11 has underpinned the strong growth experienced in prior financial years and is set to continue into 2011/12. Revenue has increased by 14% to £9.0m (FY10: £7.9m).

The overall gross margin of the business reached 74% in FY11 (FY10: 72%). This gross margin has gradually increased over recent years as the trend has been for clients to pay Eckoh directly for the services provided resulting in a margin of close to 100% being recognised on these services. The alternative model is where the cost of operating the service is covered by revenue generated by the inbound call (e.g. calls to 0871 or 0844 numbers), and the revenue is shared between the client and Eckoh, resulting in a lower margin. As a result of this trend, margin growth continues to outpace revenue growth, reflected in the FY11 results where margin increased by 17% to £6.6m (FY10: £5.7m).

Typically, new clients generally sign up for an initial three year period, extending further once the value of our service has been proven. It is therefore usual for the initial contract to be extended resulting in minimal client churn. These contractual arrangements will usually involve a usage commitment based upon calls, minutes or transactions, which will guarantee a regular and predictable level of revenue across the duration of the contract. Revenue arising from call and transactional volumes along with fixed monthly fees represented 91% of Group revenue for 2010/11 and gives us excellent visibility on likely revenue levels going forward. Low client churn, high level of recurring base revenue in addition to securing new contracts enables us to look forward with optimism that the growth seen in recent years will continue into 2011/12.

Profitability Measures

Eckoh operates from a very stable cost base with a large proportion of administrative expenses allocated to technical staff. This proportion of expense is incurred through delivering new client services, designing, developing and deploying a new solution (with an existing customer) ready for launch. Once the solution goes live, there is an ongoing effort of monitoring and tuning the service to deliver optimum performance, which is typically carried out by a separate and smaller subset of the technical team, allowing the larger development team to be available to work on the next new project. As a result, Eckoh continues to benefit from its operational gearing, servicing new client capacity from its existing cost base.

The table below gives an illustration of how this operational gearing is translating into profit generation from continuing operations.

	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Turnover	**9,003**	7,923	6,674
Gross profit	**6,663**	5,697	4,279
Administrative Expenses	**6,036**	6,231	6,034
Non Recurring Administrative Expenses	**-**	(653)	(811)
Adjusted* Administrative Expenses	**6,036**	5,578	5,223
Operating profit / (loss)	**627**	(534)	(1,755)
Adjusted* Operating profit / (loss)	**627**	**119**	**(944)**

*excludes non recurring administrative expenses

Over the past three years, revenue has increased by 35% and gross profit has increased by 56%. In the same period, Administrative Expenses have increased by just 16% when adjusted for non recurring items. As a result, the adjusted operating profit has increased from a loss of £0.9m to a profit of £0.6m over the same period.

We will see moderate increases in administrative expenses from inflationary pressures and as we look to invest in the future of the company by continuing to refresh the core technology platform, increasing headcount and therefore also office space. However, the operational gearing trend seen here is anticipated to continue into future trading periods.

Business Review

The trend of improving profits is illustrated in the table below with adjusted profit before tax increasing to £1.1m (FY10: £0.7m) and adjusted EBITDA increasing to £1.3m (FY10:£0.8m).

	2011 £'000	2010 £'000	2009 £'000
Operating profit / (loss)	**627**	**(534)**	**(1,755)**
Amortisation of intangible assets	**290**	157	121
Share option charges	**63**	44	54
Non recurring items of expenditure	**-**	653	811
Net interest receivable	**121**	337	382
Adjusted profit / (loss) before taxation	**1,101**	**657**	**(387)**
Net interest receivable	**(121)**	(99)	(382)
Depreciation	**446**	529	474
Arrangement fees on loans	**(89)**	(238)	-
Adjusted EBITDA	**1,337**	**849**	**(295)**

Redstone Settlement

Eckoh announced in August 2010 that a final settlement for an outstanding net receivable of £2.7m from Redstone plc ("Redstone") was agreed. Discussions with Redstone indicated that a refinancing of their business was required in order to secure their financial future and that if that process was unsuccessful; the likelihood of Eckoh receiving any payment was extremely low. Given the circumstances, management believes that the final settlement achieved represents a satisfactory conclusion for Eckoh shareholders. The settlement that was ultimately agreed resulted in a cash inflow of £1.5m to Eckoh and the impairment of the remaining receivable. The impairment of £1.2m is recognized as a finance expense on the Statement of consolidated income.

Statement of Financial Position

Eckoh continue to operate with a strong statement of financial position holding £5.7m of cash and short term investments (31/3/10: £3.9m). The cash increase was contributed to by the £1.5m settlement with Redstone detailed above but also reflects the cash generation in the business. There was a negative working capital impact arising from the disposal of the Client IVR business that saw the net current assets (excluding cash and short term investments) of the business increase from £0.3m to £1.1m. Cash increased in excess of the £1.5m settlement due to the cash generative nature of the business.

Current Trading

In April the Company announced a 3 year renewal of its contract with O2, the communications company, for the provision of services using a web-based solution and speech recognition technology.

The initial contract, announced in December 2004, was for an automated telephone-based service, which was extended to include an equivalent web offering in 2007. Under the current contract, Eckoh has enhanced its solution by deploying its PCI DSS compliant, EckohPAY product. Since its launch of the service in December 2004, the Company has handled over one million transactions on behalf of O2.

Today we are also pleased to announce a significant feasibility project that is being undertaken for a major Government transport organisation. This project is to provide a business and technology case for providing a natural language call steering service for all incoming calls to the organisation. In simple terms, this is a “how can we help you?” application, whereby the consumer is greeted by an automated service which allows them to ask for assistance using a natural dialogue and across a broad spectrum of topics and the solution routes their call appropriately to either a live agent or to an automated service. It is an extremely complex and challenging solution at a technical level, but which provides a satisfying and compelling user experience. If successful, this project will be strategically significant as it would mark the first service of this type that Eckoh would be deploying, but it is a style of solution that has become very popular in the US and it is anticipated that this trend will follow into the UK market.

In overall terms the sales pipeline is looking strong and as we develop our indirect sales channels during the year we would expect this to strengthen further.

Outlook

We enter 2011/12 with a clear focus – accelerating the growth of the business, leveraging our operational gearing within the business and delivering value to shareholders. Our products remain best in class and our new business pipeline continues to gather momentum.

The board continues to be encouraged with the medium term outlook for the business best illustrated by the Company’s commitment to pursuing a progressive dividend policy.

Board of Directors

Chris Batterham – Non-executive Chairman

Chris qualified as an accountant with Arthur Andersen and has significant experience in the technology based business environment, including the flotation of Unipalm on the London Stock Exchange. Currently on the boards of a number of companies including SDL plc, Iomart plc and Office2Office plc, Chris brings a wealth of experience in the strategic development of companies in the IT sector.

Clive Ansell – Non-executive Director

Clive joined the Board in July 2009 and is currently the Group Managing Director of Technology at Tribal Group plc. Formerly, he had held several senior executive and strategic roles at BT, worked as a strategic consultant to the Board of Royal Mail, spent three years as an executive board director of Japan Telecom, and led major M&A projects in the US. Clive is an Oxford graduate, a patron of Crimestoppers and sits on the boards of a number of charities and business representative groups.

Nik Philpot – Chief Executive Officer

Nik 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 a founder of Eckoh he has created the UK's largest provider of customer service solutions using speech recognition for the contact centre industry. Nik has 24 years experience in the voice services industry.

Adam Moloney – Group Finance Director

Adam has been Finance Director at Eckoh for 7 years and has seen the Group through a period of continuous change over that time. Prior to joining the company in 2003 he worked in senior financial roles for a number of organisations and immediately prior to joining Eckoh, was Manager of Finance & Operations for the UK arm of New York based IT hardware reseller, Resilien Inc.

Directors' Report

The Directors of Eckoh plc present their annual report, together with the audited financial statements of the Company and the Group for the year ended 31 March 2011.

Principal Activity

The principal activity of Eckoh plc and its subsidiary undertakings ("the Group") is the provision of speech recognition services and outsourced automated solutions for customer contact centres. The Chairman's Statement (page 7) and the Business Review (pages 8 to 15) report on the progress made in the financial year under review.

The principal subsidiary undertakings are listed on page 60.

Results and Dividends

The audited financial statements and related notes for the year ended 31 March 2011 are set out on pages 42 to 69. The Group's loss for the year is set out in the Income Statement on page 42.

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

Post Balance Sheet Events

Post year end the Directors are recommending a dividend for the year of 0.1 pence per share that will be paid on 4 November 2011 to shareholders on the register at 7 October 2011, subject to approval at the Company's Annual General Meeting on 28 September 2011. Based on the shares in issue at the year end, this payment would amount to £0.2m.

Research and Development

The Group capitalised £0.3m (2010 £0.4m) of development expenditure during the year. The majority of this cost arose from the effort required to become compliant with Payment Card Industry Data Security Standards ("PCI DSS") and in the development of services for clients.

Financial Instruments

The financial instruments of the Group are set out in the notes to the financial statements on pages 46 to 69. 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 18 for credit risk and loans and other receivables; to note 19 for short-term investments; to note 20 for cash and cash equivalents and to note 21 for trade and other payables.

Related party transactions are disclosed in note 26.

The significant accounting policies applied to the financial statements are included within note 2.

Directors' Report

Annual General Meeting

The next Annual General Meeting of the Company will be held at 10:00 on 28 September 2011. 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 16.

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. Clive Ansell will retire by rotation and puts himself forward for re-election at the Annual General Meeting.

Directors' Interests

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

Directors' Interests in Shares

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

	31 May 2011 Ordinary shares of 0.25 pence each	31 March 2011 Ordinary shares of 0.25 pence each	1 April 2010 Ordinary shares of 0.25 pence each
N B Philpot (i)	**2,902,000**	2,902,000	2,752,000
A P Moloney	**135,000**	135,000	135,000
C M Batterham	**750,000**	750,000	500,000

Notes:

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

Directors' Report

Directors' Share Options

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

	Note	At 31 March 2011 (number)	Granted in year (number)	Lapsed in year (number)	At 1 April 2010 (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
	b	1,000,000	-	-	1,000,000	5.13	05.03.13	05.03.20
	d	3,000,000	3,000,000	-	-	0.25	30.06.13	30.06.20
	d	150,000	150,000	-	-	0.25	30.06.13	30.06.20
	e	386,783	386,783	-	-	0.00	30.06.12	30.06.12
	e	386,783	386,783	-	-	0.00	30.06.13	30.06.13
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
	b	1,000,000	-	-	1,000,000	5.13	05.03.13	05.03.20
	d	1,846,153	1,846,153	-	-	0.25	30.06.13	30.06.20
	e	238,020	238,020	-	-	0.00	30.06.12	30.06.12
	e	238,020	238,020	-	-	0.00	30.06.13	30.06.13

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). The performance target attaching to these 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%.

b) Granted under the Eckoh plc Share Option Scheme (1999) but not qualifying for Inland Revenue approval. The performance target attaching to these 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%.

c) Granted under the Eckoh plc 2007 Enterprise Management Incentive ("EMI") Share Option Plan. The Performance target attached to these options is satisfied if the percentage growth in the Earnings per Share (before exceptional items and intangible asset amortisation) over the Prescribed Period comparing the Basis Year with the Latest Year is at least 5 per cent (compounded) per annum higher.

d) Granted under the Eckoh plc Long Term Incentive Plan ("LTIP"). The number of shares that will ultimately vest are subject to the satisfaction of stretching Earnings per Share and Total Shareholder Return targets. Further details are available in the Remuneration report on page 26.

e) Granted under the 2010 Eckoh plc Bonus plan. Half of the bonus award made to executives was made in the form of deferred shares with the calculation to be finalised on 30 June 2011 ("calculation date"). The table above shows an estimate of the number of shares to be awarded at that date based on the share price at the year end. The deferred shares will vest in tranches of 50% on the first and second anniversary of the calculation date. Further details are available in the Remuneration report on page 26.

In addition, the Executive Directors have been granted an award of Performance Units ("Units") subject to the rules of the LTIP on 30th June 2010 from a total of 1,000 Units available to the participants of the LTIP as follows;

	Number of Units	Percentage of options allocated
N B Philpot	500	50%
A P Moloney	250	25%

Units have no value at grant, but on a change of control of the Company and the achievement of a minimum share price target, Units will convert to a pre-determined number of nil-cost options. The value of the options will be calculated depending on the value obtained for shareholders in excess of the minimum share price target.

Directors' Report

Share Capital and Reserves

Details of changes in the authorised and issued share capital and reserves of the Company are shown in note 22 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 24 to the financial statements. All permanent employees are eligible to join a scheme.

Charitable and Political Donations

The Group made no political donations during the year. Charitable donations totalled £1,755 during the year (2010: £2,668). The business of the Group does include the support of charities and their fund raising programmes, but this is operated solely on a commercial basis.

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 operations of Eckoh have an inherently low environmental burden as the Group has no manufacturing processes. The Board however continues to demonstrate a commitment to reducing our total carbon footprint by increasing consciousness of practical ways Eckoh could help protect the environment and minimise the overall environmental burden of our operations. For example, Eckoh has recently made an investment in hardware at its primary data centre which has resulted in a 20% reduction in power consumption. Eckoh is committed to meeting all legislative requirements, and where appropriate exceed or supplement these by setting our own more exacting standards. Eckoh is raising consciousness about waste generation, recycling and resource conservation in our operations, recognising travel as a key driver on environmental impact and looking at alternatives to minimise travel via use of technology such as web conferencing. Eckoh will also continue to work in partnership with our suppliers to minimize the impact of their operations on the environment. Environmental management is regularly monitored by the Board through the internal control risk management process.

Payments to Creditors

The Company and its subsidiaries have a variety of payment terms with their suppliers. The Group agrees payment terms with its suppliers when it enters into binding purchasing contracts for the supply of goods and services. The Group seeks to abide by these payment terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At 31 March 2011 the amount of trade creditors shown in the balance sheet represents 62 days of average purchases for the Group (2010: 37 days). The Company had no trade creditors at 31 March 2011.

Statement of Disclosure of Information to Auditors

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

Auditors

The Directors are currently conducting a tender process for the Eckoh plc audit. Following the conclusion of this process a resolution relating to the appointment of the successful tendering firm will be proposed at the Annual General Meeting.

Shareholder Relations

The Company holds meetings with its major institutional investors and general presentations are given covering the interim and preliminary results. The Chairman, Christopher Batterham, has 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 a going concern. As part of its normal business practice the Group prepares annual and longer term plans and, in reviewing this information, the Company's Directors are satisfied that the Group and the Company have reasonable resources to enable them to continue in business for the foreseeable future. For this reason the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

By order of the Board

Adam Moloney
Company Secretary
3 June 2011

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 a Non-executive Director. The Board has considered the independence of its Non Executive Chairman, Christopher Batterham, and after due consideration, has concluded that he is independent. He does not have any involvement in the day-to-day management of the Company or its subsidiaries.

The biographical details of the Board members are set out on page 16.

There is a schedule of formal matters specifically reserved for the full Board's consideration, including a policy enabling Directors to take independent professional advice in the furtherance of their duties at the Company's expense. The Board programme is designed so that Directors have a regular opportunity to consider the Group's strategy, policies, budgets, progress reports and financial position and to arrive at a balanced assessment of the Group's position and prospects. In addition, strategic developments are on the agenda at each Board meeting and are subject to further ad hoc review by the Board as triggered by relevant external factors. Also, where appropriate, the Board programme also includes a day set aside purely for strategic review and planning.

The Company has a clear division of responsibility between the roles of Chairman and Chief Executive within the business.

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

Day-to-day management of the business is delegated to the Management Team, consisting of the two 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 and Audit Committees. Both committees have written terms of reference, which define their authorities, duties and membership.

Audit Committee Report

The Audit Committee is responsible for reviewing the following:

- accounting procedures and controls;
- financial information published by the Group, including the Annual Report, Preliminary & Interim Statements and on the Company's website;
- risk management and the effectiveness of the Group's system of internal financial control;
- the terms of reference for the Group's external valuers; and
- the results and effectiveness of the Company's external audit.

The Audit Committee formally met twice during the period under review, with no absentees. 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 an Executive Director. The Committee reviews the effectiveness of the Company's internal financial controls by reference to reports from the external auditors. The Committee also reviews the scope and results of the external audit as well as its cost effectiveness.

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

Internal Control and Risk Management

The Directors formally acknowledge their responsibility for establishing effective internal control within the Company. In this context, control is defined as those policies, processes, tasks and behaviours established to ensure that business objectives are achieved most cost effectively, assets and shareholder value are safeguarded and laws, regulations and policies are complied with.

The Board has put in place a system of internal controls, set within a framework of a clearly defined organisational structure, with well understood lines of responsibility, delegation of authority, accountability, policies and procedures, which is supported by training, budgeting, reporting and review procedures.

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

There are ongoing processes for identifying, evaluating and managing the Company's significant risks and related internal controls 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

Remuneration Committee

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

Directors' remuneration for the financial year was as follows:

Name	Salary and fees £'000	Cash Bonus £'000	Other benefits £'000	2011 Total £'000	2010 Total £'000
C Ansell (i)	25	-	-	25	18
C M Batterham (ii)	40	-	-	40	28
J P Hennigan (iii)	-	-	-	-	253
A P Moloney (iv)	118	38	13	169	131
N B Philpot (v)	207	61	2	270	209
H R P Reynolds (vi)	-	-	-	-	90
Total	**390**	**99**	**15**	**504**	**729**

The information contained in this table has been audited.

Notes:

(i) C Ansell was appointed as a non Executive Director on 7 July 2009.

(ii) CM Batterham was appointed as non Executive Director on 15 July 2009 and further appointed as Non Executive Chairman on 11 September 2009.

(iii) JP Hennigan resigned as a Director on 21 December 2009. Included within the prior year salary and fees figure is an amount totalling £163,000 which was paid after the date of his resignation as a director in connection with a compromise agreement and his contractual 12 month notice period.

(iv) Included within the other benefits paid to A P Moloney is an employer pension contribution of £12,000 (2010: £12,000). The remainder of the other benefits paid to A P Moloney relate to private healthcare costs of £1,000 (2010: £1,000)

(v) The amount of £2,000 (2010: £2,000) paid to N B Philpot within other benefits relate to private healthcare costs.

(vi) HRP Reynolds formally resigned as Non Executive Chairman and Director on 11 September 2009. Included within the salary and fees figure is a payment in respect of his contractual 12 month notice period of £75,000 agreed in June 2009. HRP Reynolds continued in his role as Non Executive Chairman without further payment from 30 June 2009 until he formally resigned on 11 September 2009.

None of the directors exercised any share options in the current or prior year.

Remuneration and Service Contracts

The remuneration of the executive directors is determined by the Remuneration Committee. During the year, independent professional advice has been obtained to assist in determining Executive remuneration. The Remuneration Committee has reviewed the salaries of both executive Directors as neither executive Director had been awarded an increase in salary since April 2007. With effect from 1st April 2011, the salary of AP Moloney has been increased from £118,000 to £130,000. The salary of NB Philpot remains unchanged. Both executive directors have service contracts which are terminable on twelve month's notice.

Both non-executive Directors have service contracts terminable on six month's notice.

During the year, independent professional advice was obtained to review the incentive arrangements in place for senior executives. The result of the advice was the creation of a new Bonus plan and Long Term Incentive Plan. Major shareholders were fully consulted before both plans were adopted by the Board in June 2010.

Bonus Arrangements

The Bonus plan adopted allowed for awards based on achievement of a series of financial and non-financial targets weighted as follows;

Revenue generation	30%
Adjusted profit before tax (see page 14)	30%
Cash generation	20%
Non financial measures relating to the operations of the business	20%

To deliver a maximum payment bonus award of 100% of salary, targets must be exceeded by 15%. In the year ended 31 March 2011, performance against targets resulted in a bonus payment of 61% of salary being awarded to both executive directors. Half of the bonus award has been paid in cash shortly after the year end with the other half to be paid in the form of deferred shares vesting in two halves on 30 June 2012 and 30 June 2013. A similar scheme has been instigated for the year ended 31 March 2012.

Long-Term Incentive Arrangements for Directors

The Long Term Incentive Plan is designed to incentivise senior executives to deliver increasing levels of value to shareholders. Part 1 of the plan awards nominal value options to participants upon achievement of stretching earnings per share targets over a three year period. Vesting of these options are also subject to a Total Shareholder Return target being achieved over the corresponding period.

Part 2 of the plan releases value to participants in the event that there is a change of control in the business at a value which is significantly in excess of the market value of the company at the date of the award made in June 2010. Further details of the awards made are disclosed in the Directors share options section of the Director's report on page 17.

Nomination Committee

The nomination committee meets at least once a year and is responsible for reviewing the size, structure and composition of the board and making recommendations to the board if it considers that any changes are required. It has a formal procedure for appointments to the board.

How can we help you?

With **EckohASSIST**

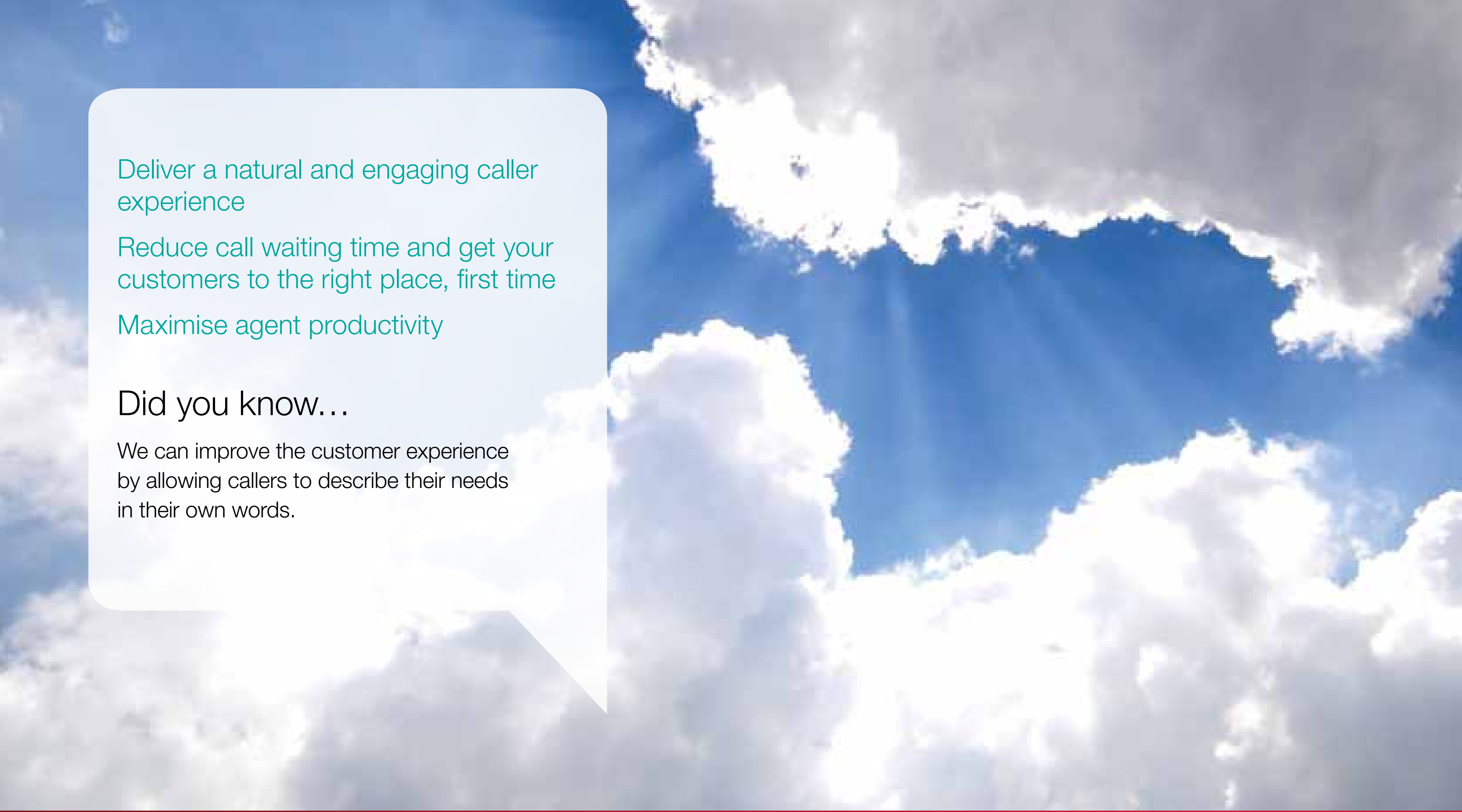
EckohASSIST is a solution that allows all inbound calls to an organisation to use a single telephone number and be greeted with a natural dialogue that asks "how can we help you?" and based on the caller's response to route that call appropriately.

Eckoh uses the most advanced speech technology combined with complex statistical language models to provide a compelling and satisfying customer experience that delivers significant cost savings.

EckohASSIST enables customers to describe the reason for their call in their own words and move directly to the right destination first time. Organisations waste huge amounts of money having to transfer calls, and it is one of the most common reasons for customer dissatisfaction.

Client example: feasibility project for a major Government transport organisation.

Eckoh has been contracted to provide a business and technology case for using EckohASSIST for all incoming calls to a major Government transport organisation. As part of this project Eckoh has had to analyse many thousands of calls to the organisation to develop a statistical model unique to this particular client's profile. This project is strategically significant as it marks the first service of this type that Eckoh would be deploying.



Deliver a natural and engaging caller experience

Reduce call waiting time and get your customers to the right place, first time

Maximise agent productivity

Did you know…

We can improve the customer experience by allowing callers to describe their needs in their own words.

How it works:

EckohASSIST greets the caller with an open "How may I help you?" The caller then responds by describing in their own words why they are calling or what department or person they wish to speak with, and the system asks clarifying questions if required before transferring the caller to the most appropriate person or self-service application.

Eckoh achieves this level of sophistication by using the latest developments in natural language techniques and utilising statistical dialogue modelling to provide a more natural caller experience.

On the occasion when it has been difficult to confirm the caller's requirement, their audio is streamed to a hidden contact centre agent to classify the call and assist the service, which then routes the call. This correction is fed back into the knowledge engine, which tunes and improves the accuracy and breadth of the speech recognition on a continual basis. The hidden agent never talks directly with the caller, at all times the caller perceives their call is being handled by the speech recognition service. This allows one agent to manage several calls within the same time period it would take if they were speaking directly to the caller.

Calls can be routed based on specific call types; this may be to another automated service, a specific agent skill set or a specific department. By offering callers the opportunity to use their own words, the call dropout rates and misrouted calls are drastically reduced whilst customer satisfaction is increased.

This type of automation is becoming increasingly popular in the US marketplace, where consumers are now demanding a more natural, conversational style of service. As UK consumers themselves become more comfortable and familiar with using speech recognition systems it is anticipated that this trend will follow here.

PCI DSS Compliance: It's Not All Talk

Eckoh helps protect businesses from the financial cost of failing to secure payment card data. We are a Payment Card Industry Data Security Standards ("PCI DSS") compliant Level One Service Provider that is committed to safeguarding valuable data, and allowing our clients to operate more securely.

There's no getting away from PCI DSS

PCI DSS is a comprehensive set of best practices designed to proactively protect customer account data and facilitate the adoption of consistent data security measures. The aim of the standard is to ensure that organisations handling card information, manage that card data securely through a complete and multifaceted array of security policies, practices and controls. PCI DSS is a requirement of any organisation that stores, processes or transmits cardholder data.

The impact of PCI DSS has been far reaching and at the heart of the standard is the goal to maximise the security of payment card data. Within a contact centre this directly impacts the management of call recordings and their storage, and the control of the agent / caller interface.

When PCI DSS was first introduced in December 2004, many organisations were reluctant to adopt it. Some were put off by the number of requirements and the cost; some viewed it as a low priority IT project. Others assumed it would quietly die a death. However, PCI DSS is not going away. An increasingly hard line is being taken to enforce the standard and significant fines can be levied for non-compliance.

Qualified Security Assessors ("QSAs") are appointed to assess compliance, and are required to adopt a strict interpretation of the standard. The standard is being reviewed on an ongoing basis and is likely to contain ever more stringent requirements in the coming years.

In the USA, merchants have already been told not to engage with a Service Provider to support their payment processing operations, unless that service provider is PCI DSS compliant. A similar position is starting to be adopted in Europe.

Becoming PCI DSS compliant is a big commitment

Understanding and implementing the requirements can seem daunting, especially for organisations without the internal resource. This shouldn't be a reason to ignore the standard; PCI DSS requirements represent security practices that most businesses would want to adopt to protect sensitive data and continuity of business operations. But compliance can take considerable time and resource to implement.

Service Providers processing more than 300,000 Visa card payments per annum are independently audited yearly. One financial organisation goes even further, insisting that all Service Providers accepting any Amex card payments carry out an annual on-site assessment.

Organisations are required to maintain compliance at all times, and annual assessments ensure processes have been followed over the preceding 12 months. With the 12 headline requirements of the standard breaking down to around 200 separate detailed requirements, organisations have to live and breathe PCI DSS as part of their day-to-day business if they want to stay compliant.

Non-compliance could cost you your business

What happens if a company fails to maintain PCI DSS compliance? As well as the obvious risk to the security of payment card data, this carries a massive financial risk. If cardholder data is compromised, card schemes can insist on a full investigation by a Qualified Forensic Investigator (QFI), which includes a PCI DSS compliance assessment. Failing to meet just one requirement of the standard, regardless of whether that contributed to the security breach, means you are deemed non-compliant and have no protection against card scheme fines.

PCI DSS compliance violations can be catastrophic to an organisation; the resulting fines levied by the card schemes can be high. Per card or monthly fines can be enforced and ultimately card processing facilities can be suspended or stopped.

Working with a Service Provider allows your business to operate more securely

By implementing technology solutions from Eckoh, businesses can stop card data being handled by contact centre agents, which will significantly reduce the amount of data at risk of compromise and reduce the scope of a PCI DSS compliance project.

By protecting customers personal data we increase customer confidence, minimise the risk to the business and safeguard the reputation of the brand.

Eckoh is a fully PCI DSS compliant Level One Service Provider

Our real-time secure phone, web, SMS and smartphone card payments service, **EckohPAY**, requires no manual intervention as full card details are deleted following the transaction, maintaining only payment and authorisation information.

Within months of receiving PCI DSS accreditation in October 2010 Eckoh announced two significant contract wins that were contingent on us having this level of compliance.

The first was a three-year contract with **RCI Financial Services Ltd**, a wholly-owned subsidiary of Renault S.A., for the provision of a card payment solution utilising speech recognition technology for Renault and Nissan customers. The service launched in the spring of 2011.

The second was a three-year contract with Whitbread plc for the provision of a fully PCI DSS compliant speech enabled reservations and cancellations service to Whitbread's hotel brand, **Premier Inn**. The service will provide Premier Inn customers with the ability to book and cancel rooms at any Premier Inn hotel throughout the UK.

"Poll finds that only 3% of UK contact centres comply with industry guidelines on the safe storage of credit card data."

The findings in a white paper, The Great Credit Card Gamble*, indicate that more than nineteen in twenty contact centres that store recordings of transactional conversations with customers do not delete or mask the credit card details in the recordings.

**The Great Credit Card Gamble, A Veritape white paper, October 2009*

The Customer View

The demands of today's consumers are dramatically and quickly changing.

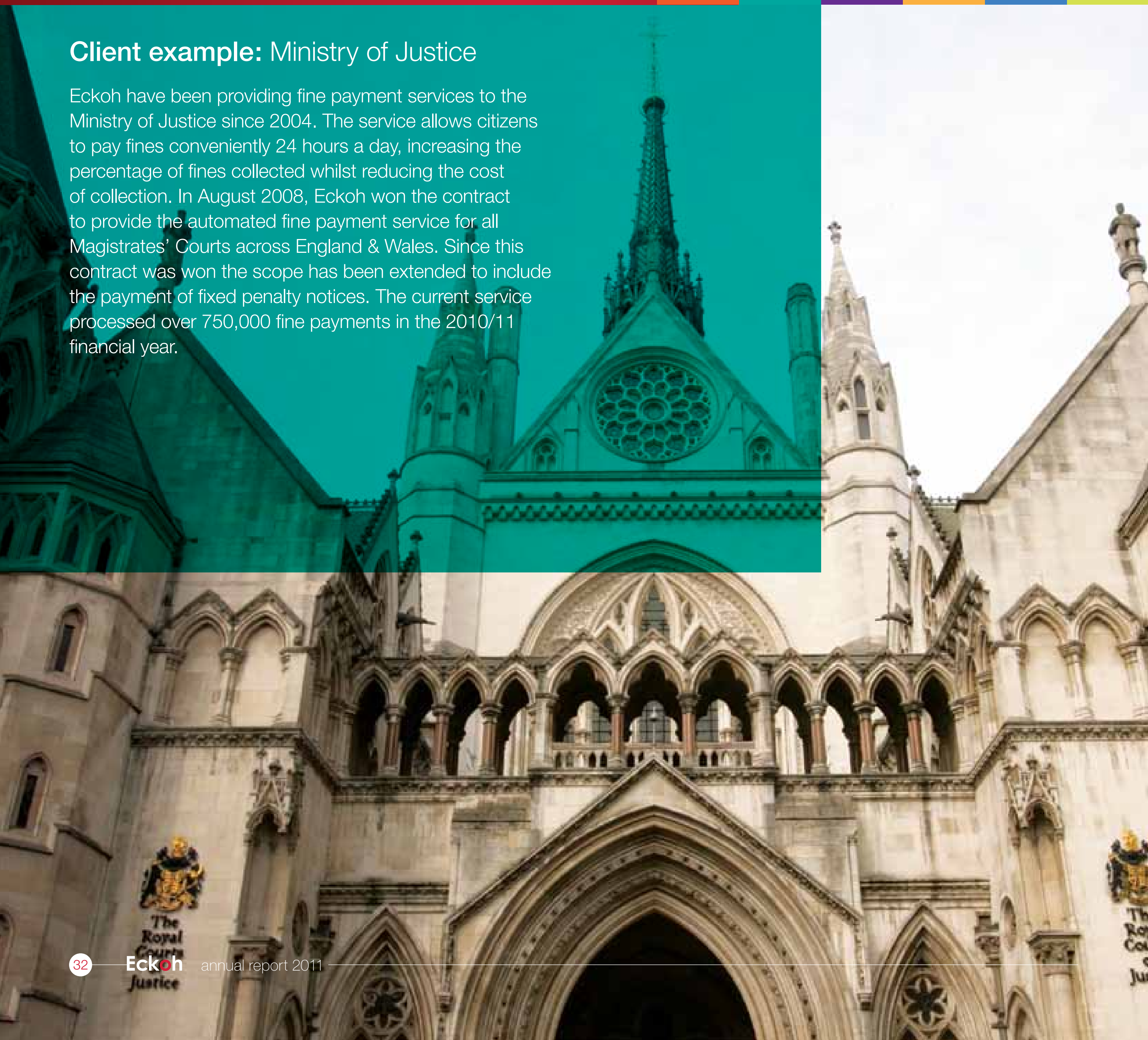
People want immediate and accurate assistance when they contact a company, they expect to be dealt with quickly and their problem to be resolved promptly. Accessibility to real-time information is critical and the effective deployment of new technology is needed in order to truly satisfy demand. Consumers are now defining how and where they will be serviced through mobile phones, handheld devices, the internet as well as traditional landlines.

Speech recognition has come a long way since its introduction.

Callers are no longer annoyed when asked a question by an automated service because they are more familiar with using it and if properly designed it works extremely effectively. The caller simply speaks to the system as they would to a contact centre agent. The technology has evolved to enable precise recognition of extremely large grammars even in difficult environmental conditions, making it possible for the system to understand the answer with a comparable level of comprehension as that of an agent.

Client example: Ministry of Justice

Eckoh have been providing fine payment services to the Ministry of Justice since 2004. The service allows citizens to pay fines conveniently 24 hours a day, increasing the percentage of fines collected whilst reducing the cost of collection. In August 2008, Eckoh won the contract to provide the automated fine payment service for all Magistrates' Courts across England & Wales. Since this contract was won the scope has been extended to include the payment of fixed penalty notices. The current service processed over 750,000 fine payments in the 2010/11 financial year.



The goal of deploying self-service applications that deliver high satisfaction is now a given

Customers get the information they want and in a consistent way, allowing them to complete tasks without waiting, without errors and without frustration. Technology and application design has become more sophisticated in their purpose and design which lead to increasingly high expectations from the consumer, and to maintain competitiveness forward thinking contact centres and businesses recognise the value of the timely deployment of advanced solutions to retain their customers.

To meet the challenge of increasing customer loyalty, organisations need to assess the potential that innovative customer service solutions can have in differentiating their business. Automated solutions for contact centres are on the increase, not just because they reduce costs but because of the increasing satisfaction shown with them by today's consumers. The steadily improving technology and innovative applications make them easier, friendlier and more convenient to use, which increases customer satisfaction.

Eckoh can develop a truly personalised experience that makes a customer happy to come back

Using the most advanced speech technologies Eckoh can create a natural sounding application and dialogue that simply asks "how may I help you?" which empowers callers to control the interaction, minimising frustration and raising their confidence in the organisation's ability to provide them with the right service and support.

Eckoh's clients benefit from the latest self-service technologies including advanced speech recognition, voice biometrics, natural language statistical modelling, application and dialogue design. The latest technology combined with enhanced application design has seen improved accuracy, increased personalisation and greater customer acceptance.

Finally the mobile revolution, which will account for an even greater proportion of customer contacts in years ahead, makes speech recognition the only practical method to obtain essential information quickly and "hands-free".

Getting citizen contact right: giving excellent service, offering exceptional value

The Government has embarked on one of the toughest programmes of public sector cuts to date, which will have a wide-ranging impact. The significant budget cuts and increasing scrutiny from citizens means the public sector must focus on driving efficiencies; deal with the pressure of increased demand on local service while remaining customer-centric.

To deal with the challenges posed by the Comprehensive Spending Review and changes in legislation public sector bodies are redesigning services, adopting new ways of working and making smarter use of technology. Public, voluntary and private sectors are coming together to build partnerships based on best practice in technology, processes and people, all combined with local expertise. Citizens expect greater personalisation of services, consistent delivery and speedy resolution of issues.

A study assessing the UK economic impact of automating customer service*, finds organisations could recoup £14.8 billion through contact centre automation; of which £1.3 billion could be saved in the public sector if all incoming calls are automated.

Eckoh uses innovative technology to provide the public sector with scalable, simple and cost effective solutions that enhance the customer experience. Contact centre costs are reduced by routing calls effectively to the correct destination, identifying calls that can be satisfied by an automated solution and the provision of new and appropriate contact channels.

**The Economic impact of call automation, Centre for Economics and Business Research Ltd (October 2010)*

Multi-Channel Capability

Today's consumers expect customer service to be fast, efficient and accurate - and they want to interact with organisations using the interaction channel they prefer.

Eckoh understands the need for highly responsive, highly personalised customer service, and offers solutions to help businesses achieve just that.

Client example: NIE Energy

Eckoh has been working with NIE Energy, who is the biggest electricity retailer in Northern Ireland supplying over 740,000 customers, since 2005; initially delivering a speech recognition solution. In 2007 this service was extended to include a web-based solution and the service has been recently extended to include smartphone-based solutions. Through the EckohPAY product, which processes PCI DSS compliant payments, NIE Energy's customers can purchase electricity using speech, web, and smartphone applications.

Enrich customer relationships

Eckoh provides richer, more engaging customer interactions that continually evolve with the changing demands of today's fast moving world.

The rapid adoption of smartphones and other next-generation devices, that blend spoken and visual interactions via touch screen and the mobile browser, has provided the latest opportunity to enhance the relationship with the consumer.

Eckoh's capability and experience allows businesses to:

- interact with their customers via whatever contact channel they prefer - including phone, web, mobile and smartphones and other devices
- deliver services in a highly personalised manner - one that "recognises" customers, referring to previous interactions and proactively satisfying their needs based on information that is already known about them
- reduce operational costs and increases agent productivity

Whilst Eckoh are probably best known for our speech recognition solutions delivered over the telephone, we offer a multi-channel approach with our solutions also capable of being delivered across the web, mobile and smartphone. Working with us as a single supplier means our clients can provide more choice to their customers for less cost, with the ability to choose the relevant medium confident that a consistent and integrated experience is applied across all channels.

Eckoh have a long track record in delivering innovative automated customer service solutions, which means businesses can invest in improving customer experience with the confidence that we'll be here for them whenever they need us.

Our Technology

Eckoh is committed to assessing the latest technology on an ongoing basis and investing in areas that we believe helps us maintain our exceptional service availability, bring new features and improved performance for the benefit of clients and future services.

Technology advancements in the industry have progressed and Eckoh has made a significant investment in Next Generation Voice Platforms with 4,000 ports of VoiceXML call handling platform already deployed. VoiceXML is a standards based framework that allows clients to migrate services from the premise solution to the Eckoh platform with minimal fuss or disruption.

Eckoh are pleased to have partnered with Holly Connects for this technology and have been working on new features with them to ensure that we remain at the forefront of the market. Supporting the new platform is the latest Nuance software, Recognizer V9 and Vocalizer 5, the latest best-of-breed speech recognition software from Nuance. With the applications developed by Eckoh's in-house teams this allows us to push the limits of technology in order to extend the usability and functionality for the customer experience.

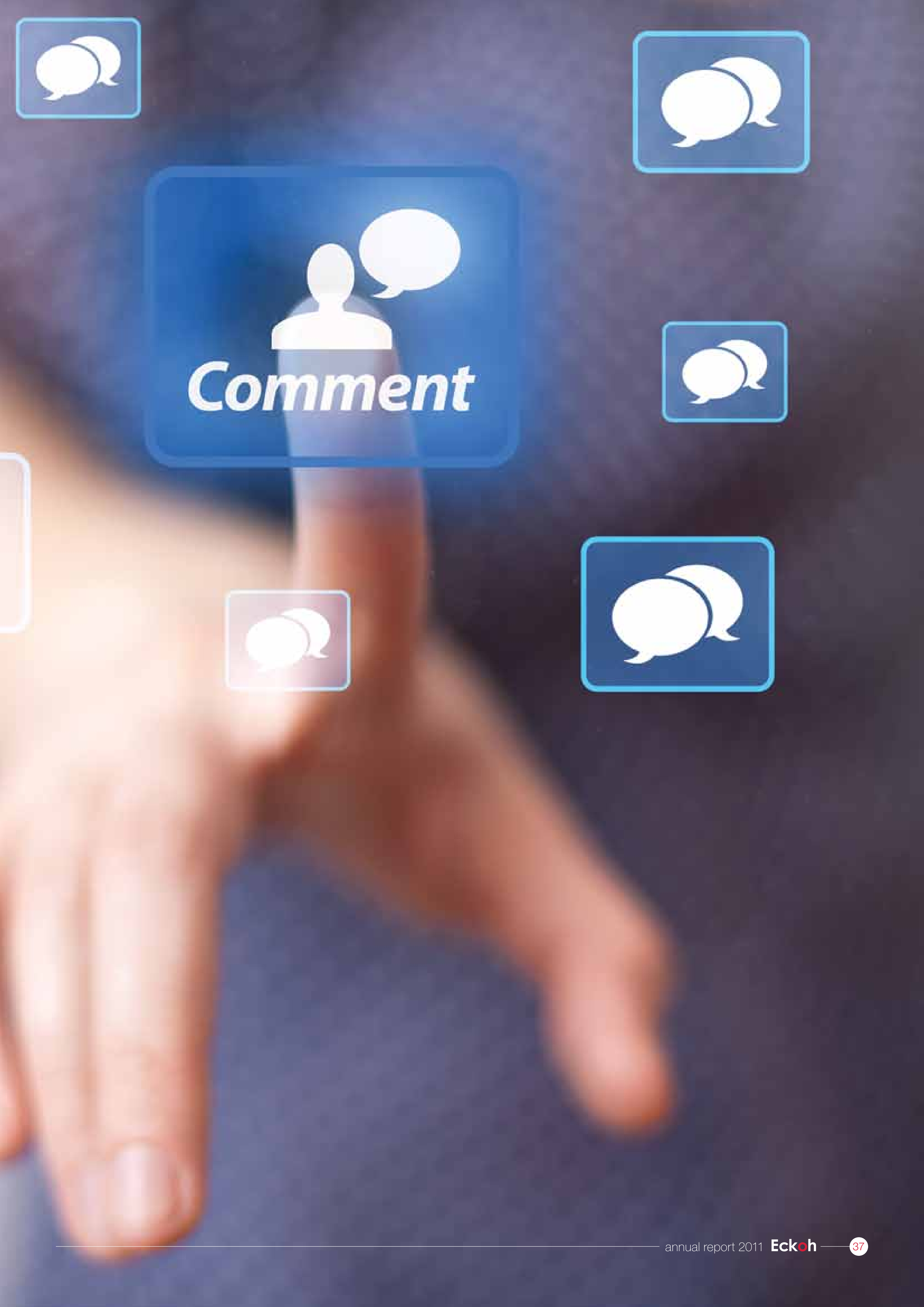
As the Telecoms industry moves forward with IP connectivity, with the likes of BT 21CN, Eckoh has now positioned itself to make full use of SIP based communications, with the added advantages that this brings to both the transport layer and application layer functions.

Enhanced capability, performance and quality

The new platform enhances the capability, performance and quality of Eckoh's contact centre solutions; providing unprecedented accuracy, reliability and ease of use for the consumer. In particular the capability to provide a more natural and conversational style of service is a feature that Eckoh expects clients to increasingly demand, and that will result in even higher levels of successful automation.

Voice biometrics

As an additional investment Eckoh has also purchased the Nuance Verifier voice authentication software, which creates individual voiceprints to authenticate callers and customers with just their voices, enabling secure access to information. This enables us to offer an identification and verification solution, with the ability to confidently ensure access to sensitive information is secure whilst reducing the risk of exposure to fraud and identity theft.


Comment

Our Unique Approach

As the UK's leading provider of customer service solutions, Eckoh is the partner of choice for leading organisations. But it's not simply our capability and expertise that attracts our clients; it's our unique approach to designing our services that always has the user experience in mind.

We are flexible, responsive and agile - delivering reliable, yet creative solutions that meet our client's specific needs and satisfies their customers. And our extensive infrastructure and resources means we provide true end-to-end solutions.

Whether it is helping transform their contact centre operation, maximising their agent productivity, introducing new technology or reducing operational costs, Eckoh enables our clients to focus on running their businesses.

We work hard to ensure that clients get the maximum benefit from their Eckoh solution throughout the lifetime of their contract and not just at the outset. We meet regularly with them, to report on and discuss the performance of the system, and we are always looking for ways to deliver improvements and add value.

This approach is why once a company or an organisation becomes an Eckoh client; they almost always stay an Eckoh client. That's a fact we're very proud of.

Our Clients...

O2
BT
AXA PPP HEALTHCARE
FORCE
BARCLAYS
COI
London STOCK EXCHANGE
Premier Inn
Royal Mail
Ministry of JUSTICE
BAA
defra Department for Environment Food and Rural Affairs
Electrolux
vue cinemas
National Rail Enquiries
Rentokil Initial
Transport for London
YOUR LONDON AIRPORT Gatwick
enterprise rent-a-car We'll pick you up.
COMIC RELIEF
William HILL
United Utilities
CAPITA
Resilient networks plc
VEOLIA WATER
addison lee PLC
ideal WORLD
RCI Financial Services
NORTHUMBRIAN WATER
GardenBargains.com
The GARDEN CENTRE GROUP
Dŵr Cymru Welsh Water
NIE energy
TD Waterhouse Wealth of Experience
rpa rural payments agency

Directors' Responsibilities

The directors are responsible for preparing the annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practise (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to:

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

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Website Publication

The directors are responsible for ensuring the annual report and the financial statements are made available on a website. Financial statements are published on the company'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 company's website is the responsibility of the directors. The directors' responsibility also extends to the ongoing integrity of the financial statements contained therein.

Eck

Audit Report for Eckoh plc

Independent Auditor's Report to the Members of Eckoh plc

We have audited the financial statements of Eckoh plc for the year 31 March 2011 which comprise the consolidated statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with sections Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective Responsibilities of Directors and Auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

Scope of the Audit of the Financial Statements

A description of the scope of an audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

Opinion on Financial Statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and the parent company's affairs as at 31 March 2011 and of the group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other Matters Prescribed by the Companies Act 2006

In our opinion the information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are Required to Report by Exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Richard Kelly (Senior Statutory Auditor)
For and on behalf of BDO LLP
Statutory Auditor
Hatfield
3 June 2011

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Continuing operations			
Revenue	4	**9,003**	7,923
Cost of sales		**(2,340)**	(2,226)
Gross profit	4	**6,663**	**5,697**
Administrative expenses before non-recurring items		**(6,036)**	(5,578)
French office closure costs		**-**	(286)
Employee restructuring		**-**	(306)
EGM costs		**-**	(61)
Total Administrative expenses	4,6	**(6,036)**	(6,231)
Profit / (loss) from operating activities	5	**627**	**(534)**
Finance expense	18	**(1,225)**	(3)
Finance income	9	**121**	340
Share of loss in associate	12	**(23)**	-
Impairment of investment in associate	12	**(115)**	-
Loss before taxation		**(615)**	**(197)**
Taxation	10	**316**	-
Loss for the year from continuing operations		**(299)**	**(197)**
Discontinued operations			
Post tax profit for the year from discontinued operations	11	**67**	79
Loss for the year attributable to the equity holders of the parent company		**(232)**	**(118)**
Other comprehensive income			
Exchange differences on translating foreign operations		**14**	(8)
Adjustment for change in fair value of available for sale equity instruments	18	**(160)**	-
Transferred to profit or loss on sale	18	**160**	-
Total comprehensive expense for the year attributable to the equity holders of the parent company		**(218)**	**(126)**
Loss per share (pence)	13		
Basic earnings per 0.25p share		**(0.12)**	(0.06)
Diluted earnings per 0.25p share		**(0.12)**	(0.06)
Loss per share from continuing (pence)	13		
Basic earnings per 0.25p share		**(0.15)**	(0.10)
Diluted earnings per 0.25p share		**(0.15)**	(0.10)
Profit per share from discontinued (pence)	13		
Basic earnings per 0.25p share		**0.03**	0.04
Diluted earnings per 0.25p share		**0.03**	0.04

Consolidated Statement of Financial Position

as at 31 March 2011

	Notes	2011 £'000	2010 £'000
Assets			
Non-current assets			
Intangible assets	14	**607**	599
Property, plant and equipment	15	**1,348**	1,160
Loans and other receivables	18	**-**	2,925
		1,955	**4,684**
Current assets			
Inventories	17	**4**	5
Trade and other receivables	18	**3,097**	2,490
Short-term investments	19	**317**	1,821
Cash and cash equivalents	20	**5,370**	2,067
Assets held for sale	30	**-**	945
		8,788	**7,328**
Total assets		**10,743**	**12,012**
Liabilities			
Current liabilities			
Trade and other payables	21	**(2,319)**	(1,651)
Obligations under finance leases		**-**	(1)
Liabilities directly associated with assets held for sale	30	**-**	(1,504)
		(2,319)	**(3,156)**
Non-current liabilities			
Provisions	23	**(43)**	(320)
		(43)	**(320)**
Net assets		**8,381**	**8,536**
Shareholders' equity			
Share capital	22	**499**	499
Capital redemption reserve		**198**	198
Share premium		**695**	695
Currency reserve		**(41)**	(55)
Retained earnings		**7,030**	7,199
Total shareholders' equity		**8,381**	**8,536**

The financial statements were approved by the Board of Directors on 3 June 2011 and signed on its behalf by:
Adam Moloney – Group Finance Director

Consolidated Statement of Changes in Equity
as at 31 March 2011

	Share Capital £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Currency reserve £'000	Total shareholders equity £'000
Balance at 1 April 2009	**499**	**198**	**695**	**7,273**	**(47)**	**8,618**
Total comprehensive expense for period	-	-	-	(118)	-	(118)
Other comprehensive income - exchange differences	-	-	-	-	(8)	(8)
Share based payment charge	-	-	-	44	-	44
Balance at 31 March 2010	**499**	**198**	**695**	**7,199**	**(55)**	**8,536**
Balance at 1 April 2010	**499**	**198**	**695**	**7,199**	**(55)**	**8,536**
Total comprehensive expense for period	-	-	-	(232)	-	(232)
Other comprehensive income - exchange differences	-	-	-	-	14	14
Share based payment charge	-	-	-	63	-	63
Balance at 31 March 2011	**499**	**198**	**695**	**7,030**	**(41)**	**8,381**

Consolidated Statement of Cashflows

for the year ended 31 March 2011

	Notes	2011 £'000	2010 £'000
Cash flows from operating activities			
Cash generated / (utilised) in operations	28	**914**	(979)
Interest paid		**-**	(3)
Taxation repayment	10	**316**	-
Net cash generated / (utilised) in operating activities		**1,230**	**(982)**
Cash flows from investing activities			
Purchase of property, plant and equipment		**(635)**	(1,003)
Purchases of intangible fixed assets		**(298)**	(380)
Decrease in short-term investments		**1,504**	1,000
Loans repaid by third parties		**975**	-
Disposal of available for sale equity instrument	18	**500**	-
Interest received		**28**	396
Net proceeds on disposal of business operations		**-**	617
Net cash generated in investing activities		**2,074**	**630**
Cash flows from financing activities			
Capital element of finance lease rental payments		**(1)**	(2)
Net cash utilised in financing investing activities		**(1)**	**(2)**
Increase / (decrease) in cash and cash equivalents		**3,303**	**(354)**
Cash and cash equivalents at the start of the period	20	**2,067**	2,421
Cash and cash equivalents at the end of the period	**20**	**5,370**	**2,067**

Notes to the Financial Statements

For the year ended 31 March 2011

1. Basis of Preparation

The consolidated financial statements of Eckoh plc have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at 31 March 2011 as endorsed by the EU.

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

- Revised IFRS 3 Business Combinations
- Amendments to IAS 27 Consolidated and Separate Financial Statements
- Amendment to IAS 39 Financial Instruments: Recognition and Measurement: Eligible Hedged Items
- IFRIC 17 Distributions of Non-cash Assets to Owners
- Revised IFRS 1 First-time Adoption of international Financial Reporting Standards
- IFRIC 18 Transfer of Assets from Customers
- Group Cash-settled Share-based Payment Transactions (Amendments to IFRS 2)
- Classification of Rights Issues (Amendment to IAS 32)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments
- Revised IAS 24 Related Party Disclosures
- Amendments to IFRIC 14 IAS 19 – Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

None of these have had a material impact on the results or financial position of the Group.

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

- Disclosures – Transfers of Financial Assets (Amendments to IFRS 7 – effective 1 July 2011)
- Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters (Amendments to IFRS 1 – effective 1 July 2011)
- Deferred Tax: Recovery of Underlying Assets (Amendments to IAS 12 – effective 1 January 2012)
- IFRS 9 Financial Instruments (this standard will eventually replace IAS39 in its entirety – effective 1 January 2013)
- Improvements to IFRSs (2010) (effective for annual periods beginning on or after 1 January 2011)

The directors' review newly issued standards and interpretations in order to assess the impact (if any) on the financial statements of the Group in future periods.

These financial statements have been prepared in accordance with the accounting policies set out below which are based on the recognition and measurement principles of IFRS in issue as adopted by the European Union ("EU") and effective at 31 March 2011.

These consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, and financial assets and financial liabilities at fair value through profit and loss.

The consolidated financial statements are presented in Pounds Sterling, which is the company's functional currency. All financial information presented has been rounded to the nearest one thousand.

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

2. Summary of Principal Accounting Policies

Critical accounting policies, estimates and judgements

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

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

Revenue recognition	note 2
Investment in associate undertaking	note 12
Intangible assets	note 14
Trade and other receivables	note 18
Provisions	note 23
Share based payment	note 24

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.

Intangible Assets

(a) Goodwill

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

Goodwill is not amortised and is reviewed for impairment at least annually. Any impairment is recognised in the period in which it is indentified.

(b) Intangible assets

Intangible assets acquired by the Group are capitalised at the fair value of the consideration paid and amortised over their expected useful economic lives. The expected useful economic life of intangible assets is assessed for each acquisition as it arises, and is generally assumed to be three years.

(c) Research and development

Research costs are charged to the income statement in the year in which they are incurred. Development expenses include expenses incurred by the Group to set up or enhance services to clients. Development costs which mainly relate to staff salaries are capitalised as intangible assets when it is probable that the project will be a success, considering its commercial and technological feasibility, and costs can be measured reliably. Development costs that do not meet those criteria are expensed as incurred. Capitalised development costs are amortised on a straight line basis over the estimated minimum duration of the commercial contract that they arose from. In the absence of a specific commercial contract the capitalised development costs are amortised over the estimated useful life of the asset, which is generally assumed to be three years.

Amortisation is charged to administrative expenses in the income statement.

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

Impairment of Non-Financial Assets

An impairment loss is recognised in the income statement for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell, and the value-in-use based on an internal discounted cash flow evaluation. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows. All assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

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:

Fixtures and equipment – between 3 and 5 years
Leasehold improvements – over the term of the lease

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

Financial Assets

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

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

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

b) **loans and receivables:** are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and with no intention of trading. They arise principally through the provision of services to customers (e.g. trade receivables), but also incorporate other types of contractual monetary assets. Trade and other receivables which principally represent amounts due from customers and other third parties, are carried at original invoice value less an estimate made for bad and doubtful debts. They are included within current assets, with the exception of those with maturities greater than one year, which are included within non-current assets. Loans and receivables are included within trade and other receivables in the balance sheet.

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

In the case of impairment of available-for-sale assets, any loss previously recognised in equity is transferred to the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

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

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

Inventories

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

Trade and Other Receivables

Trade and other receivables are stated at amortised cost less provision for impairment. A provision for the impairment of trade receivables is made when there is objective evidence that the Group will not be able to collect all amounts due to it in accordance with the original terms of those receivables. The amount of the provision is determined as the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement. Other receivables are stated at amortised cost less provision for impairment.

Cash and Cash Equivalents

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

Short-term Investments

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

Equity

Equity comprises the following:

- **Share capital** represents the nominal value of ordinary shares.
- **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** represents retained profits less losses and distributions.

Dividends

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the shareholders. Interim dividends are recognised when paid.

Foreign Currency Transactions

(a) Functional and presentation currency

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

(b) Group companies

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

(i) assets and liabilities are translated at the closing rates of exchange ruling at the balance sheet date;
(ii) income and expenses are translated at the average exchange rates. If however the average exchange rate is not a reasonable approximation of the exchange rates prevailing on the date of the transactions, the income and expenses are translated at the exchange rates at the transaction dates; and
(iii) resulting exchange differences are recognised as a separate component of equity.

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

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

Leases

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

Assets held under finance leases are recognised assets of the Group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income.

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

Provisions

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

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

Employee Benefits

(a) Pensions

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

(b) Bonus schemes

The Group recognises a liability and an expense for bonuses payable to: i) employees based on a formula derived from management assessment of individual performance; and ii) senior management and executive directors based on a achievement of a series of financial and non-financial targets. A provision is recognised where there is a past practice that has created a constructive obligation.

(c) Share-based payments

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

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

IFRS 2 has been applied to all options granted after 7 November 2002 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 the sale of goods and services, net of Value-Added Tax, and after eliminating sales within the Group. Revenue is recognised as follows:

Speech Solutions build fee revenue is recognised on delivery and acceptance of the speech application. In the event that work on a project which results in a build fee has commenced but not completed within an accounting period, revenue is recognised in line with the percentage that the project is complete at the end of the accounting period. The percentage of completion is calculated by taking the costs incurred on the project at the end of an accounting period and expressing that as a percentage of the total estimated costs that are anticipated to be incurred in order to complete the project. Call revenue from speech services is recognised when the Group has determined that users have accessed its services via a telephone carrier network and/or the Group's telecommunication call processing equipment connected to that network. In the event that build, call and maintenance revenue are included in the same contract, each component part is separately valued and individual component revenues are recognised when that component is delivered.

Non-recurring Items

The Group presents as non-recurring items on the face of the income statement those material items of expenditure which because of their nature and/or expected infrequency of the events giving rise to them, merit separate presentation to allow shareholder to understand the elements of financial performance in the period, so as to facilitate comparison with prior periods.

Finance Fee Income

Finance fee income is credited to the income statement over the term of the loan so that the amount credited is at a constant rate on the carrying amount of the receivable.

Associate

Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated balance sheet at their fair value. The Group's share of post-acquisition profits and losses is recognised in the consolidated income statement, except that losses in excess of the Group's investment in the associate are not recognised unless there is an obligation to make good those losses.

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised as goodwill and included in the carrying amount of the associate. The carrying amount of investment in associate is subject to impairment in the same way as goodwill arising on a business combination described above.

Taxation

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

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

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

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

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

Where cash payments are received from HM Revenue and Customs relating to claims for investment tax credits relating to Research and Development relief, they are recognised in the statement of comprehensive income when they are received as a credit to taxation.

Financial Liabilities

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

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

Non-current Assets Held for Sale and Disposal Groups

Non-current assets and disposal groups are classified as held for sale when:

- They are available for immediate sale;
- Management is committed to a plan to sell;
- It is unlikely that significant changes to the plan will be made or that the plan will be withdrawn;
- An active programme to locate a buyer has been initiated;
- The asset or disposal group is being marketed at a reasonable price in relation to its fair value; and
- A sale is expected to complete within 12 months from the date of classification.

Non-current assets and disposal groups classified as held for sale are measured at the lower of:

- Their carrying amount immediately prior to being classified as held for sale in accordance with the group's accounting policy; and
- Fair value less costs to sell.

Following their classification as held for sale, non-current assets (including those in a disposal group) are not depreciated.

The results of operations disposed during the year are included in the consolidated statement of comprehensive income up to the date of disposal.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations or is a subsidiary acquired exclusively with a view to resale, that has been disposed of, has been abandoned or that meets the criteria to be classified as held for sale.

Discontinued operations are presented in the consolidated statement of comprehensive income (including the comparative period) as a single line which comprises the post tax profit or loss of the discontinued operation and the post-tax gain or loss recognised on the re-measurement to fair value less costs to sell or on disposal of the assets/disposal groups constituting discontinued operations.

3. Financial Risk Management

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

The Group's financial instruments comprise cash, short-term deposits, finance leases and various items, such as receivables and payables that arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. Similarly the Group did not undertake any financial hedging arrangements during the year under review. The year-end position reflects these policies and there have been no changes in policies or risks since the year-end.

Liquidity Risk

Through detailed cash flow forecasting and capital expenditure planning, the Group monitors working capital and capital expenditure requirements and through the use of rolling short-term investments ensures that cash is available to meet obligations as they fall due. Cash at bank is pooled and invested in overnight money market accounts and deposits.

Interest Rate Risk

The Group principally finances its operations through shareholders' equity and working capital. The Group 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 Redstone plc 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.

Foreign Currency Risk

Since the closure of Group subsidiary in France undertaken in June 2010, no cash or assets are held in foreign currencies. Very few transactions undertaken by the company are in a currency other than Sterling. No sensitivity analysis is provided in respect of foreign currency risk as the risk is considered to be immaterial.

Capital Management

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

Credit risk management is described in note 18.

	2% decrease in interest rates £'000	2% increase in interest rates £'000
(Decrease)/increase in fair value of short-term investments	(63)	63
Impact on income statement: (loss)/gain	(63)	63

Categories of financial assets and financial liabilities

	Loans and receivables 2011 £'000	2010 £'000
Current financial assets		
Trade receivables (note 18)	**1,326**	1,264
Other receivables (note 18)	**60**	43
Loans and receivables (note 18))	**-**	2
Short-term investments (note 19)	**317**	1,821
Cash and cash equivalents (note 20)	**5,370**	2,067
Total current financial assets	**7,073**	**5,197**
Non-current financial assets		
Loans and receivables (note 18)	-	2,925
Total non-current financial assets	**-**	**2,925**
Total financial assets	**7,073**	**8,122**

Financial Liabilities

All financial liabilities held by the Group are measured at amortised cost and comprise trade payables of £1,071,000 (2010: £501,000), other payables of £245,000 (2010: £302,000) and obligations under finance leases of £nil (2010: £1,000). See note 21 for further details.

4. Segment Analysis

Following the disposal of the Client IVR business in May 2010 (note 11), the Group's continuing operations represents a single integrated business with only one reportable segment. In addition, there are no material foreign entities and revenue is derived entirely from the UK therefore segmental information by geographical area is not presented. This analysis reflects the way that financial information is reported internally within the Group. Continuing operations in the table below are represented by the Speech Solutions division with discontinued operations represented by the Client IVR division.

2011	Continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	9,003	1,269	**10,272**
Gross profit	6,663	243	**6,906**
Administrative expenses	(6,036)	(207)	**(6,243)**
Net interest receivable	121	-	**121**
Finance expense	(1,225)	-	**(1,225)**
Share of loss in associate	(23)	-	**(23)**
Impairment of investment	(115)	-	**(115)**
(Loss)/profit before taxation	**(615)**	**36**	**(579)**
Taxation	316	-	**316**
Post tax gain from disposal of operations	-	31	**31**
(Loss)/profit after taxation	**(299)**	**67**	**(232)**

2010	Continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	7,923	8,769	**16,692**
Gross profit	5,697	1,227	**6,924**
Administrative expenses	(6,231)	(1,206)	**(7,437)**
Net interest receivable	337	58	**395**
(Loss)/profit before taxation	**(197)**	**79**	**(118)**
Taxation	-	-	**-**
(Loss)/profit after taxation	**(197)**	**79**	**(118)**

In 2010/11, there were two customers which individually accounted for more than 10% of the total revenue of the continuing operations of the company (2009/10: two customers). Revenue from these customers in 2010/11 totalled £3,456,000 (2009/10: £2,550,000).

5. Loss from Operating Activities

	2011 £'000	2010 £'000
The Group's operating loss is arrived at after charging:		
Employee benefits expense (note 7)	**2,784**	3,242
Depreciation (note 15)	**446**	529
Amortisation (note 14)	**290**	157
Operating lease payments – property (note 27)	**487**	464
Office closure costs (note 6)	-	286
Restructuring costs (note 6)	-	306
EGM costs (note 6)	-	61

6. Non Recurring Items

There were no expenses classified as non recurring during the year ended 31 March 2011.

During the year ended 31 March 2010, the Board took decisions for the long term benefit of the Group which resulted in non recurring items of expenditure. The largest item arose from costs relating to the closure of the Eckoh France SAS subsidiary. Due to increased costs arising from the unfavourable exchange movement against the Euro, the company closed with effect from 30 June 2010, and a full provision was made in the 2009/10 financial year to cover the estimated costs relating to the closure. The total cost of closure during the year amounted to £286,000 largely represented by the costs of the employee severance agreements.

On 21 July 2009, the Group's largest shareholder requisitioned a General Meeting to remove the Chairman, Peter Reynolds, who had already announced his resignation on 16 July 2009. They also sought to appoint Mr John Samuel as Chairman and Director of the Group. All resolutions proposed were rejected at the Meeting held on 4 September 2009 but the meeting resulted in costs arising of £61,000.

Also included within exceptional costs were severance costs of Directors, Jim Hennigan and Peter Reynolds as well as another employee who was made redundant during the year. These costs totalled £306,000 during the year ended 31 March 2010.

7. Employee Benefits Expense

	2011 £'000	2010 £'000
Wages and salaries	**2,403**	3,019
Less: Internal development costs capitalised in the year	**(251)**	(267)
Amortisation of internal development costs	**253**	144
Social security costs	**311**	296
Pension costs	**5**	6
Share based payments	**63**	44
	2,784	**3,242**

The Directors' report on page 17 provides further details on the Directors' emoluments. The average number of people (including executive directors) employed by the Group during the year was:

	2011 Number	2010 Number
Technical support	**29**	28
Customer services	**10**	21
Administration and management	**37**	36
	76	**85**

8. Auditor Remuneration

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

	2011 £'000	2010 £'000
Fees payable for the audit of the parent company and consolidated accounts	**18**	25
Fees payable for other services:		
The audit of subsidiary undertakings comprising continuing operations	**26**	42
The audit of subsidiary undertakings comprising discontinued operations	**1**	2
Taxation services	**7**	6
Total fees payable to the Group's auditor	**52**	**75**

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

9. Finance Income

	2011 £'000	2010 £'000
Continuing operations		
Bank interest receivable	**32**	36
Interest receivable on loans and other receivables	**23**	66
Arrangement fees on loans	**66**	238
	121	**340**

	2011 £'000	2010 £'000
Discontinued operations		
Interest receivable on loans and other receivables (note 11)	**-**	58
		398

The arrangement fees on loans related to a loan payable by Redstone plc to Eckoh plc. Details on the settlement of this loan are given in note 18.

10. Taxation

	2011 £'000	2010 £'000
Continuing operations		
Current tax	**-**	-
Deferred tax	**-**	-
Adjustments in respect of prior periods	**(316)**	-
Taxation	**(316)**	**-**

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

	2011 £'000	2010 £'000
Continuing operations		
Loss before taxation	**(299)**	**(197)**
Loss multiplied by rate of corporation tax in the UK of 28% (2010: 28%)	**(84)**	(55)
Effect of expenses not deductible for tax purposes	**5**	14
Effect of capital allowances in excess of depreciation	**125**	148
Effect of income not chargeable to tax	**25**	24
Adjustments in respect of prior periods	**(316)**	-
Utilisation of tax losses	**(71)**	(131)
Current tax charge for the year	**(316)**	**-**

During the year ended 31 March 2011, £316,000 (2010: nil) was received in respect of HMRC Research and Development tax credits in relation to the years ended 31 March 2008, 31 March 2009 and 31 March 2010. This is disclosed in the table above as an adjustment in respect of prior periods.

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 £5,314,000 (2010: £6,444,000) in respect of trading losses and £8,142,000 (2010: £8,769,000) in respect of capital losses of which £5,829,000 (2010: £6,277,000) are restricted. In addition, there are other temporary timing differences resulting in unprovided deferred tax assets of £706,000 (2010: £616,000). The main rate of corporation tax decreased to 26% with effect from 1 April 2011. This change in corporation tax rates was substantively enacted on 29 March 2011 and therefore the potential deferred tax asset has been calculated at the new rate of 26%.

11. Post Tax Profit for the year from Discontinued Operations

Discontinued operations relate to the Client IVR division of Eckoh UK Limited and three trading divisions of Eckoh Projects Limited (formerly Connection Makers Limited), a wholly owned subsidiary.

On 27 May 2010, the Company wreached agreement to sell the Client IVR division of Eckoh UK Limited to Telecom Express Limited in return for 27.5% of the issued share capital of Telecom Express Limited (a company incorporated in England and Wales). The Board decided that it wished to focus efforts on the growth of the Speech Solutions business and that the Client IVR division would have a greater opportunity for future success if it were to become part of a larger business.

	2011 £'000	2010 £'000
Profit from disposal of operations		
Consideration:		
Shares in Telecom Express Limited	**138**	-
Deferred cash	**-**	(30)
Net consideration received	**138**	**(30)**
Cost of disposal	**(92)**	-
Net assets disposed: Property, plant and equipment	**(15)**	-
Pre and post tax gain / (loss) from the disposal of operations	**31**	**(30)**

No cash or cash equivalents were disposed of with the sale of these operations (2010: £nil).

	2011 £'000	2010 £'000
Trading result of discontinued operations		
Revenue	**1,269**	8,769
Cost of Sales	**(1,026)**	(7,542)
Gross Profit	**243**	**1,227**
Administrative expenses	**(207)**	(1,176)
Interest receivable	**-**	58
Profit before taxation	**36**	**109**
Taxation	**-**	-
Post-tax profit for the year from discontinued operations	**36**	**109**
Post-tax gain / (loss) from the disposal of operations	**31**	(30)
	67	**79**
Basic and diluted earnings per share (note 13)	**0.03 pence**	0.04 pence

The cashflow statement includes the following amounts relating to discontinued operations from the sale of the Client IVR division:

	2011 £'000	2010 £'000
Operating activities	**(559)**	(502)
Investing activities	**-**	(28)
Net cash utilised in discontinued operations	**(559)**	**(530)**

12. Investments in Associate Undertaking

As detailed in note 11, Eckoh plc acquired a 27.5% holding in Telecom Express Limited ("TE") on 27 May 2010 and a place on the board. On the basis that Eckoh plc own more than 20% of the issued share capital of TE, and Nik Philpot attends the monthly board meeting in his capacity as director of TE, the board has determined that the group has significant influence over TE and have therefore accounted for the transaction as an investment in associate under IAS28, using the equity method.

The shares acquired were valued at £137,500 after discounting to take account of the fact that this is a minority holding in a privately owned company. During the period from 1st June 2010 to 30th September 2010 TE made losses of £82k which prompted a review of forecasted trading performance and led to the decision to fully impair the remaining value of the investment. TE operate over a different accounting period than Eckoh plc, ending on 30 June each year. Movements in the carrying value of the investment during the year can be summarised as follows:

	2011 £'000
Carrying value of investment in Telecom Express Limited	
Investment accounted for using equity method	**138**
Share of loss from associate at 30 September 2010	**(23)**
Impairment of investment at 30 September 2010	**(115)**
Investment in equity accounted associate at 31 March 2011	**-**

Aggregate amounts relating to associate are as follows:

	£'000
Total assets as at 31 March 2011	**4,696**
Total liabilities as at 31 March 2011	**4,003**
Revenue for the period from 1 June 2010 to 31 March 2011	**12,362**
Loss after tax for the period from 1 June 2010 to 31 March 2011	**(347)**
Unrecognised share of losses	
-post acquisition	**(73)**
-in aggregate	**(73)**

13. Earnings per Share

Basic earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares of 199,759,576 (2010: 199,759,576) in issue during the year ended 31 March 2011 after adjusting for shares held by the Employee Share Ownership Plan of 9,156 (2010: 70,866) and the loss for the period attributable to equity holders of the parent of £218,000 (2010: loss of £126,000).

In calculating diluted earnings per share, the weighted average number of ordinary shares in issue, after adjusting for shares held by the Employee Share Ownership Plan 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 24. The dilutive effect of potential ordinary shares outstanding at the end of the year is 4,943,000 (2010: 2,000).

	2011 '000	2010 '000
Denominator		
Weighted average number of shares in issue in the period	**199,760**	199,760
Shares held by employee ownership plan	**(9)**	(71)
Number of shares used in calculating basic earnings per share	**199,751**	**199,689**
Dilutive effect of share options	**4,943**	2
Number of shares used in calculating diluted earnings per share*	**204,694**	**199,691**

* The effect of the dilutive share options is to decrease the loss per share and therefore the share options are anti dilutive and are not included diluted earnings per share calculation.

14. Intangible Assets

Group	Goodwill £'000	Internally developed computer software £'000	Other intangible assets £'000	Total £'000
Cost				
At 1 April 2009	15,922	851	20	16,793
Additions	-	380	-	380
At 31 March 2010	**15,922**	**1,231**	**20**	**17,173**
Additions	-	298	-	298
At 31 March 2011	**15,922**	**1,529**	**20**	**17,471**
Amortisation				
At 1 April 2009	15,922	478	17	16,417
Charge for the year	-	156	1	157
At 31 March 2010	**15,922**	**634**	**18**	**16,574**
Charge for the year	-	288	2	290
At 31 March 2011	**15,922**	**922**	**20**	**16,864**
Carrying amount				
At 31 March 2011	**-**	**607**	**-**	**607**
At 31 March 2010	**-**	**597**	**2**	**599**

Included within the carrying value of intangible assets is £301,000 (2010: £191,000) capitalised in respect of the costs incurred to enable Eckoh plc to become a Payment Card Industry Data Security Standard (PCI DSS) compliant level one service provider. This investment has strengthened security around the infrastructure and procedures within the business enabling it to handle credit card transactions for clients in a secure manner. These costs are being amortised over 3 years until October 2013.

15. Property, Plant and Equipment

	Fixtures and equipment £'000
Cost	
At 1 April 2009	5,070
Additions	1,003
Disposals	(29)
Transfer to assets held for sale	(30)
At 31 March 2010	**6,014**
Additions	635
Disposals	(475)
At 31 March 2011	**6,174**
Depreciation	
At 1 April 2009	4,356
Charge for the year	529
Disposals	(29)
Transfer to assets held for sale	(2)
At 31 March 2010	**4,854**
Charge for the year	446
Disposals	(474)
At 31 March 2011	**4,826**
Carrying amount	
At 31 March 2011	**1,348**
At 31 March 2010	**1,160**

The carrying amount of property, plant and equipment includes £nil (2010: £nil) in respect of assets held under finance lease contracts. The depreciation charge in respect of assets held under finance lease was £nil (2010: £3,000).

16. Investment in Subsidiary Undertakings

The following are the principal subsidiary undertakings of the Group, which are included in the consolidated financial statements:

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

(i) Share capital held by a subsidiary undertaking.

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

17. Inventories

	2011 £'000	2010 £'000
Work in progress	4	5
	4	**5**

18. Trade and other Receivables

	2011 £'000	2010 £'000
Current		
Trade receivables	**1,333**	1,336
Less: provision for impairment of receivables	**(7)**	(72)
Net trade receivables	**1,326**	**1,264**
Loans and receivables	**-**	2
Other receivables	**60**	43
Prepayments and accrued income	**1,711**	1,181
	3,097	**2,490**

	2011 £'000	2010 £'000
Non-current		
Loans and receivables	**-**	2,925
	-	**2,925**

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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's trade and other receivables. Concentrations of credit risk with respect to trade receivables are limited due to working capital practices of the market sector and the Group; and the nature of the Group's customer base. The working capital practices of the market sector within which the Group operates are such that the majority of the trade receivables balance is due from the telephony carriers under a self bill agreement. The reputable nature of the Group's current customer base limits exposure to credit risk. At 31 March 2011, there are no trade receivables that are past due but not impaired (2010: £19,000 or 1.5%). Management believe that the current provision for the impairment of receivables need not be increased on the basis of their historic experience and current knowledge of customers and amounts due. The majority of the movement on the provision in the year relates to the release of provision made in the prior year relating to a £41,000 receivable from ACP Retail Limited who have entered into administration. The remainder of the movement of provision relates to items which were provided for as being more than 60 days past due which were subsequently settled with the provision released. (2010: provision increased by £41,000 to cover amounts owed by ACP Retail Limited).

The financial results for the year ended 31 March 2010 disclosed that amounts outstanding totalling £2,927,000 were owed to Eckoh plc by Redstone plc ("Redstone"). The loan was a remaining balance of a loan of £7,500,000 originally made to Symphony Telecom Holdings plc in 2006. Symphony Telecom Holdings plc were acquired by Redstone in July 2006.

The Directors of Eckoh plc were approached by the Directors of Redstone to participate in a programme to restructure and refinance Redstone and assist in securing the financial future of Redstone. On 24 August 2010, agreement was reached with Redstone plc on a settlement to clear all outstanding amounts from the loan. Under the terms of the agreement Eckoh received;

- A settlement fee of £500,000 payable in cash ("Eckoh Settlement Fee")
- 200,000,000 Ordinary shares ("Eckoh Settlement Shares") with an aggregate value of £1,000,000 at the placing price of 0.5p per share

The Eckoh Settlement Shares had a market value of 0.66p on the day of issue and were sold over several transactions at 0.5p per share with the final transaction being completed on 17 September 2010. In addition the balance of deferred arrangement fees was released against the receivable balance.

The impairment of receivable has been recorded as a finance expense in the Statement of Consolidated Income and was determined as follows:

	£'000
Loan balance at 31 March 2010	**2,927**
Interest receivable accrued and unpaid	6
Cash from Eckoh Settlement Fee	(500)
Net proceeds from disposal of Eckoh Settlement Shares	(500)
Cash from immediate sale of shares	18
Release of deferred arrangement fee	(225)
Interest accrued and unpaid in the period	(661)
Impairment of Receivable	**1,065**
Adjustment for change in fair value of available for sale equity instrument transferred on sale	160
	1,225

19. Short-Term Investments

	2011 £'000	2010 £'000
Sterling	317	1,821
	317	1,821

	2011 £'000	2010 £'000
Fixed rate	-	1,504
Floating rate	317	317
	317	1,821

The short term investments at floating rate represent 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. There are no amounts held on short-term deposits at the year end. Deposits held during the year have an average maturity of 3 months (2010: 4 months)with an average interest rate of 0.88% (2010: 1.49%).

20. Cash and Cash Equivalents

	2011 £'000	2010 £'000
Sterling	5,370	2,027
Euro	-	40
	5,370	2,067

	2011 £'000	2010 £'000
Floating rate	5,370	2,067
	5,370	2,067

Cash and cash equivalents comprise cash held by the Group. Surplus cash is placed in an interest bearing account. The average interest rate on the interest bearing account during the year was 0.59% (2010: 0.47%).

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

21. Trade and other Payables

	2011 £'000	2010 £'000
Trade payables	**1,071**	501
Other payables	**245**	302
Other taxation and social security	**349**	375
Accruals and deferred income	**654**	473
	2,319	**1,651**

All of the amounts above are payable within one year and trade payables that are more than three months old at the year end represent £256,000 (2010: £nil). This balance largely comprises an invoice payable on 90 day terms which was paid shortly after the year end date.

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

22. Share Capital

Allotted called up and fully paid

Date of issue and share type Ordinary shares of 0.25p each	**Number of shares**	**Nominal Value £'000**
At 1 April 2010	**199,688,710**	**499**
At 31 March 2011	**199,688,710**	**499**

The total authorised number of shares is 1,000,000,000 ordinary shares with a nominal value of 0.25 pence per share.
All ordinary shares in issue are fully paid. The holders of the ordinary shares are entitled to receive dividends, if declared, and are entitled to vote at general meetings of the Company. There were no changes to the authorised share capital during the period. Potential ordinary shares are disclosed in Note 24.

23. Provisions

	Provision for Dilapidations £'000	**French office closure £'000**	**Total £'000**
At 1 April 2010	**40**	**280**	**320**
Provided in year	3	-	**3**
Utilisation in year	-	(280)	**(280)**
At 31 March 2011	**43**	**-**	**43**

The dilapidation provision will not be payable until the end of the lease on the Group's Telford House offices in 2015.

During the year, the Group closed the office of Eckoh France SAS (see Note 6). The provision of £280,000 was made in the 2009/10 financial year to cover the estimated costs of employee redundancy and associated premises and legal costs.

24. 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.

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 Eckoh plc 2010 Long Term Incentive Plan ("LTIP") was introduced in June 2010. Awards under the plan are made in two parts. Part 1 awards are in the form of options exercisable at 0.25 pence, which vest dependent on performance against Earnings per share targets set at the beginning of each financial period. None of the Part 1 awards are released until 3 years have elapsed during which targets relating to Total Shareholder Return must also be achieved. The Part 1 awards have a matching mechanism whereby additional awards are made to match any purchase of shares made by recipients up to a cap of 25% of the Executive's remuneration. Part 2 awards are made to executive directors and key management in the event that the Company undergoes a change of control ("trigger event"). The value of part 2 awards is dependent on the increase in value obtained for shareholders from a trigger event in comparison to the value of the Company shares at the date of award. Further information is available in the remuneration report on page 27 and in the directors report on page 17. As there is currently no probability of a "trigger event" taking place before the lapse date of the awards of 30 June 2013, no charge was made to the Statement of comprehensive income in respect of these awards.

The 2010 Eckoh plc Bonus scheme paid half of any bonus payable to executives and key management personnel in the form of deferred shares. The awards are anticipated to be made on 30 June 2011 ("calculation date") with further detail available in the Remuneration report on page 27. The deferred shares will vest in two halves 12 and 24 months following the calculation date.

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:

	31 Jul 2007	5 March 2010
Share price (pence)	**8.50**	5.0
Exercise price (pence)	**8.75**	5.13
Number of employees	**21**	21
Shares under option	**4,525,000**	4,500,000
Vesting period (years)	**3**	3
Expected volatility	**43%**	43%
Option life (years)	**10**	10
Expected life (years)	**3**	3
Risk free rate	**5.49%**	2.83%
Expected dividends expressed as a dividend yield	**-**	-
Fair value per option (pence)	**2.89**	1.56

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with assumed option life.

The fair value of awards made under the LTIP scheme was measured using a model using the Monte Carlo method, taking into account the terms and conditions upon which the awards were made. The fair value of awards made under the Bonus scheme was measured using the QCA-IRS option valuer based on the Black-Scholes formula. The fair value per award granted and the assumptions used in the calculation are as follows;

	30 Jun 2010	28 February 2011	30 June 2010	30 June 2010
Award type	LTIP	LTIP	Bonus	Bonus
Share price (pence)	4.875	7.125	4.75	4.75
Exercise price (pence)	0.25	0.25	0.00	0.00
Number of employees	2	1	4	4
Shares under option	4,846,153	150,000	845,162	845,162
Vesting period (years)	3	2.34	2	3
Expected volatility	43%	43%	43%	43%
Option life (years)	10	9.34	2	3
Expected life (years)	3	2.34	2	3
Risk free rate	1.38%	1.61%	1.38%	1.38%
Expected dividends expressed as a dividend yield	-	-	-	-
Fair value per option (pence)	2.53	4.98	4.75	4.75

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 2011 is shown below:

	2011		2010	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 April	**17,434,667**	**6.09**	13,292,637	8.24
Granted	**6,686,476**	**0.25**	4,500,000	5.13
Lapsed	**-**	**-**	(20,000)	20.0
Forfeited	**(3,726,839)**	**8.97**	(357,970)	9.27
Outstanding at 31 March	**20,394,304**	**4.80**	**17,434,667**	**6.09**
Exercisable at 31 March	**9,307,828**	**7.91**	**8,634,667**	**7.94**

	2011				2010			
			Weighted average remaining life				Weighted average remaining life	
Range of exercise prices (pence)	**Weighted average exercise price (pence)**	**Number of shares (000's)**	**Expected**	**Contractual**	Weighted average exercise price (pence)	Number of shares (000's)	Expected	Contractual
0-0.5	**0.19**	**6,686**	**2.1**	**7.4**	-	-	-	-
4.5-6.5	**5.13**	**4,400**	**1.9**	**8.9**	5.13	4,500	2.9	9.9
6.5 – 8.5	**6.86**	**4,077**	**-**	**1.7**	7.32	6,054	-	3.1
8.5 – 10.5	**8.72**	**5,200**	**-**	**5.4**	8.75	6,050	-	6.8
10.5 – 12.5	**10.75**	**30**	**-**	**1.7**	10.75	830	-	2.7
16.5 – 20.0	**16.75**	**1**	**-**	**0.2**	16.75	1	-	1.2

The total charge for the year relating to employee share based payment plans was £63,000 (2010: £44,000) all of which related to equity-settled share based payment transactions.

25. Pension Commitments

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

26. 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 16):

- Eckoh UK Limited
- Eckoh France SAS
- Eckoh Projects Limited
- Intelliplus Limited
- Medius Networks Limited

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

Eckoh plc holds 27.5% of the share capital of Telecom Express Limited ("TE") as disclosed in note 11 arising from the sale of the IVR division. In addition, NB Philpot is a director of both Eckoh plc and TE and therefore TE is considered a related party.

Eckoh plc have provided a speech recognition share quote service to TE since April 2008 and generated revenue of £35,000 in the year ended 31 March 2011 from which payments of £7,000 were made to TE as part of a revenue share arrangement. In addition, Eckoh plc have recognised a further £61,000 of revenue from TE for business support services supplied since the disposal of the IVR division in May 2010. At 31 March 2011 a balance of £14,000 was owing from TE to Eckoh plc in respect of these transactions. Eckoh plc has paid £40,000 to TE in recompense for some costs incurred on its behalf in the 2010/11 financial year. As at 31 March 2011, Eckoh plc had an outstanding balance of £4,000 owing to TE in respect of these transactions. In addition, Eckoh have an arrangement with TE where traffic from some Eckoh clients uses a TE network. TE receive the revenue from this traffic and pass it on to Eckoh plc. As at 31 March 2011, £201,000 was outstanding from TE in respect of these transactions.

JP Hennigan resigned as a Director on 21 December 2009. Included within the salary and fees figure is an amount totalling £163,000 which was paid after the date of his resignation as a director in connection with a compromise agreement and his contractual 12 month notice period. HRP Reynolds formally resigned as Non Executive Chairman and Director on 11 September 2009. Included within the salary and fees figure is a payment in respect of his contractual 12 month notice period of £75,000 agreed in June 2009. HRP Reynolds continued in his role as Non Executive Chairman without further payment from 30 June 2009 until he formally resigned on 11 September 2009. These amounts are all accounted for in the year ended 31 March 2010.

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

Directors and other key management	2011 £'000	2010 £'000
Wages and salaries	720	899
Social security costs	88	120
Pension costs	12	12
Share based payments	63	35
	883	1,066

The aggregate Directors' emoluments are shown in the table below. An analysis of Directors' emoluments is included in the Directors' Report on page 17.

Directors'	2011 £'000	2010 £'000
Aggregate emoluments	502	729
	502	729

27. Operating Lease Commitments

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

	2011 £'000	2010 £'000
Land and buildings		
Expiring within one year	**487**	487
Expiring within two to five years	**379**	865
	866	**1,352**

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 2012 at a cost of £384,000 per annum.

28. Cash Flow from Operating Activities

	2011 £'000	2010 £'000
Cash flows from operating activities		
Loss after taxation	**(232)**	(118)
(Profit) / loss on disposal of business operations	**(31)**	30
Interest income	**(121)**	(398)
Interest paid	**1,225**	3
Share of loss in associate	**23**	-
Impairment of investment in associate	**115**	-
Taxation credit recognised in income statement	**(316)**	-
Depreciation of property, plant and equipment	**446**	529
Amortisation of intangible assets	**290**	157
Share based payments	**63**	44
Operating profit before changes in working capital and provisions	**1,462**	**247**
Increase / (decrease) in inventories	**1**	(1)
Increase / (decrease) in trade and other receivables	**564**	(809)
Decrease in trade and other payables	**(836)**	(657)
(Increase) / decrease in provisions	**(277)**	241
Net cash generated / (utilised) in operating activities	**914**	**(979)**

29. Events after the Statement of Financial Position Date

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2011 of 0.1 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 7 October 2011 with payment on 4 November 2011. The ex-dividend date will be 2 November 2011. This recommendation will be put to the shareholders at the Annual General Meeting. Based on the shares in issue at the year end, this payment would amount to £0.2m.

30. Assets Held for Sale

Further disclosure on the assets classified as held for sale in the prior year can be found in note 11.

	2011 **£'000**	2010 £'000
Net book value of property, plant and equipment		28
Current Assets		
Net trade receivables	-	78
Other receivables	-	832
Prepayments and accrued income	-	7
Total Assets held for sale	**-**	**945**

	2011 **£'000**	2010 £'000
Current Liabilities		
Trade payables	-	702
Other payables	-	18
Accruals and deferred income	-	784
Total liabilities directly associated with assets held for sale	**-**	**1,504**

Company Financial Statements prepared under UK GAAP

Company Balance Sheet

as at 31 March 2011

Company number: 3435822

	Notes	2011 £'000	2010 £'000
Fixed assets			
Investments	ii	**5,043**	5,043
		5,043	**5,043**
Current assets			
Debtors: amounts falling due within one year	iii	**29**	35
Debtors: amounts falling due after more than one year	iii	**-**	2,927
Short-term investments		**-**	1,503
Cash at bank and in hand		**4,963**	1,144
		4,992	**5,607**
Creditors: amounts falling due within one year	iv	**(9)**	(301)
Net current assets		**4,983**	**5,306**
Total assets less current liabilities		**10,026**	10,349
Net assets		**10,026**	**10,349**
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	**272**	209
Profit and loss account	viii	**8,362**	8,748
Total shareholders' funds		**10,026**	**10,349**

The financial statements were approved and authorised for issue by the Board of Directors on 3 June 2011 and signed on its behalf by:
Adam Moloney – Group Finance Director

Notes to the Company's Financial Statements

For the year ended 31 March 2011

Principal Accounting Policies

Basis of accounting

The financial statements for the Company have been prepared on the going concern basis, under the historical cost convention and in accordance with the Companies Act 2006 and applicable Accounting Standards in the United Kingdom.

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

Investments

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

Deferred Taxation

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

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

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

Related Party Transactions

FRS 8, 'Related Party Transactions', requires the disclosure of the details of material transactions between the reporting entity and related parties. The Company has taken advantage of exemptions under FRS 8 not to disclose transactions between 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 either a Monte Carlo valuation model or the QCA-IRS option valuer using the Black-Scholes formula, taking into account the terms and conditions upon which the grants were made. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where forfeiture is only due to share prices not achieving the threshold of vesting.

During the year the company also introduced a new long term incentive plan. The fair value of the conditional awards of shares granted under the long term incentive plan determined at the date of grant. The fair value is then expensed on a straight line basis over the vesting period based on an estimate of the number of shares that will eventually vest. At each reporting date, the non market based performance criteria and total shareholder return defined in the long term incentive plan will be reconsidered and the expense will be revised as necessary.

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

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

Dividends

Final dividends are recorded in the financial statements in the period in which they are approved by the shareholders. Interim dividends are recognised when paid.

Cash Flow Statement

The cash flows of the Company are included in the consolidated cash flow statement on page 45.

i. Operating Expenses

Staff costs

Details of the Directors' emoluments are given in the Directors' Report on page 9. The Director's remuneration costs are borne by a subsidiary undertaking. The Company did not incur any staff costs during the year (2010: £nil). The average number of employees employed by the company during the year was 4 (2010: 4).

Services provided by the Group's auditor

Fees payable for the audit of the parent company and consolidated accounts of £18,000 (2010: £25,000) were borne by a subsidiary undertaking.

ii. Fixed Asset Investments

	£'000
Cost	
At 1 April 2010 and 31 March 2011	**5,043**

The following are the principal subsidiary undertakings of the Company:

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

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.

iii. Debtors

	31 March 2011 £'000	31 March 2010 £'000
Other debtors	**26**	28
Amounts due from subsidiary undertakings	**-**	-
Prepayments and accrued income	**3**	7
Amounts due within one year	**29**	**35**
Other debtors	**-**	2,925
Amounts due after more than one year	**-**	**2,925**

The amounts due after more than one year related to amounts due from Redstone plc (see note 18 of the consolidated financial statements).

iv. Creditors: amounts falling due within one year

	31 March 2011 £'000	31 March 2010 £'000
Other creditors	9	301
	9	**301**

v. Provisions for liabilities and charges

	31 March 2011 £'000	31 March 2010 £'000
Total unprovided deferred tax assets are as follows:		
Tax losses available	1,570	1,382
Unprovided deferred tax asset	**1,570**	**1,382**

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 408 of the Companies Act 2006 and have not presented a profit and loss account for the Company alone. During the year ended 31 March 2011 the Company made a loss of £386,000 (2010: £2,647,000).

vii. Share Capital

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 2010	**199,688,710**	**499**
As at 31 March 2011	**199,688,710**	**499**

viii. Share Capital and Reserves

	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Share based payment £'000	Profit and loss account £'000
Balance at 1 April 2010	**499**	**198**	**695**	**209**	**8,748**
Loss for the year	-	-	-	-	(386)
Share option charge	-	-	-	63	-
Balance at 31 March 2011	**499**	**198**	**695**	**272**	**8,362**

ix. Share Options and Share Based Payments

Share options and share based payments are disclosed in note 24 to the consolidated financial statements.

x. Related Party Transactions

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

JP Hennigan resigned as a Director on 21 December 2009. Included within the salary and fees figure is an amount totalling £163,000 which was paid after the date of his resignation as a director in connection with a compromise agreement and his contractual 12 month notice period. HRP Reynolds formally resigned as Non Executive Chairman and Director on 11 September 2009. Included within the salary and fees figure is a payment in respect of his contractual 12 month notice period of £75,000 agreed in June 2009. HRP Reynolds continued in his role as Non Executive Chairman without further payment from 30 June 2009 until he formally resigned on 11 September 2009. The current directors of Eckoh plc receive all contractual payments through the wholly owned subsidiary, Eckoh UK Limited, but have employment contracts with Eckoh plc. These amounts are all accounted for in the year ended 31 March 2010.

xi. Events after the Balance Sheet Date

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2011 of 0.1 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 7 October 2011 with payment on 4 November 2011. The ex-dividend date will be 2 November 2011. This recommendation will be put to the shareholders at the Annual General Meeting. Based on the shares in issue at the year end, this payment would amount to £0.2m.

Shareholder Information

Shareholder Information

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

Directors and Company Secretary

C.M. Batterham
Non-executive Chairman

C. Ansell
Non-executive Director

N.B. Philpot
Chief Executive Officer

A.P. Moloney
Group Finance Director
and Company Secretary

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