Eckoh

always inspiring

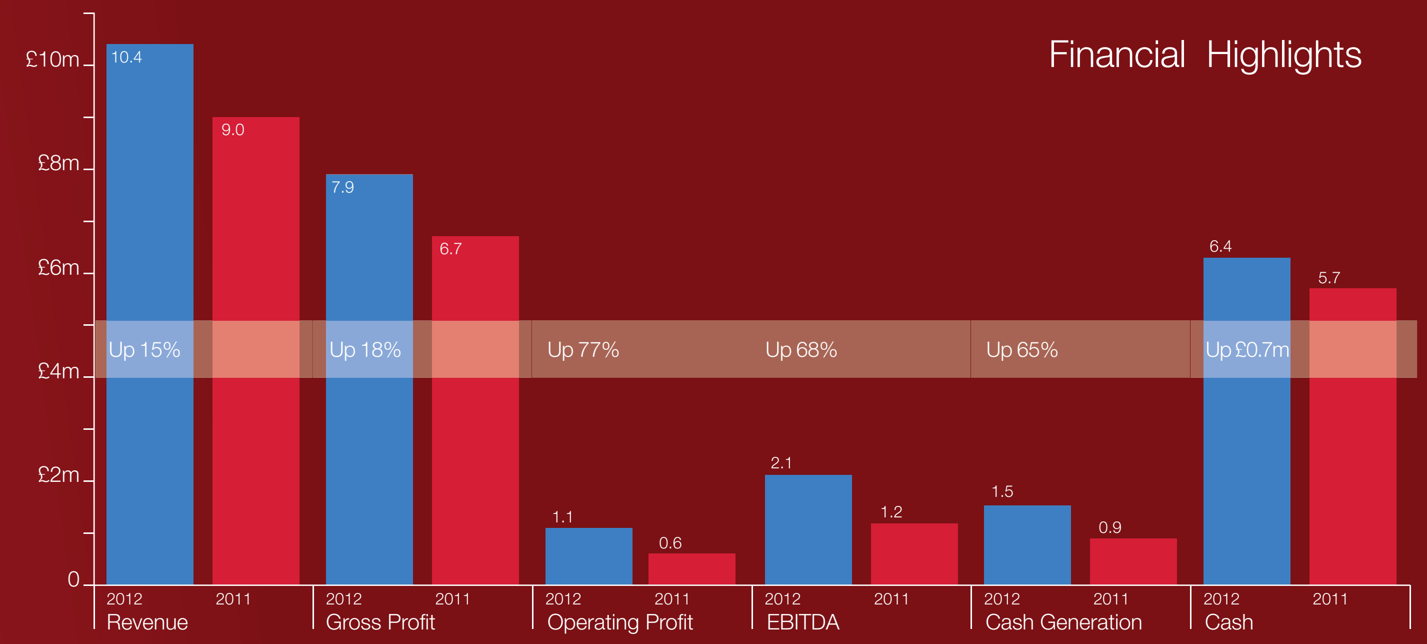
annual report 2012

AIM QUOTED

London Stock Exchange

Contents

Financial Highlights



Overview

Eckoh is the UK's leading provider of speech recognition and associated payment solutions, across voice, web and mobile channels.

Our sophisticated technology enables payments, transactions and enquiries to be processed without the need for a customer to speak to a contact centre agent. This significantly reduces our client's operational costs, and frees up their agents to deal with more complex enquiries.

Eckoh is the largest provider of such hosted services in the UK with the infrastructure and scalability to handle up to 6,000 calls simultaneously. This means that calls will always be answered no matter how unpredictable the circumstances.

Eckoh is a Payment Card Industry Data Security Standards (PCI DSS) level one compliant service provider, annually processing over £250 million in card payments.

Across the voice, web and mobile channels Eckoh processes around 30 million transactions a year.

Typical applications include:

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

Our Clients

Eckoh clients are large companies or organisations who receive a high volume of customer enquiries that are typically handled by a live contact centre. They generally contract with us for an initial three year period. Once the value of the service has been proven it is usual for the contract to be extended, ensuring an excellent client retention level.

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

Call and transactional volumes and fixed monthly fees represented 87% of Group revenue for 2010/11 and gives excellent visibility on forecasted income. Our clients include:

Utilities
- Bristol Water
- Bournemouth Water
- Dŵr Cymru Welsh Water
- Northumbrian Water
- Power NI
- United Utilities
- Utilita
- Veolia Water
- Wessex Water

Travel
- Addison Lee
- BAA
- Gatwick Airport
- National Rail Enquiries
- Transport for London

Financial Services
- Barclays
- London Stock Exchange
- RCI Financial Services
- TD Waterhouse
- VF Services
- Paratus AMC

Outsourcing and distribution
- IPSOS MORI
- Orbital Response
- Parcelforce Worldwide
- Royal Mail
- Rentokil

Telecoms
- BT
- O2
- Resilient Networks
- Serco
- Telecom Express

Public Sector
- Central Office of Information
- Defra - Rural Payments Agency
- Essex County Council
- Ministry of Justice

Leisure and Media
- Premier Inn
- Vue
- William Hill
- Comic Relief

Retail
- Electrolux
- Ideal Shopping Direct
- Lead the Good Life
- Ten Pin
- The Garden Centre Group

Highlights of the Year

> Operating profit increased by 77% to £1.1m (FY11: £0.6m).

Financial Highlights:

- Revenue from continuing operations up 15% to £10.4m (FY11: £9.0m) - 87% of FY12 revenue is of a recurring nature
- Gross profit from continuing operations up 18% to £7.9m (FY11: £6.7m) - Gross margin increased to 76% (FY11: 74%)
- Operating profit increased by 77% to £1.1m (FY11: £0.6m)
- EBITDA* increased by 68% to £2.1m (FY11: £1.2m)
- Cash generated from operating activities increased by 65% to £1.5m (FY11: £0.9m)
- Strong debt free financial position with a cash and short term investment balance up to £6.4m (FY11: £5.7m)
- Deferred tax asset of £1.3m recognised
- Basic EPS of 1.29p (FY11: loss of 0.12p)
- The Board recommends a full year dividend of 0.2 pence per share for the year ended 31 March 2012 (FY11: 0.1 pence per share)

Operational Highlights:

- Contract win with Transport for London for EckohASSIST
- Strong new customer traction during the period. Contract wins include: the Legal Services Commission, GEOAmey, IPSOS MORI, Luxup, Orbital Marketing Services Group and Tenpin
- Strategic relationship with BT renewed for a further three years
- Additional sales channel partner agreements signed with Azzurri Communications and a global payment service provider
- Successfully passed first annual audit of compliance with the Payment Card Industry Data Security Standards (PCI DSS)

Current Trading:

- First contract win with a local authority, Essex County Council
- £2.2m contract renewal with global financial services organisation
- Payment solution contract wins with Paratus AMC, Sembcorp Bournemouth Water Limited, Bristol Water and Wessex Water
- Contract renewal with National Rail Enquiries
- EckohASSIST and EckohPROTECT emerging as leading products within the product range

*EBITDA is the profit before tax adjusted for depreciation, amortisation, finance income and finance expense

Chairman's Statement

I am delighted to be able to report on a further year of excellent progress for Eckoh. In the 2011/12 financial year, we have seen a fourth successive year of double digit revenue and margin growth with revenue breaking through the £10m barrier. Much of this top line growth has translated into increased profitability with the operating profit of the business increasing from £0.6m to £1.1m. Pleasingly, this improved financial performance has been achieved whilst still investing in the business to enable the growth seen in recent years to continue into future periods.

Chris Batterham
Chairman

Last year we reported that amongst our key strategic goals was an expansion of our indirect sales channels and to continue to develop innovative new products to maintain our market leading position.

We have made significant progress in both areas. In October 2011, we announced that we have renewed our long term partnership with BT until 2014 and have since announced other collaborations with Servebase Global Payment Solutions and Azzurri Communications. The latter has already resulted in a contract with Essex County Council, our first in the local authority sector. We are in discussions with a number of other organisations about similar collaborative arrangements as the value of the services we supply is increasingly being recognised by other parties.

This year we launched two products - EckohPROTECT and EckohASSIST. EckohPROTECT enables contact centre agents to process credit card payments from callers without being made aware of their card details. EckohASSIST uses natural language speech technology to identify how to best route calls within an organisation removing the need for a caller to navigate cumbersome menus. We believe these products will be key drivers for further growth in the year ahead.

The Board has encouraged the management team to recruit high quality members of staff into key new roles and to promote a number of high performing individuals within the organisation. This has included the creation of a team within the business that specialises in developing smartphone applications that complement existing services over voice and web channels. This growth in headcount, combined with a lack of meeting space for client meetings, has led us to increase capacity within our office space and lease an additional floor at our existing Hemel Hempstead office.

This increased headcount will better equip us to deal with an ongoing increase in demand for services from clients. It will also promote an environment of innovation within the business to broaden our technology capabilities and to take it into new markets.

The strong growth in operating profit and cash flow has enabled us to propose a significantly increased dividend of 0.2 pence per share (FY11: 0.1 pence per share) enabling long standing shareholders to see a return on the investment that they have made. We will be working hard to ensure that this trend continues.

The quality of the solutions provided by Eckoh is directly related to the high level of expertise within our development team and the accomplished way that those services are then supported by the rest of the company. The excellence and diligence of the employees at Eckoh has continued to deliver the sustained growth and progress that the business has experienced, and it is particularly pleasing to see the high level of incremental sales into our existing customer base. I would like to take this opportunity to thank our staff for all their efforts and continued commitment to the Company.

Going into 2012/13 with a portfolio of blue chip clients contracted for significant periods and a product set which meets increasing demand in the market leads the Board to be optimistic that the progress made in recent years will continue into the future.



Business Review

Introduction

The 2011/12 financial year has been one of significant progress for the Group both strategically and operationally. Demand for our solutions is at an all-time high with the public and private sector examining ways to minimise their cost base whilst refusing to compromise customer service.

Alongside our operational progress we have embarked on a strategic investment programme for the business that is designed to ensure our current growth is sustained over a prolonged period and that our scale is sufficient to meet the demands of our expanding client base.

Inspired by the introduction of services such as Apple's Siri, Samsung's S Voice and Nuance's Dragon Go, corporate interest and demand for voice-enabled services has increased significantly, creating a market opportunity that spans phones, tablets, PCs and a host of other devices.

As a result of these initiatives in the speech sector by companies such as Nuance, Apple, Google, Microsoft and Samsung we have witnessed a positive reassessment and popularisation of speech technology and the business benefits it can deliver. The surge in appetite for devices that understand the spoken word is being similarly reflected in an increased demand for the types of business process solutions using speech recognition that Eckoh provides.

The evolution of our EckohASSIST and EckohPAY products and the development of our mobile offering are testament to this heightened interest surrounding speech.

Operational Review

In 2011, we highlighted a number of strategic initiatives designed to accelerate the growth of our business. These were to:

- 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', premises 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; and
- Maximise our level one PCI DSS status and EckohPAY product

We have made significant progress on all these goals over the last 12 months which will continue to form the cornerstone of growth across our business in the medium term.

> “Demand for our solutions is at an all-time high with the public and private sector examining ways to minimise their cost base whilst refusing to compromise customer service.”

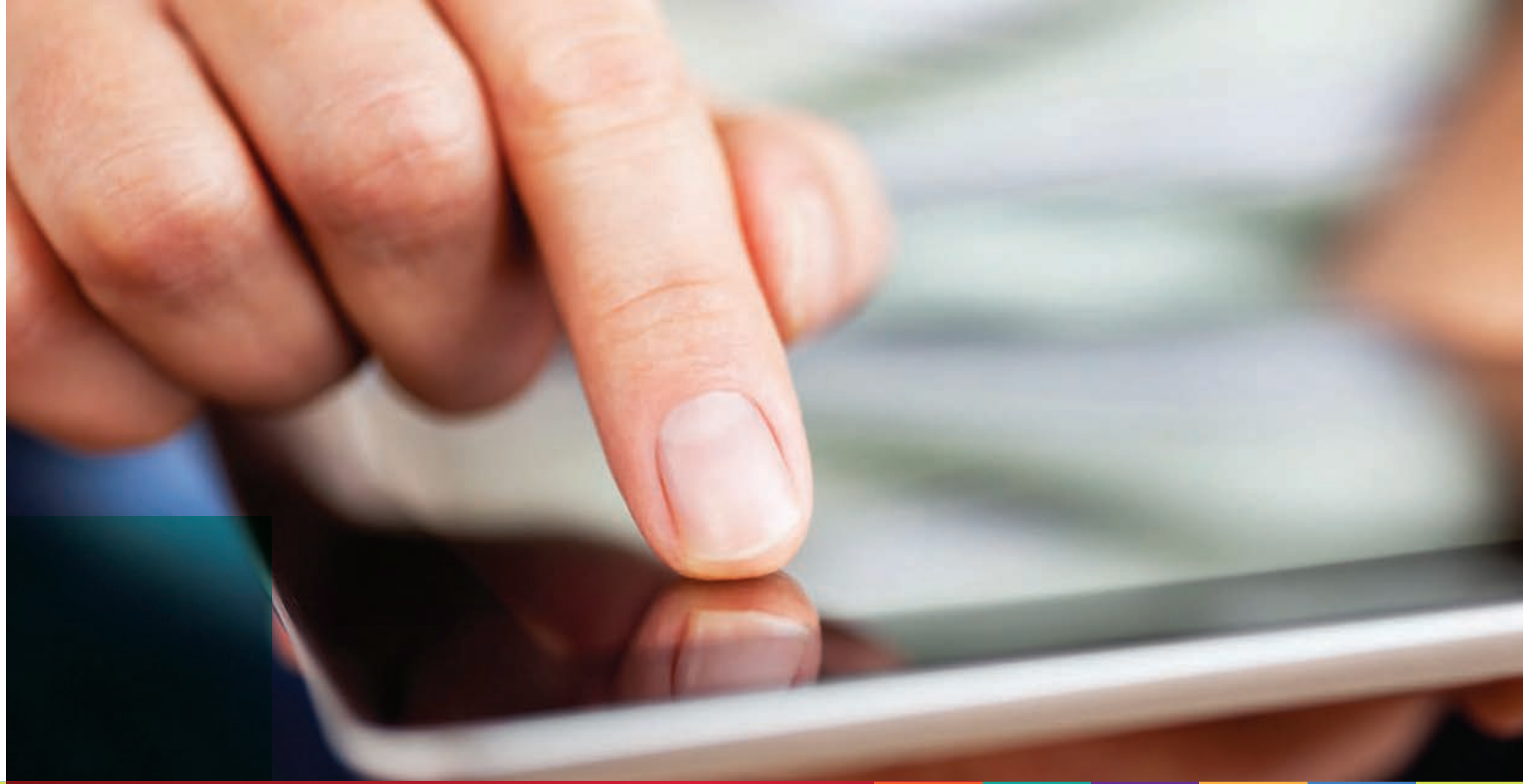
Business Review

Expansion of Indirect Sales Channels

In October 2011 we announced the extension of our strategic relationship with BT for a further three years to 2014. Our mutually exclusive relationship with BT dates back to 2003 and helped establish Eckoh as the market leader in the provision of hosted speech solutions. Over time it became evident that this exclusive relationship was potentially preventing other organisations collaborating with Eckoh and therefore the new contract is on a non-exclusive basis enabling the Group to extend our sales channel by collaborating with new potential partners. Since our interim results we have signed formal agreements with Azzurri Communications and a global payment service provider. We are in active discussions with a number of other potential partners and we expect to announce further collaborations in the year ahead, which we anticipate will serve to accelerate our sales growth.

We have recently announced the first new contract won alongside Azzurri, which will see Eckoh develop and implement a hosted speech recognition solution across Essex County Council's customer service operations. The agreement was secured through a formal tender process and represents the first implementation of Eckoh's speech technology by a local authority. The Council provides services for 1.4 million people and is one of the largest local authorities in the UK. The first phase of the solution, which is based on a variety of Eckoh's products including EckohLOCATE, EckohID and EckohSURVEY, began at the beginning of April 2012.

The core focus of this service will be to reduce call waiting times, thus freeing up agents to deal with more complex enquiries and achieve significant cost savings.



Innovate Through New Product Development

We have continued to develop our product range throughout the year, but we are particularly excited about the prospects for EckohPROTECT and EckohASSIST, both of which were launched during the period.

EckohPROTECT is a payments solution targeting organisations that are processing card payments over the phone. Unlike the EckohPAY product the contact centre agent remains on the phone with the caller throughout the process asking them to key in their credit card details where required.

Companies are increasingly under pressure to find ways of processing card payments in a manner which is compliant with the Payment Card Industry Data Security Standards (PCI DSS) and this pressure is driving up the number of sales opportunities for Eckoh's payment solutions. Implementing EckohPROTECT or EckohPAY makes it much more straightforward for organisations to be compliant with PCI DSS standards and the model that Eckoh offers makes this a very efficient way of achieving compliance both quickly and economically.

EckohASSIST is a product which ensures that caller's requirements are understood immediately, so that they are provided with the correct information or are connected to the appropriate contact centre agent on the first attempt. Organisations waste large amounts of money because calls are routed incorrectly which also negatively impacts customer satisfaction.

The product enables all inbound calls to be answered with an automated greeting that simply asks the caller "How can I help you?" and allows them to reply in a completely natural manner. EckohASSIST works by utilising the speech recognition technology alongside a complex statistical engine to determine what the caller requires and how the call should be handled. This could result in the call being routed through to a particular skills group within a contact centre, being passed to an automated service or having an application launch on a mobile device. On the minority of occasions when it is difficult to confirm their requirement automatically, the caller's spoken audio is streamed to a 'hidden' contact centre agent who can classify the call manually and assist the service. Because each call processed increments the statistical engine, over time the success rate of the automation will increase.

Transport for London has over 30 different contact telephone numbers and research has shown that on some numbers up to 40% of callers are misdirected. Eckoh won the contract to provide TFL with EckohASSIST in October 2011 and the first phase of the service went live in April 2012. It is anticipated that by using EckohASSIST the number of misrouted calls will be reduced by over 75%, which will save a minimum of £0.5m per annum. It will also ultimately allow TFL to remove the large number of phone numbers in circulation and promote a single telephone number, which will reduce marketing expense and improve public awareness.

Business Review

Provide Alternative Ways of Providing Solutions to Clients

A key development over the past year has been the extended reach of the Eckoh telephony platform. The platform, which is located in secure data centres in the UK, has managed calls delivered to it from throughout Europe since 2009, but this year has begun receiving calls from all over the world.

The announcement of the renewal of our multi-million pound contract with a global financial services company highlighted that we are now terminating calls from Australia and New Zealand and we expect further territories to be added over the coming period. We also expect through this extended agreement to work on a number of speech applications covering a wide range of geographies. In anticipation of these developments we have added an additional 1,000 Nuance speech recognition licences and have expanded our licence agreement with Nuance to include all the global languages that they support. This provides a hosted speech capacity and capability that we believe is unrivalled in the UK and Europe.

Expanding the Range of Multi-channel Services

Whilst we believe that the majority of interactions between clients and their customers will continue to remain over the voice channel, we recognise that it is important that we have capabilities in other channels. We have been providing services over the web and through SMS for a number of years, but this year we have added to that capability by recruiting a development team to deliver smartphone applications. This is initially a small team but the applications we have already sold to clients have enabled it to become self-funding and we are anticipating further growth in the year ahead.

The initial focus has been to develop solutions that are complementary to the services that Eckoh already provides in other channels. In particular, smartphone payment applications have been added to EckohPAY and these have already been successfully sold to existing clients. As an example, Power NI (formerly NIE Energy) who have been processing IVR and web payments through Eckoh for a number of years, launched iPhone and Android payment apps in the Autumn of 2011. Within months there had been over 10,000 downloads of the apps and around 12% of all payments were being made through this channel.

We have been particularly successful in the 2011/12 year at upselling additional services to our existing client base. Many of these clients have been working with Eckoh for a number of years and we are viewed as a trusted supplier. We have implemented quarterly service reviews with all clients to evaluate the services we provide, update them on new offerings and review what we are doing for other organisations. This has increased awareness of our capabilities and seen large amounts of incremental revenues coming through from the existing client base.

Critically, for this up-sales process we continue to renew agreements with our most important clients and our churn rate in overall terms remains extremely low. In addition to the global financial service organisation highlighted earlier, other renewals have included Addison Lee, National Rail Enquiries and a leading UK logistics organisation.

“We have been particularly successful in the 2011/12 year at upselling additional services to our existing client base.”

Business Review

Maximise PCI Level One PCI DSS Status

We announced in November 2011 that we had maintained our status as a Payment Card Industry Data Security Standard (PCI DSS) Level One Service Provider. This accreditation forms the basis for our proposition in the payment sector with the promotion of the EckohPAY and EckohPROTECT products.

During the period and in the first quarter of this year we have won a number of new contracts with organisations where taking secure card payments have been the initial business driver for the agreement. These include the Legal Services Commission, GEOAmey, Orbital Marketing Services Group, Sembcorp Bournemouth Water, Bristol Water and Wessex Water. We have also recently signed a new agreement for EckohPAY with Paratus AMC.

It is frequently the case, however, that whilst taking PCI DSS compliant card payments may be the key part of the solution, Eckoh also delivers other speech-enabled services over time. Where these services do not form part of an initial solution, there is an on-going opportunity to upsell them through the quarterly service reviews.

Payment contracts are typically three years in length and generally there are minimum levels of card payment transactions guaranteed by the client as part of the agreement. The service is charged on a per transaction basis with usually a modest set-up fee paid at the outset of the contract. We believe that our proposition in the payment sector, particularly with the addition of EckohPROTECT to our product range, will continue to be a large growth area in the years ahead.

We are currently recruiting in a number of key areas in order to meet the level of new business queries we have witnessed across our business. We are particularly buoyed by the response from our EckohASSIST and EckohPROTECT products, and we believe these two initiatives will be at the centre of our growth. We continue to look to develop our partner network and direct sales and marketing effort in order to enable us to maximise the opportunity that we believe currently exists across the broader market.

Current Trading

The new financial year has started extremely positively with a number of new contracts and renewals being secured. In recent weeks the Company has made the following announcements:

- Renewal of our most valuable contract with a global financial services company until at least 2014
- Renewal of the contract with National Rail Enquiries until 2014
- Contract win alongside Azzurri to provide a range of services to Essex County Council (this first win with a council is significant as it provides a reference site for a other opportunities arising within this sector)
- A three year contract to provide payment services to Paratus AMC
- Further contract wins in the water utility sector with Sembcorp Bournemouth Water, Bristol Water and Wessex Water
- A partnership agreement with a global payment services provider
- The EckohASSIST service going live with Transport for London

Outlook

The Board remains confident that the Company is well positioned to continue its trend of growth seen in recent years. Our key drivers for growth will continue to be determined by the need for organisations to reduce their cost base and process card payments in a way that complies with Payment Card Industry Data Security Standards. The EckohPROTECT and EckohASSIST products have been designed to specifically meet these demands and form the basis of our on-going strategic growth initiatives.

The Board are continuing with a progressive dividend policy and will make a payment of 0.2p per share following anticipated approval at the AGM.

Eckoh has made a strong start to the current financial year and we remain confident that trading will continue in line with market expectations.

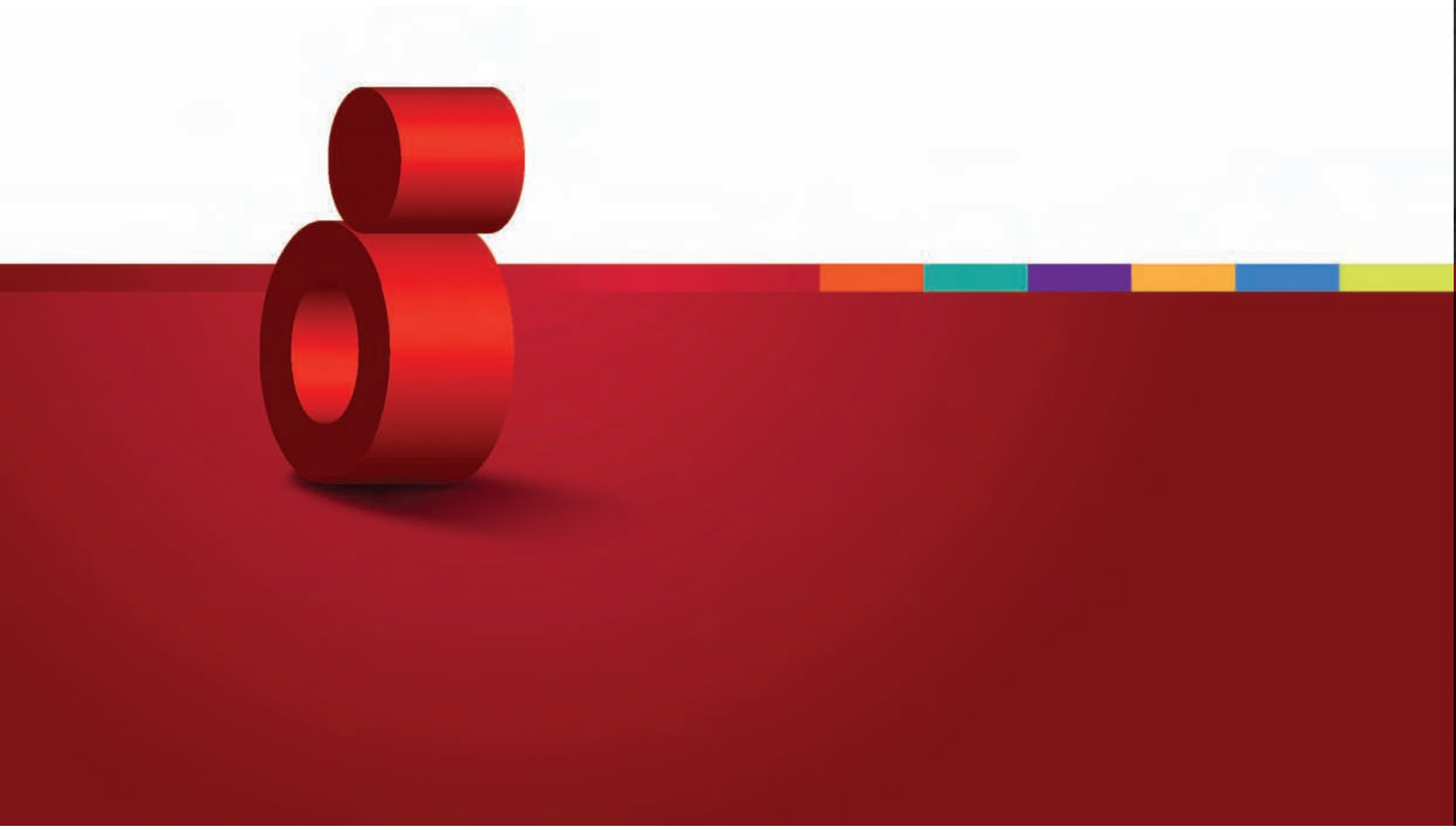
Financial Review

Revenue and Margin

We are pleased to report that 2011/12 is the fourth successive year that Eckoh has reported double digit growth in revenue and margin. Revenue increased by 15% to £10.4m (FY11: £9.0m) while margin increased by 18% to £7.9m (FY11: £6.7m). The gross margin achieved on revenues continues to increase steadily from 74% in the previous year to 76% in this most recent financial year.

87% of the revenue recognised in the 2011/12 financial year is of a recurring nature which provides excellent earnings visibility. We expend a great deal of effort ensuring that our clients are provided with the highest level of service so that renewal rates following the expiry of an initial contract term are extremely good. Securing these clients over long periods means that our growth rates are determined by our ability to win new business. This new business may be won by finding new clients but is also supplemented by our ability to upsell additional services to our existing client base. The development of a strong product set has made the upselling of additional services somewhat simpler with a large proportion of current clients paying for new services or enhancements to existing services.

> “87% of the revenue recognised in the 2011/12 financial year is of a recurring nature which provides excellent earnings visibility.”



> “In the 2011/12 financial year, we have seen a fourth successive year of double digit revenue and margin growth.”

Financial Review

Profitability Measures

The table below demonstrates that the growth in revenue seen in recent years has translated into significant increases in profitability. Since the 2008/9 financial year, margin has increased by 85% to £7.9m, an increase of £3.6m. Over the same period, the administrative expenses (adjusted for non-recurring items) have increased by only £1.6m, leading to a £2m increase in operating profit from a loss of £0.9m to a profit of £1.1m.

Administrative expenses increased by 12% in the most recent financial year from £6.0m to £6.8m. This increase is directly attributed to our planned investment programme as we look to put in place the necessary infrastructure and systems capable of supporting our future revenue and profit growth. We have added strategic headcount in key areas and therefore expanded our Hemel Hempstead office to accommodate this growth. At the same time, we have been gradually expanding the size of the VoiceXML telephony platform, embracing the most up-to-date technology available, leading to additional support costs. The business continues to enjoy the benefits of excellent operational gearing and we would expect the growth in revenue and margin to continue to comfortably outstrip any on-going increase in administrative expenses, thereby improving profits.

	Year ended 31 March 2012 £'000	Year ended 31 March 2011 £'000	Year ended 31 March 2010 £'000	Year ended 31 March 2009 £'000
Turnover	**10,392**	9,003	7,923	6,674
Gross profit	**7,895**	6,663	5,697	4,279
Administrative Expenses	**6,788**	6,036	6,231	6,034
Non Recurring Administrative Expenses	**-**	-	(653)	(811)
Adjusted* Administrative Expenses	**6,788**	6,036	5,578	5,223
Operating profit / (loss)	**1,107**	627	(534)	(1,755)
Adjusted* Operating profit / (loss)	**1,107**	627	119	(944)

*excludes non recurring administrative expenses

Other measures of profitability continue to see a very positive trend with a 68% increase in EBITDA from £1.2m to £2.1m. Again, this follows a trend of growth seen in recent years. This has led to good levels of cash generation with cash generated from operating activities increasing by 31% from £1.2m to £1.6m.

> "The business continues to enjoy the benefits of excellent operational gearing and we would expect the growth in revenue and margin to also continue."

	2012 £'000	**2011 £'000**	2010 £'000	2009 £'000
Profit before tax	**1,256**	**(615)**	**(197)**	**(1,373)**
Amortisation of intangible assets	349	290	157	121
Depreciation	505	446	529	474
Net interest receivable	(49)	1,104	(337)	(382)
EBITDA	**2,061**	**1,225**	**152**	**(1,160)**

Statement of Financial Position

The statement of financial position remains debt free with a cash and short term investment balance at 31 March 2012 of £6.4m (31 March 2011: £5.7m) despite a dividend of £0.2m being paid to shareholders during the year. The statement was further strengthened by the recognition of a deferred tax asset during the year of £1.3m. This asset reflects the amount of losses forecasted to be consumed by the profits of the company over the three coming financial years. There is a further £3.2m of deferred tax assets which have yet to be recognised on the statement of financial position.

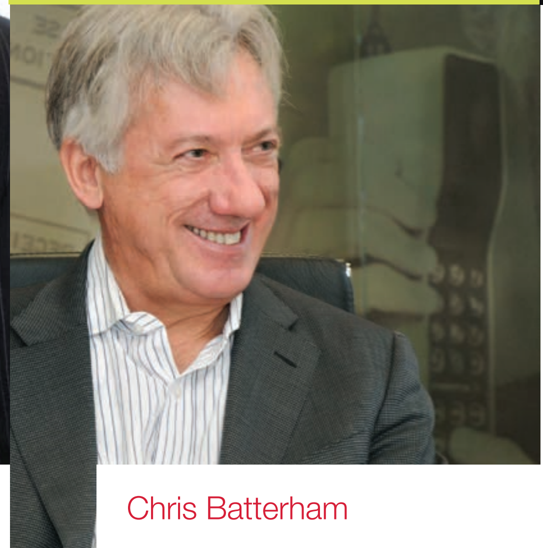
Board of Directors

Adam Moloney

> The Board remains confident that the Company is well positioned to continue its trend of growth seen in recent years.

Nik Philpot

Clive Ansell



Chris Batterham

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 25 years experience in the voice services industry.

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.

Adam Moloney
Group Finance Director

Adam has been Finance Director at Eckoh for 8 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.

Clive Ansell
Non-executive Director

Clive joined the Board in July 2009 and is currently the CEO of Tribal 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.

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 2012.

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 19) report on the progress made in the financial year under review.

The principal subsidiary undertakings are listed on page 66.

Results and Dividends

The audited financial statements and related notes for the year ended 31 March 2012 are set out on pages 46 to 74. The Group's profit for the year is set out in the Consolidated statement of comprehensive income on page 46.

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 0.2 pence per share that will be paid on 21 September 2012 to shareholders on the register at 24 August 2012, subject to approval at the Company's Annual General Meeting on 15 August 2012. Based on the shares in issue at the year end, this payment would amount to £0.4m.

Research and Development

The Group capitalised £0.1m (2011: £0.3m) of development expenditure during the year. The majority of this cost arose from the effort required to develop the product range along with enhancements to client services.

Financial Instruments

The financial instruments of the Group are set out in the notes to the financial statements on pages 50 to 74. Please refer to note 2 for a summary of principal accounting policies; to note 3 for the Group's financial risk management policies in relation to liquidity risk or cash flow risk, interest rate risk and foreign currency risk, as well as capital management; to note 17 for credit risk and loans and other receivables; to note 18 for short-term investments; to note 19 for cash and cash equivalents and to note 20 for trade and other payables.

Related Party Transactions are disclosed in note 25.

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

Annual General Meeting

The next Annual General Meeting of the Company will be held at 11:00 on 15 August 2012. 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 20.

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. N B Philpot 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:

	11 June 2012 Ordinary shares of 0.25 pence each	31 March 2012 Ordinary shares of 0.25 pence each	1 April 2011 Ordinary shares of 0.25 pence each
N B Philpot (i)	3,052,000	3,052,000	2,902,000
A P Moloney	135,000	135,000	135,000
C M Batterham	750,000	750,000	750,000

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 2012 (number)	Granted in year (number)	Lapsed in year (number)	At 1 April 2011 (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	380,643	-	-	380,643	0.00	30.06.12	30.06.21
	e	380,643	-	-	380,643	0.00	30.06.13	30.06.21
	e	247,000	247,000	-	-	0.00	30.06.13	30.06.22
	e	247,000	247,000	-	-	0.00	30.06.14	30.06.22
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	30.06.21
	e	238,020	-	-	238,020	0.00	30.06.13	30.06.21
	e	167,200	167,200	-	-	0.00	30.06.13	30.06.22
	e	167,200	167,200	-	-	0.00	30.06.14	30.06.22

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 32.

e. Granted under the 2010 Eckoh plc Bonus plan. Half of the bonus awards made to executives in respect of the two most recent financial years were made in the form of deferred shares with the calculation for the year ending 31 March 2012 to be finalised on 30 June 2012 ("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 32.

In addition, the Executive Directors have been granted an award of Performance Units ("Units") subject to the rules of the LTIP on 30 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 21 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 23 to the financial statements. All permanent employees are eligible to join a scheme.

Payments to Creditors

The Company and its subsidiaries have a variety of payment terms with their suppliers. The Group agrees payment terms with its suppliers when it enters into binding purchasing contracts for the supply of goods and services. The Group seeks to abide by these payment terms when it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions. At 31 March 2012 the amount of trade creditors shown in the balance sheet represents 69 days of average purchases for the Group (2011: 62 days). The Company had no trade creditors at 31 March 2012.

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

During the year ended 31 March 2012, KPMG Audit Plc was appointed as auditor of the Company in place of BDO LLP. A resolution to reappoint KPMG Audit Plc as auditor, and to authorise the Directors to set their fees, will be submitted to the forthcoming Annual General Meeting.

Shareholder Relations

The Company holds meetings with its major institutional investors and general presentations are given covering the interim and preliminary results. The Chairman, C M Batterham, 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 web site at www.eckoh.com.

Going Concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are a going concern. As part of its normal business practice the Group prepares annual and longer term plans and, in reviewing this information, the Company's Directors are satisfied that the Group and the Company have reasonable resources to enable them to continue in business for the foreseeable future. For this reason the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

> "Strong debt free financial position with a cash and short term investment balance up to £6.4m (FY11: £5.7m)."

Corporate Responsibility

Our Business

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

In the Workplace

Eckoh believes that its employees are the source of its competitive advantage and a valuable asset to the business. We recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre.

Eckoh is an equal opportunities employer. No applicants or employees will be unfairly discriminated against on the grounds of criteria unrelated to their job performance. We are proud of our high staff retention level and we often see people return to Eckoh after a short time of leaving the business.

Our people are proud to work for Eckoh which has retained Best Companies Accreditation status in 2012; nominated by staff as a great employer to work for. We are also profiled in the Best Companies Guide 2011, an annual reference report that offers a unique insight into the UK's top employers.

Development

We encourage our people to develop their skills and keep up to date with new technology, standards and processes. To build a high performance culture at Eckoh and support advancement, we have introduced a programme of training and development which is offered to every employee within the business.

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

Communication

We maintain our enthusiastic and motivated workforce through effective two-way communication. Staff members are regularly informed of matters, both positive and negative, that are affecting the business. This news is relayed with a feedback request through monthly presentations to staff by Directors and regular email bulletins.

Health, Safety and Accessibility

The health, safety and wellbeing of the people on our premises, is our highest priority. We hold regular risk management reviews which scrutinise the safety of our working environment. We actively encourage staff to protect each other from potential harm and be aware of their surroundings, mitigating any risk of slips, trips or falls.

For employees or guests with reduced mobility, our offices are fully accessible with elevators to each floor. For those who choose to cycle or run as part of their daily commute, we have provided showers for their use and convenience.

In the Environment

Although operationally we do not manufacture products, Eckoh understands the impact our business can have on the environment. From the efficient lighting in our offices to the fair-trade coffee in our kitchen areas, we carefully consider the purchases we make and encourage our suppliers to be equally considerate in the way they conduct their business.

Eckoh has taken the following steps to ensure that we are doing all we can for the environment and to set a good example to those who we come into contact with:

- Reduced business travel through the use of web and phone based conferencing systems
- Energy efficient and motion sensor lighting in our offices
- Comprehensive recycling programs in all possible locations
- Photo copiers set to double-sided printing to reduce paper use
- Provide reusable cups and glasses to reduce waste associated with disposable cups
- Encourage alternative methods of transport to travel to and from work e.g. cycle to work scheme.

In the Community

Eckoh recognises the importance of giving something back to the local community, as well as supporting national causes. During the year, we have raised over £3,000 for our nominated charity, Voice. Two Eckoh team members, Sean Ryan and Ashley Burton ran the London Marathon raising £1,546 between them. A series of other fund raising events took place involving all of the employees of the business. As corporate sponsor to Voice, Eckoh has committed to match this figure.

Voice is an independent national charity committed to empowering children and young people in care and in need and campaigning for lasting change to improve their lives. The charity was founded in 1975 by an experienced social worker, Gwen James, in response to the high-profile death of seven year old Maria Colwell, tragically murdered by her stepfather. 'Voice for the Child in Care', as they were known then, began as a small networking pressure group, passionate about enabling children in care to have their voices heard.

Additionally, Eckoh has again been involved with other community projects. This year, we specifically aimed to improve the environment of three local schools in Hertfordshire. Through The Volunteer Centre Dacorum, team members from Eckoh transformed the children's play areas at Aycliffe Drive School Pre-school, Aycliffe Drive Primary school and Woodfield School.

In addition to the amounts raised for Voice, Eckoh has made charitable donations totalling £2,531 during the year (2011: £1,755). 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.

By order of the Board

Adam Moloney, Company Secretary
11 June 2012

> Our people are proud to work for Eckoh which has retained Best Companies Accreditation status in 2012; nominated by staff as a great employer to work for.

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 UK Corporate Governance Code published by the Financial Reporting Council, although as a company listed on AIM it is not required to comply with the UK Corporate Governance Code. The Company is committed to complying with the UK Corporate Governance Code so far as is practicable and appropriate for a public company of its size and nature.

Board of Directors

The Chairman is responsible for the effective running of the Board of Directors. The Board currently has four members, comprising the Non-Executive Chairman, the Chief Executive, the Group Finance Director and a Non-executive Director. The Board has considered the independence of its Non-Executive Chairman, C M Batterham, and after due consideration, has concluded that he is independent. He does not have any involvement in the day-to-day management of the Company or its subsidiaries.

The biographical details of the Board members are set out on page 20.

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. A P Moloney, the Group Finance Director, attends all Audit Committee meetings by invitation and provides advice to the Committee where appropriate. The Chief Executive was invited to and attended both meetings. In June 2011, four leading firms were invited to make presentations to the Audit Committee with a view to replacing BDO LLP as the Company auditor. After due consideration, KPMG Audit Plc was selected as auditor and were formally appointed at the 2011 Annual General Meeting. The Company's auditor attended both meetings and the Committee considered reports issued by them. The auditor has direct access to the Audit Committee without the presence of an Executive Director. The Committee reviews the effectiveness of the Company's internal financial controls by reference to reports from the external auditors. The Committee also reviews the scope and results of the external audit as well as its cost effectiveness.

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

Internal Control and Risk Management

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

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

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

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

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

Directors' remuneration for the financial year was as follows:

Name	Salary and fees £'000	Cash Bonus £'000	Other benefits £'000	2012 Total £'000	2011 Total £'000
C Ansell (i)	25	-	-	25	25
C M Batterham (ii)	40	-	-	40	40
A P Moloney (iii)	132	38	13	183	169
N B Philpot (iv)	207	56	2	265	270
Total	**404**	**94**	**15**	**513**	**504**

The information contained in this table has been audited.

Notes:

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

(i) C M Batterham was appointed as Non-Executive Director on 15 July 2009 and further appointed as Non-Executive Chairman on 11 September 2009.

(i) Included within the other benefits paid to A P Moloney is an employer pension contribution of £12,000 (2011: £12,000). The remainder of the other benefits paid to A P Moloney relate to private healthcare costs of £1,000 (2011: £1,000)

(i) The amount of £2,000 (2011: £2,000) paid to N B Philpot within other benefits relate to private healthcare costs.

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. 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 1 April 2011, the salary of A P Moloney was increased from £118,000 to £132,000. The salary of N B Philpot remains unchanged. Both Executive Directors have service contracts which are terminable on twelve months' notice. No further increases have been proposed for the new financial year for either Executive Director.

Both Non-Executive Directors have service contracts terminable on six months' notice. The fees payable to the Non-Executive Directors had been unchanged since their appointment in July 2009. Upon review, it was agreed that the fees paid were below market rates and were increased. With effect from 1 April 2012, the fee payable to C M Batterham increased from £40,000 to £45,000 per annum and the fee payable to C Ansell increased from £25,000 to £30,000.

During the 2010/11 financial 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. These plans still form the basis of incentive arrangements for senior executives.

Bonus Arrangements

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

- Margin growth 30%
- Profit before tax 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 2012, performance against targets resulted in a bonus payment of 58% 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 2013 and 30 June 2014. A similar scheme has been instigated for the year ended 31 March 2013.

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 24-25.

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.

Market Drivers for Evolving Services

A New Empowered, Self-serving Customer

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

76% of Adults have Broadband (Fixed and Mobile) in the UK, and 14% have Mobile Broadband (Ofcom, 2012)

How businesses offer access to real-time information is critical to their on-going success. To increase and retain customer loyalty, organisations need to assess the potential that innovative customer service solutions can have in differentiating their business. Effectively deploying these new technologies will determine if customer demand is truly satisfied.

Customers Still Need to Speak to Someone

Despite the increasing trend to use web and mobile channels to access information, there is still a need to use the phone (mobile or landline) to contact organisations. The voice channel is still forecast to remain the dominant channel for some years to come.

However, operating contact centre agents in the UK or off shore is expensive, and this explains to some extent why automated solutions for contact centres are on the increase. Not only do they reduce costs but they address customers' needs. Improved technologies and innovative applications make phoning organisations easier, friendlier and more convenient to use, resulting in increased customer satisfaction.

Speech Recognition Systems Have Come a Long Way Over The Last Few Years.

Customers should no longer have to deal with the frustration of words, phrases or accents being misunderstood, being put on hold or being redirected incorrectly. Technology and application design has become more sophisticated to meet the increasing high expectations from customers. In addition, to compete with rivals, contact centres and businesses also recognise the value of the timely deployment of advanced solutions to retain customers.

When designed properly, speech recognition systems allow callers to speak to a system just as they would to a contact centre agent. The technology has evolved to make precise recognition of extremely large grammars viable, even in difficult environmental conditions. This makes it possible not just for the system to understand and respond to the caller accurately, but to do so in an intuitive and personalised manner.

Going Mobile – Enriching Customer Relationships

Whilst the voice channel continues to be the preeminent method to service customer enquiries, consumer demand to access services and get information on the move continues to increase, and the mobile web accounts for an even greater proportion of customer contact. Developing mobile channels to meet customer contact needs, is a natural evolutionary step, and one that many businesses are keen to make use of.

The rapid adoption of smartphones and other next-generation devices, that can blend spoken and keyed interactions via touch screen and the mobile browser, has provided businesses with an opportunity to enhance relationships with their customers.

Payment Card Security Enforcement

Payment Card Industry Data Security Standards (PCI DSS)

Since its introduction in 2004, the Payment Card Industry Data Security Standards (PCI DSS) has had a significant impact on organisations that store, process or transmit card holder data. The aim of the standard is to ensure that organisations manage card data securely through a complete and multifaceted array of security policies, practices and controls.

PCI DSS directly impacts contact centres, specifically the management of call recordings, their storage and the control of the agent/caller interface. An increasingly hard line is being taken to enforce the standard through assessments and significant fines are being levied for non-compliance.

Europe is now following the strict approach of the USA where businesses are instructed not to use a service provider to support their payment processing operations, unless they are PCI DSS compliant.

Non-Compliance can be Devastating

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.

A full investigation by a Qualified Forensic Investigator will be carried out if cardholder data is compromised. Failing to meet just one requirement of the PCI DSS, regardless of whether it contributed to the security breach, is deemed 'non-compliant, with no protection against card scheme fines'.

Over 63% of Contact Centres are not PCI DSS Compliant

Recent research reveals that despite 36.7% of contact centres judging themselves to be fully compliant with the Payment Card Industry Data Security Standards (PCI DSS), the vast majority (89%) admitted to not understanding its requirements and penalties*. PCI DSS also has four levels of compliance and the lowest levels only require self-accreditation, so it seems entirely possible that of those contact centres who claim compliance many are in reality still in potential breach.

To further illustrate the high level of disarray in the market, a third of all contact centre respondents (33%) claimed to be years away from full PCI DSS compliance, with a fifth (21%) stating that their processes will never be in full accordance with the standard's stringent requirements.

** Callcentrehelper.com, 6 January 2011*

How Eckoh is Adapting to Market Demands and Customer Needs

Redefining the Speech Recognition Customer Experience

Our 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.

Using the most advanced speech technologies, Eckoh has created a natural sounding application and dialogue:

EckohASSIST – Intelligent Speech Recognition Technology

EckohASSIST greets callers through a single phone number to the organisation with “how can we help you?”. The caller can describe the reason for their call in their own words and based on their reply they will be routed appropriately.

To provide a natural and straightforward customer experience, Eckoh uses the most advanced speech technology combined with complex statistical language models. It not only provides a compelling and satisfying customer experience, but also delivers a significant cost saving to the organisation.

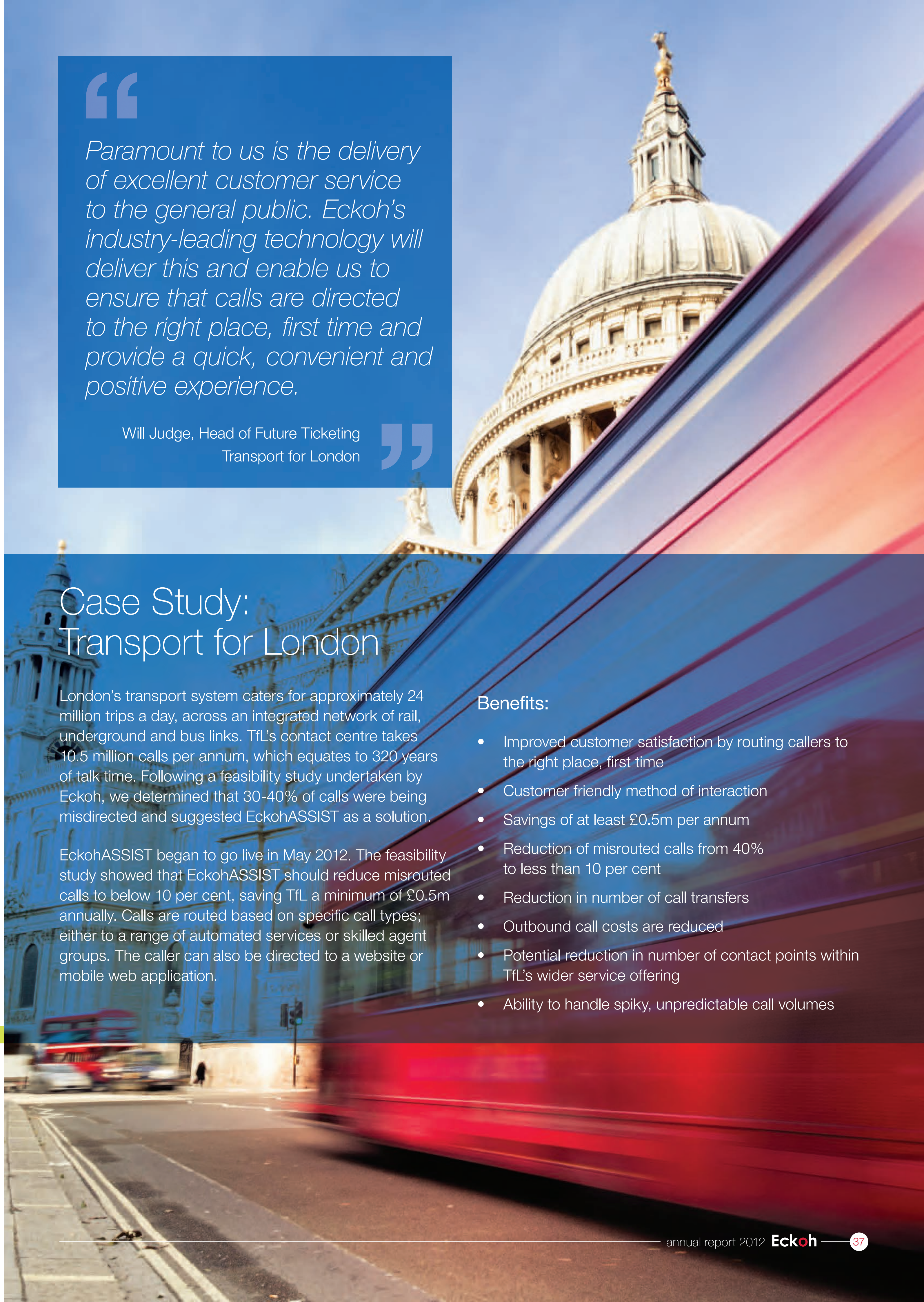
With EckohASSIST, callers can now take control of the interaction. It minimises any frustration and increases their confidence in the organisation’s ability to provide them with the right service and support.

The Hidden Agent and Intelligent Systems

On the minority of occasions when it is difficult to be sufficiently confident of the caller’s requirement, their spoken audio is streamed to a ‘hidden’ contact centre agent to categorise 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 an on-going basis. The hidden agent is never connected to the caller, as this allows them to manage several calls within the same time period it would take to speak directly to a single caller. From the caller’s perspective they assume their call is being handled by the speech recognition service at all times, which provides a positive reinforcement of the veracity of the technology.

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

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



“Paramount to us is the delivery of excellent customer service to the general public. Eckoh’s industry-leading technology will deliver this and enable us to ensure that calls are directed to the right place, first time and provide a quick, convenient and positive experience.”

Will Judge, Head of Future Ticketing
Transport for London

Case Study: Transport for London

London’s transport system caters for approximately 24 million trips a day, across an integrated network of rail, underground and bus links. TfL’s contact centre takes 10.5 million calls per annum, which equates to 320 years of talk time. Following a feasibility study undertaken by Eckoh, we determined that 30-40% of calls were being misdirected and suggested EckohASSIST as a solution.

EckohASSIST began to go live in May 2012. The feasibility study showed that EckohASSIST should reduce misrouted calls to below 10 per cent, saving TfL a minimum of £0.5m annually. Calls are routed based on specific call types; either to a range of automated services or skilled agent groups. The caller can also be directed to a website or mobile web application.

Benefits:

- Improved customer satisfaction by routing callers to the right place, first time
- Customer friendly method of interaction
- Savings of at least £0.5m per annum
- Reduction of misrouted calls from 40% to less than 10 per cent
- Reduction in number of call transfers
- Outbound call costs are reduced
- Potential reduction in number of contact points within TfL’s wider service offering
- Ability to handle spiky, unpredictable call volumes

Payment Solutions from a PCI DSS Compliant Level One Service Provider

By implementing Eckoh's technology solutions, businesses can stop card data being handled by contact centre agents. This significantly reduces the risk of data being compromised and the scope of a PCI DSS compliance project. Protecting personal customer data means businesses mitigate risk, safeguard brand reputation and increase customer confidence.

Our experience has shown that consumers find it reassuring not having to communicate their card details to a contact centre agent and that using an automated payment system that is available 24 hours a day to be more convenient with their busy modern lifestyles.

EckohPROTECT – Real-time Payments with Contact Centre agents where Card Details are kept Private.

EckohPROTECT is a payments solution targeting organisations that are processing card payments over the phone. Unlike the EckohPAY product the contact centre agent remains on the phone with the caller throughout the payment, providing assistance where required. Many businesses prefer to retain the customer and agent contact throughout the process to minimise call abandonment, provide the opportunity for up selling and to close the call.

When a payment is requested, the caller will be asked to enter their card details using their telephone keypad which generates Dual Tone Multi Frequency ('DTMF') tones.

EckohPROTECT prevents these tones (and the sensitive information they convey) from being heard by the contact centre agent which allows call recording to continue. The agent sees the payment progress on their desktop, but the actual card numbers are not shown.

As a fully accredited PCI DSS compliant Level One Service Provider, Eckoh can offer solutions to process credit and debit card payments using this method. EckohPROTECT mitigates the risk of credit card fraud for our clients by eliminating the handling of card data by agents, ensuring cardholder data remains isolated from the contact centre environment.

EckohPAY – Payments made over the Phone, Web, Smartphone or SMS without the need to talk to an agent

EckohPAY enables customers of our clients to make card payments conveniently and securely over the phone, web, SMS or smartphone. By using our PCI DSS compliant automated payment solutions the efficiency of contact centre agents is increased by freeing them up to service more complex or higher-value calls. EckohPAY is also fully integrated with the leading Payment Service Providers ('PSP's') including Barclaycard, BT Buynet, WorldPay, SagePay and Realex.

By implementing Eckoh's payment solutions, businesses can stop card data being handled by contact centre agents. This significantly reduces the risk of data being compromised and the scope of a PCI DSS compliance project. Protecting personal customer data means businesses mitigate risk, safeguard brand reputation and increase customer confidence.

EckohPAY is a fully automated, real-time, and secure phone, web, SMS and smartphone card payments service. Unlike EckohPROTECT it does not require agent participation which makes it an ideal choice for organisations looking to take payments outside the normal hours of operation of the contact centre.

Eckoh currently processes over £250 million per annum in card payments through EckohPAY.

Case Study: RCI Financial Services

RCI Financial Services provide finance solutions to Renault and Nissan customers of new and used cars and light commercial vehicles.

All customer service calls, which include payment requests, contract settlement figures and dealer calls were dealt with by contact centre agents. The majority of the calls received into the contact centre were for information on contract settlement amounts with the centre receiving more than 400,000 calls annually. A critical requirement for RCI was to select a provider that was not only PCI DSS compliant to automate the payment requests, but to offer an alternative solution for dealing with the more routine requests for settlement information. RCI wanted to free up agents to handle the more complex customer service requests.

Eckoh proposed its real-time PCI DSS compliant payment solution, EckohPAY combined with EckohID to securely authenticate the caller. The solution was implemented in April 2011 and was an instant success processing £3.2 million in payments in the first 3 months and helping RCI to de-scope their PCI DSS compliance project avoiding costly capital expenditure.

"It was critical for RCI to work with a payment supplier who could demonstrate full PCI DSS compliance. Eckoh not only provide this but they have the infrastructure required to serve our customers securely, quickly and efficiently. They have shown themselves to be highly responsive to our business needs and have given us the confidence that our customers' future demands will be well catered for."

Alan Heaffey, Director of Operations
RCI Financial Services

Web and Mobile Applications

Developing mobile phone apps and websites that complement our speech recognition solutions and enabling businesses to meet customer contact needs, is a natural evolutionary step for Eckoh.

We have successfully provided clients with the means to complement their existing contact centre technologies with web and mobile applications for customers.

Eckoh can enable businesses to interact with their customers through any contact channel they prefer—including phone, web, mobile/ smartphones and other devices. Services can be highly personalised, recognising customers from previous interactions and meeting their needs using information already known about them.

Reduce Operational Costs and Increase agent Productivity

Whilst Eckoh is probably best known for speech recognition solutions delivered over the telephone, our solutions are truly multi-channel and can be supplied across the voice, web and mobile channels.

As a single supplier for all customer contact channels, our clients can provide more choice for less cost. They will also benefit from the consistent and integrated experience that is applied across all channels.

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

Client Example: Power NI

Eckoh has been working with Power NI since 2005 initially delivering the EckohPAY speech recognition solution. This service has now been extended to include a web-based and smartphone based solutions.

Power NI is the largest electricity retailer in Northern Ireland, supplying over 740,000 customers and has seen more and more of its customers opting to 'pay as they go'. A quarter of a million people in Northern Ireland now have electricity keypads installed in their homes.

We have been delighted to work with Eckoh to develop a multi-channel payment model for our customers, which includes a telephone, web and smartphone payment service – all with discount. The smartphone apps enable us to offer our customers yet another way to purchase discounted electricity for their 'pay as you go' keypad, and are designed to make the process even easier for them.

Ralph Graham, Business Analyst
Power NI

Our Technology

Holly Connects

For the past year, Eckoh has been successfully using a call handling platform from Holly Connects, a leading vendor of software voice platforms and a subsidiary of West Corporation. The Holly platform is a Next Generation Voice Platform providing a flexible, reliable, VoiceXML standards-based framework for delivering voice self-service applications.

Nuance Recognizer

In addition, the latest best-of-breed speech recognition software from Nuance (Nuance Recognizer V9) has been running throughout the new Holly platform. In April 2012 Eckoh extended the capability of the Nuance technology by adding all language models that Nuance support globally. This ensures that Eckoh can support and operate speech recognition services from our operations in the UK in every major language across the globe.

Nuance Verifier

Nuance Verifier voice authentication software creates individual voiceprints to authenticate callers and customers with just their voices, enabling secure access to information.

Enhanced Capability, Performance and Quality

This platform has enabled us to:

- enhance the capability, performance and quality of Eckoh's contact centre solutions; providing exceptional accuracy, reliability and ease of use for the consumer,
- provide a more natural and conversational style. Eckoh predicts clients will demand this style of service, resulting in even higher levels of successful automation, and
- 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.

What Our Clients Think

We work hard to ensure that our 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.

In an independent survey to our client base in 2011,* 100% of our clients said they were satisfied or very satisfied with the service Eckoh offers. They also agree, that compared to our competitors, we have a better service provision, are easy to do business with and demonstrate invoicing accuracy, process and timeliness. According to the majority of our clients, Eckoh is meeting or exceeding their expectations of service benefits.

Whether it is helping transform their contact centre operation, maximising their agent productivity, introducing new technology or reducing operational costs, we help our clients to focus on running their businesses. We have been commended for our superior, professional and client facing approach to account and project management, and is the reason many of our clients stay with us. A fact we're very proud of.

*Research conducted by Versatility Consultants on behalf of Eckoh UK Ltd, 2011

"100% of our clients said they were satisfied or very satisfied with the service Eckoh offers."

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 group and parent company financial statements for each financial year. As required by the AIM Rules of the London Stock Exchange they are required to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and applicable law, and have elected to prepare the parent company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and parent company and of their profit or loss for that period. 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 each of the group and the parent company 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;
- for the group financial statements, state whether they have been prepared in accordance with IFRSs as adopted by the European Union;
- for the parent company financial statements, state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group and the parent company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the parent company's transactions, and disclose with reasonable accuracy at any time the financial position of the parent company and enable them to ensure that the financial statements comply with the requirements of the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the group and to prevent and detect fraud and other irregularities.

Website Publication

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

Audit Report for Eckoh plc

Independent Auditor's Report to the Members of Eckoh plc

We have audited the financial statements of Eckoh plc for the year 31 March 2012, which comprise the Consolidated statement of comprehensive income, Consolidated statement of financial position, Consolidated statement of changes in equity, Consolidated statement of cash flows, Company balance sheet 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 UK Accounting Standards (UK 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 Auditor

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 2012 and of the group's profit for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company's financial statements have been properly prepared in accordance with UK 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.

M Matthewman (Senior Statutory Auditor)
For and on behalf of KPMG Audit Plc, Statutory Auditor

Chartered Accountants
Altius House
One North Fourth Street
Milton Keynes
MK9 1NE

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income

for the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Continuing operations			
Revenue	4	**10,392**	9,003
Cost of sales		**(2,497)**	(2,340)
Gross profit	4	**7,895**	6,663
Total Administrative expenses	4,6	**(6,788)**	(6,036)
Profit from operating activities	5	**1,107**	627
Finance expense	17	**-**	(1,225)
Finance income	8	**49**	121
Profit from sale of investment	11	**100**	-
Share of loss in associate	11	**-**	(23)
Impairment of investment in associate	11	**-**	(115)
Profit / (loss) before taxation		**1,256**	(615)
Taxation	9	**1,320**	316
Profit / (loss) for the year from continuing operations		**2,576**	(299)
Discontinued operations			
Post tax profit for the year from discontinued operations	4, 10	**-**	67
Profit / (loss) for the year attributable to the equity holders of the parent company		**2,576**	(232)
Other comprehensive income			
Exchange differences on translating foreign operations		**-**	14
Adjustment for change in fair value of available for sale equity instruments	17	**-**	(160)
Transferred to profit or loss on sale	17	**-**	160
Total comprehensive income / (expense) for the year attributable to the equity holders of the parent company		**2,576**	(218)
Profit / (loss) per share (pence)	12		
Basic earnings per 0.25p share		**1.29**	(0.12)
Diluted earnings per 0.25p share		**1.23**	(0.12)
Profit / (loss) per share from continuing operations (pence)	12		
Basic earnings per 0.25p share		**1.29**	(0.15)
Diluted earnings per 0.25p share		**1.23**	(0.15)
Profit per share from discontinued operations (pence)	12		
Basic earnings per 0.25p share		**-**	0.03
Diluted earnings per 0.25p share		**-**	0.03

Consolidated Statement of Financial Position

as at 31 March 2012

	Notes	2012 £'000	2011 £'000
Assets			
Non-current assets			
Intangible assets	13	**386**	607
Property, plant and equipment	14	**1,488**	1,348
Deferred Tax Asset	9	**1,320**	-
		3,194	1,955
Current assets			
Inventories	16	**19**	4
Trade and other receivables	17	**3,583**	3,097
Short-term investments	18	**1,000**	317
Cash and cash equivalents	19	**5,370**	5,370
		9,972	8,788
Total assets		**13,166**	10,743
Liabilities			
Current liabilities			
Trade and other payables	20	**(2,261)**	(2,319)
		(2,261)	(2,319)
Non-current liabilities			
Provisions	22	**(43)**	(43)
		(43)	(43)
Net assets		**10,862**	8,381
Shareholders' equity			
Share capital	21	**499**	499
Capital redemption reserve		**198**	198
Share premium		**695**	695
Currency reserve		**(41)**	(41)
Retained earnings		**9,511**	7,030
Total shareholders' equity		**10,862**	8,381

The financial statements were approved by the Board of Directors on 11 June 2012 and signed on its behalf by:
Adam Moloney – Group Finance Director

Company Registration Number 3435822

Consolidated Statement of Changes in Equity

as at 31 March 2012

	Share Capital £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Currency reserve £'000	Total shareholders equity £'000
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**
Balance at 1 April 2011	499	198	695	7,030	(41)	8,381
Total comprehensive expense for period	-	-	-	2,576	-	2,576
Dividends paid in the year	-	-	-	(200)	-	(200)
Share based payment charge	-	-	-	105	-	105
Balance at 31 March 2012	**499**	**198**	**695**	**9,511**	**(41)**	**10,862**

Consolidated Statement of Cash Flows

for the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Cash flows from operating activities			
Cash generated in operations	27	**1,507**	914
Interest paid		**-**	-
Taxation	9	**-**	316
Net cash generated in operating activities		**1,507**	1,230
Cash flows from investing activities			
Purchase of property, plant and equipment	14	**(645)**	(635)
Purchases of intangible fixed assets	13	**(128)**	(298)
Proceeds from sale of investment in associate	11	**100**	-
(Increase) / decrease in short-term investments	18	**(683)**	1,504
Loans repaid by third parties	17	**-**	975
Disposal of available for sale equity instrument	17	**-**	500
Interest received		**49**	28
Net cash (utilised) / generated in investing activities		**(1,307)**	2,074
Cash flows from financing activities			
Dividends paid		**(200)**	-
Capital element of finance lease rental payments		**-**	(1)
Net cash utilised in financing investing activities		**(200)**	(1)
Increase in cash and cash equivalents		**-**	3,303
Cash and cash equivalents at the start of the period	19	**5,370**	2,067
Cash and cash equivalents at the end of the period	19	**5,370**	5,370

Notes to the Financial Statements

For the year ended 31 March 2012

1. Basis of Preparation

The consolidated financial statements of Eckoh plc have been prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the EU ("endorsed IFRS"). These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at 31 March 2012 as endorsed by the EU.

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

- 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
- Improvements to IFRSs (2010) (effective for annual periods beginning on or after 1 January 2011)

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)

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 2012.

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

Going Concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company and the Group are a going concern. As part of its normal business practice the Group prepares annual and longer term plans and, in reviewing this information, the Company's Directors are satisfied that the Group and the Company have reasonable resources to enable them to continue in business for the foreseeable future. For this reason the Company and the Group continue to adopt the going concern basis in preparing the financial statements.

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

The principal accounting policies, which have been consistently applied, are described 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 11
Intangible assets	note 13
Trade and other receivables	note 17
Share based payment	note 23

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 acquisition 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 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 on a transaction basis, when the Group has determined that users have accessed its services via a telephone carrier network and/or the Group's telecommunication call processing equipment connected to that network.
- 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, and its only material exposure to interest rate fluctuations was on its cash and short-term deposits.

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

	2% decrease in interest rates £'000	2% increase in interest rates £'000
(Decrease)/increase in fair value of short-term investments	(118)	118
Impact on income statement: (loss)/gain	(118)	118

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 17.

Categories of Financial Assets and Financial Liabilities

	Loans and receivables	
Current financial assets	**2012 £'000**	2011 £'000
Trade receivables (note 17)	**1,564**	1,326
Other receivables (note 17)	**134**	60
Loans and receivables (note 17)	**-**	-
Short-term investments (note 18)	**1,000**	317
Cash and cash equivalents (note 19)	**5,370**	5,370
Total current financial assets	**8,068**	7,073
Total financial assets	**8,068**	7,073

Financial Liabilities

All financial liabilities held by the Group are measured at amortised cost and comprise trade payables of £1,047,000 (2011: £1,071,000) and other payables of £208,000 (2011: £245,000). See note 20 for further details.

4. Segment Analysis

The Group's continuing operations are considered to represent a single integrated business with only one reportable segment. Internal financial reporting within the Group is prepared on an individual customer basis, rather than on a product basis; however management consider all customers to have similar characteristics, and, therefore, financial analysis and decision-making is performed at an aggregated level rather than customer level. 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. Continuing operations in the table below are represented by the Speech Solutions division with discontinued operations represented by the Client IVR division, sold in June 2010.

2012	Continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	**10,392**	**-**	**10,392**
Gross profit	**7,895**	**-**	**7,895**
Administrative expenses	**(6,788)**	**-**	**(6,788)**
Net interest receivable	**49**	**-**	**49**
Profit from sale of investment	**100**	**-**	**100**
(Loss)/profit before taxation	**1,256**	**-**	**1,256**
Taxation	**1,320**	**-**	**1,320**
(Loss)/profit after taxation	**2,576**	**-**	**2,576**

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)

In 2011/12, there were two customers that individually accounted for more than 10% of the total revenue of the continuing operations of the company (2010/11: two customers). Revenue from these customers in 2011/12 totalled £3,753,000 (2010/11: £3,456,000).

5. Profit from Operating Activities

The Group's profit from operating activities is arrived at after charging:	2011 £'000	2011 £'000
Employee benefits expense (note 6)	**3,251**	2,784
Depreciation (note 14)	**505**	446
Amortisation (note 13)	**349**	290
Operating lease payments – property (note 26)	**588**	487

6. Employee Benefits Expense

	2012 £'000	2011 £'000
Wages and salaries	**2,650**	2,403
Less: Internal development costs capitalised in the year	**(109)**	(251)
Amortisation of internal development costs	**227**	253
Social security costs	**372**	311
Pension costs	**6**	5
Share based payments	**105**	63
	3,251	2,784

The Directors' report on page 22 provides further details on the Directors' emoluments. The average number of people (including executive directors) employed by the Group during the year was:

	2012 Number	2011 Number
Technical support	**30**	29
Customer services	**10**	10
Administration and management	**25**	20
	65	59

Excluded from the table above are 27 (2010/11: 17) full time equivalent casual call centre employees who cost £333,000 (2010/11: £200,000) in the year.

7. Auditor Remuneration

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

	2012 £'000	2011 £'000
Fees payable for the audit of the parent company and consolidated accounts	**15**	18
Fees payable for other services:		
The audit of subsidiary undertakings comprising continuing operations	**25**	26
The audit of subsidiary undertakings comprising discontinued operations	**-**	1
Taxation services	**-**	7
Total fees payable to the Group's auditor	**40**	52

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

8. Finance Income

Continuing operations	2012 £'000	2011 £'000
Bank interest receivable	**49**	32
Interest receivable on loans and other receivables	**-**	23
Arrangement fees on loans	**-**	66
	49	121

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 17.

9. Taxation

	2012 £'000	As restated 2011 £'000
Tax recognised in profit and loss		
Current tax expense/(credit)		
Current year	-	-
Adjustments in respect of prior periods	-	(316)
	-	(316)
Deferred tax expense/(credit)		
Origination and reversal of temporary differences	-	-
Recognition of previously unrecognised tax losses	(1,320)	-
	(1,320)	-
Tax credit from continuing operations	(1,320)	(316)
Tax from discontinued operations (note 10)	-	-
Total tax credit	(1,320)	(316)

No taxation was recognised directly in equity.

The tax charge for the year is different to the standard rate of corporation tax in the UK (26%). The differences are explained below:

	2012 £'000	As restated 2011 £'000
Continuing operations		
Profit / (loss) for the year	2,576	(299)
Total tax credit	(1,320)	(316)
Profit / (loss) excluding tax	1,256	(615)
Profit / (loss) multiplied by rate of corporation tax in the UK of 26% *(2011: 28%)*	327	(172)
Effect of expenses not deductible for tax purposes	(17)	5
Effect of income not taxable for tax purposes	-	25
Adjustments in respect of prior periods	-	(316)
Deferred tax not recognised	(1,740)	142
Effect of tax rate adjustment on closing recognised deferred tax balance	110	-
Tax charge for the year	(1,320)	(316)

During the year ended 31 March 2012, £nil (2011: £316,000) 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.

Recognition of Deferred Tax Assets and Liabilities

	Assets 2012 £'000	Assets 2011 £'000	Liabilities 2012 £'000	Liabilities 2011 £'000	Net 2012 £'000	Net 2011 £'000
Tax losses carried forward	1,320	-	-	-	1,320	-

The ongoing growth of the business into increasing profitability has provided sufficient evidence that £1,320,000 of previously unprovided deferred tax assets in respect of trading losses will be recoverable, and is therefore being recognised as an asset on the statement of financial position. This asset has been valued based on the projected profits over the next three financial years.

Movement in Deferred Tax Balances During the Year

	Balance 1 April 2011 £'000	Recognised in profit or loss £'000	Recognised in Other Comprehensive Income £'000	Balance 31 March 2012 £'000
Tax losses carried forward	-	1,320	-	1,320

Unrecognised Deferred Tax Assets

There are unprovided deferred taxation assets totalling £3,239,000 (2011: £5,314,000) in respect of trading losses and £7,509,000 (2011: £8,142,000) in respect of capital losses of which £5,380,000 (2011: £5,829,000) are restricted. In addition, there are other temporary timing differences resulting in unprovided deferred tax assets of £697,000 (2011: £706,000), comprising Accelerated Capital Allowances of £571,000 (2011: £487,000) and Short term temporary differences of £126,000 (2011: £109,000).

In the 2012 Budget, the Chancellor announced a reduction in the main rate of corporation tax from 24% to 22%, to be phased in over three years as follows:

- With effect from 1 April 2012 - 24%
- With effect from 1 April 2013 - 23%
- With effect from 1 April 2014 - 22%

Under IFRS, deferred tax is measured by reference to the rates which are enacted or substantively enacted at the balance sheet date. The reduction in the corporation tax rate to 24% was substantively enacted on 26 March 2012, and therefore the potential deferred tax asset has been calculated at this rate.

The further reductions to 23% and 22% are not expected to be substantially enacted until June or July 2012 and 2013 respectively and therefore have not been reflected in the deferred tax calculations for this period.

10. Post-Tax Profit for the Year from Discontinued Operations

Discontinued operations relate to the Client IVR division of Eckoh UK Limited.

On 27 May 2010, the Company reached 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.

Profit from disposal of operations	**2012** £'000	2011 £'000
Consideration:		
Shares in Telecom Express Limited	-	138
Deferred cash	-	-
Net consideration received	-	138
Cost of disposal	-	(92)
Net assets disposed: Property, plant and equipment	-	(15)
Pre and post tax gain from the disposal of operations	-	31

No cash or cash equivalents were disposed of with the sale of these operations (2011: £nil).

Trading result of discontinued operations	**2012** £'000	2011 £'000
Revenue	-	1,269
Cost of Sales	-	(1,026)
Gross Profit	-	243
Administrative expenses	-	(207)
Interest receivable	-	-
Profit before taxation	-	36
Taxation	-	-
Post-tax profit for the year from discontinued operations	-	36
Post-tax gain from the disposal of operations	-	31
	-	67
Basic and diluted earnings per share (note 12)	-	0.03 pence

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

	2012 £'000	2011 £'000
Operating activities	-	(559)
Investing activities	-	-
Net cash utilised in discontinued operations	-	(559)

11. Profit on Sale of Investment

As detailed in note 10, Eckoh plc acquired a 27.5% holding in Telecom Express Limited ("TE") on 27 May 2010 and a place on the board. On 16 March 2012, this holding was sold back to Telecom Express for £100,000 to be paid in three equal instalments on 1 June 2012, 3 August 2012 and 1 February 2013.

The shares acquired were originally 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 1 June 2010 to 30 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:

Carrying value of investment in Telecom Express Limited	£'000
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	**-**
Proceeds from sale of investment on 16 March 2012	**100**
Profit from sale of investment	**100**

12. 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 (2011: 199,759,576) in issue during the year ended 31 March 2012 after adjusting for shares held by the Employee Share Ownership Plan of 9,156 (2011: 9,156) and the profit for the period attributable to equity holders of the parent of £2,576,000 (2011: loss of £232,000).

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 23. The dilutive effect of potential ordinary shares outstanding at the end of the year is 9,740,000 (2011: 4,943,000).

	2012 '000	2011 '000
Denominator		
Weighted average number of shares in issue in the period	**199,760**	199,760
Shares held by employee ownership plan	**(9)**	(9)
Number of shares used in calculating basic earnings per share	**199,751**	199,751
Dilutive effect of share options	**9,740**	4,943
Number of shares used in calculating diluted earnings per share	**209,491**	204,694

13. Intangible Assets

Group	Goodwill	Internally developed computer software	Other intangible assets	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2010	15,922	1,231	20	17,173
Additions	-	298	-	298
At 31 March 2011	15,922	1,529	20	17,471
Additions	-	128	-	128
At 31 March 2012	**15,922**	**1,657**	**20**	**17,599**
Amortisation				
At 1 April 2010	15,922	634	18	16,574
Charge for the year	-	288	2	290
At 31 March 2011	15,922	922	20	16,864
Charge for the year	-	349	-	349
At 31 March 2012	**15,922**	**1,271**	**20**	**17,213**
Carrying amount				
At 31 March 2012	**-**	**386**	**-**	**386**
At 31 March 2011	-	607	-	607

Included within the carrying value of intangible assets is £185,000 (2011: £301,000) 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.

14. Property, Plant and Equipment

	Fixtures and equipment £'000
Cost	
At 1 April 2010	6,014
Additions	635
Disposals	(475)
At 31 March 2011	6,174
Additions	645
At 31 March 2012	**6,819**
Depreciation	
At 1 April 2010	4,854
Charge for the year	446
Disposals	(474)
At 31 March 2011	4,826
Charge for the year	505
At 31 March 2012	**5,331**
Carrying amount	
At 31 March 2012	**1,488**
At 31 March 2011	1,348

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: £nil).

15. 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.

16. Inventories

	2012 £'000	2011 £'000
Work in progress	19	4
	19	4

17. Trade and Other Receivables

	2012 £'000	2011 £'000
Current		
Trade receivables	1,564	1,333
Less: provision for impairment of receivables	-	(7)
Net trade receivables	1,564	1,326
Other receivables	134	60
Prepayments and accrued income	1,885	1,711
	3,583	3,097

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 2012, there are no trade receivables that are past due but not impaired (2011: nil). 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 movement on the provision in the year relates to writing off a disputed amount outstanding since 2005 from British Telecommunications plc. 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. (2011: provision reduced by £65,000).

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
Finance expense in year ended 31 March 2011	**1,225**

18. Short-Term Investments

	2012 £'000	2011 £'000
Sterling	1,000	317
	1,000	317

	2012 £'000	2011 £'000
Fixed rate	1,000	-
Floating rate	-	317
	1,000	317

The short term investments at floating rate in the prior year represent an amount held in escrow in connection with a client contract. The short term investment at fixed rate represents an amount held with Natwest Bank for a fixed period of time. Short-term deposits held during the year have an average maturity of 9 months (2011: 3 months) with an average interest rate of 1.04% (2011: 0.88%).

19. Cash and Cash Equivalents

	2012 £'000	2011 £'000
Sterling	5,370	5,370
	5,370	5,370

	2012 £'000	2011 £'000
Floating rate	5,370	5,370
	5,370	5,370

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 0.65% (2011: 0.59%).

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

20. Trade and Other Payables

	2012 £'000	2011 £'000
Trade payables	1,047	1,071
Other payables	208	245
Other taxation and social security	399	349
Accruals and deferred income	607	654
	2,261	2,319

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 £13,000 (2011: £256,000).

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

21. Share Capital

Allotted called up and fully paid

Date of issue and share type	Number of shares	Nominal Value
Ordinary shares of 0.25p each		£'000
At 1 April 2011	199,759,576	499
At 31 March 2012	199,759,576	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 23.

22. Provisions

	Provision for Dilapidations £'000	Total £'000
At 1 April 2011	43	43
Provided in year	-	-
Utilisation in year	-	-
At 31 March 2012	43	43

The dilapidation provision will not be payable until the end of the lease on the Group's Telford House offices in 2015. The effect of discounting is not material and therefore has not been included within the calculation for the dilapidation provision.

23. 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 32 and in the directors report on page 22. 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 nil cost share options. The awards relating to the 2010/11 financial year were made on 30 June 2011 ("calculation date") with further detail available in the Remuneration report on page 18. An award relating to the 2011/12 financial year is expected to be made on 30 June 2012 ("calculation date"). The deferred share options will vest in two halves 12 and 24 months following the calculation dates.

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	8 June 2011	26 March 2012
Share price (pence)	8.50	5.0	8.00	10.875
Exercise price (pence)	8.75	5.13	8.125	11.0
Number of employees	21	21	2	13
Shares under option	4,525,000	4,500,000	1,000,000	1,275,000
Vesting period (years)	3	3	3	3
Expected volatility	43%	43%	48%	42%
Option life (years)	10	10	10	10
Expected life (years)	3	3	3	3
Risk free rate	5.49%	2.83%	4.00%	2.75%
Expected dividends expressed as a dividend yield	-	-	-	-
Fair value per option (pence)	2.89	1.56	3.13	3.15

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

	30 June 2010	30 June 2010	30 June 2011	30 June 2011
Award type	Bonus	Bonus	Bonus	Bonus
Share price (pence)	4.75	4.75	11.00	11.00
Exercise price (pence)	0.00	0.00	0.00	0.00
Number of employees	4	4	4	4
Shares under option	845,162	845,162	443,108	443,108
Vesting period (years)	2	3	2	3
Expected volatility	43%	43%	43%	43%
Option life (years)	10	10	10	10
Expected life (years)	2	3	2	3
Risk free rate	1.38%	1.38%	4.0%	4.0%
Expected dividends expressed as a dividend yield	-	-	-	-
Fair value per option (pence)	4.75	4.75	11.00	11.00

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 2012 is shown below:

	2012		2011	
	Number of share options	**Weighted average exercise price**	Number of share options	Weighted average exercise price
Outstanding at 1 April	**20,394,304**	**4.80**	17,434,667	6.09
Granted	**3,134,483**	**7.07**	6,686,476	0.25
Lapsed	**(236,000)**	**7.79**	-	-
Forfeited	**(322,196)**	**5.87**	(3,726,839)	8.97
Outstanding at 31 March	**22,970,591**	**5.04**	20,394,304	4.80
Exercisable at 31 March	**8,999,632**	**7.91**	9,307,828	7.91

	2012				2011			
			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	**0.17**	**7,546**	**1.4**	**8.4**	0.19	6,686	2.1	7.4
4.5-6.5	**5.13**	**4,150**	**0.9**	**7.9**	5.13	4,400	1.9	8.9
6.5 – 8.5	**7.07**	**4,820**	**0.5**	**2.5**	6.86	4,077	-	1.7
8.5 – 10.5	**8.72**	**5,150**	**-**	**4.4**	8.72	5,200	-	5.4
10.5 – 12.5	**10.99**	**1,305**	**2.9**	**9.8**	10.75	30	-	1.7
16.5 – 20.0	**-**	**-**	**-**	**-**	16.75	1	-	0.2

The total charge for the year relating to employee share based payment plans was £105,000 (2011: £63,000) all of which related to equity-settled share based payment transactions.

24. 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.

25. Related Party Transactions

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

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

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

During the period, Eckoh plc held 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 was a director of both Eckoh plc and TE during the period that the shareholding was owned by Eckoh plc. As a result, 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 £42,000 (2011: £35,000) in the year ended 31 March 2012 from which payments of £23,000 (2011: £7,000) were made to TE as part of a revenue share arrangement. In addition, Eckoh plc have recognised a further £140,000 (2011: £61,000) of revenue from TE for business support services supplied during the year ended 31 March 2012. At 31 March 2012 a balance of £63,000 (2011: £14,000) was owing from TE to Eckoh plc in respect of these transactions. In addition, Eckoh have an arrangement with TE where traffic from some Eckoh clients uses a TE network. TE receives the revenue from this traffic and passes it on to Eckoh plc. As at 31 March 2012, £198,000 (2011: £201,000) was outstanding from TE in respect of these transactions.

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

Directors and other key management	**2012 £'000**	2011 £'000
Wages and salaries	**710**	720
Social security costs	**90**	88
Pension costs	**12**	12
Share based payments	**91**	63
	903	883

The aggregate Directors' emoluments are shown in the table below. An analysis of Directors' emoluments is included in the Directors' Report on page 11.

Directors	**2012 £'000**	2011 £'000
Aggregate emoluments	**513**	504
	513	504

26. Operating Lease Commitments

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

	2012 £'000	2011 £'000
Land and buildings		
Expiring within one year	**234**	487
Expiring within two to five years	**284**	379
	518	866

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 for the ground and first floors. On 8 December 2011, an additional lease for the second floor of the same building was agreed. The annual operating lease charge for the additional floor is £52,000 with rent commencing on 24 July 2012. 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.

27. Cash Flow from Operating Activities

	2012 £'000	2011 £'000
Cash flows from operating activities		
Profit / (loss) after taxation	2,576	(232)
Gain on disposal of business operations	-	(31)
Profit on sale of investment in associate	(100)	-
Interest income	(49)	(121)
Interest paid	-	1,225
Share of loss in associate	-	23
Impairment of investment in associate	-	115
Increase in deferred tax asset	(1,320)	-
Taxation credit recognised in income statement	-	(316)
Depreciation of property, plant and equipment	505	446
Amortisation of intangible assets	349	290
Share based payments	105	63
Operating profit before changes in working capital and provisions	2,066	1,462
Increase / (decrease) in inventories	(15)	1
Increase / (decrease) in trade and other receivables	(486)	564
(Increase) / decrease in trade and other payables	(58)	(836)
Increase in provisions	-	(277)
Net cash generated in operating activities	1,507	914

28. 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 2012 of 0.2 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 24 August 2012 with payment on 21 September 2012. The ex-dividend date will be 19 September 2012. 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 £0.4m.

Company Financial Statements Prepared Under UK GAAP

Company Balance Sheet

as at 31 March 2012

Company number: 3435822

	Notes	2012 £'000	2011 £'000
Fixed assets			
Investments	ii	5,211	5,043
		5,211	5,043
Current assets			
Debtors: amounts falling due within one year	iii	40	29
Short-term investments	iv	1,000	-
Cash at bank and in hand		5,230	4,963
		6,270	4,992
Creditors: amounts falling due within one year	v	(9)	(9)
Net current assets		6,261	4,983
Total assets less current liabilities		11,472	10,026
Net assets		11,472	10,026
Capital and reserves			
Called up share capital	viii, ix	499	499
Capital redemption reserve	ix	198	198
Share premium account	ix	695	695
Share based payment	ix	440	272
Profit and loss account	ix	9,640	8,362
Total shareholders' funds		11,472	10,026

The financial statements were approved and authorised for issue by the Board of Directors on 11 June 2012 and signed on its behalf by: Adam Moloney – Group Finance Director

Notes to the Company's Financial Statements

For the year ended 31 March 2012

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.

Going Concern

Under company law, the Company's Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company is a going concern. As part of its normal business practice, the Company is included within annual and longer term plans prepared management, and, in reviewing this information, the Company's Directors are satisfied that the Company has reasonable resources to enable it to continue in business for the foreseeable future. For this reason, the Company continues to adopt the going concern basis in preparing these financial statements.

The principal accounting policies adopted by the Company are described 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 wholly-owned 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 27.

i. Operating Expenses

Staff Costs

Details of the Directors' emoluments are given in the Directors' Report on page 11. The Director's remuneration costs are borne by a subsidiary undertaking. The Company did not incur any staff costs during the year (2011: £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 £15,000 (2011: £18,000) were borne by a subsidiary undertaking.

ii. Fixed Asset Investments

	Shares in subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost			
At 1 April 2011 – as previously stated	5,043	-	5,043
Reclassification between categories (see page 54)	(307)	307	-
Additions – change to disclosures	6,986	-	6,986
At 1 April 2011 – as restated	11,722	307	12,029
Additions	-	168	168
At 31 March 2012	**11,722**	**475**	**12,197**
Impairment			
At 1 April 2011 and 31 March 2012	**(6,986)**	**-**	**(6,986)**
Net Book Value			
At 31 March 2012	**4,736**	**475**	**5,211**
At 31 March 2011	4,736	307	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. The details of these non-trading and dormant companies are listed at Companies House and are included in note 15 of the consolidated accounts.

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

Notes to the Company's Financial Statements

The directors have assessed the carrying values of the Company's investments in line with FRS 11 *Impairment*, and concluded that no impairment triggers exist that would require the Company's investment in Eckoh UK Limited to be further impaired. The investment in Eckoh Projects Limited has been fully returned in previous years and therefore has no current value.

During the year the Directors have reviewed the disclosures in respect to investments, and believe it more appropriate to show historic net increases to investments as a result of the write-off/write-back of intercompany balances, and the associated impairment of those balances, on a gross basis, rather than a net basis. The impact of this grossing up is to increase Cost brought forward by £6,986,000 and increase Impairment brought forward by £6,986,000. There is no impact on the net book value of Investments.

Other investments represent additional investments in Eckoh UK Limited as a result of the share-based payments arrangements in place. As the Company grants options over its shares to employees of Eckoh UK Limited, the Company records an increase in its investment in Eckoh UK Limited, the details of which are disclosed further in note 23 of the consolidated financial statements. The disclosure of these amounts has been restated during the year.

iii. Debtors

	31 March 2012 £'000	31 March 2011 £'000
Other debtors	**26**	26
Prepayments and accrued income	**14**	3
Amounts due within one year	**40**	29

iv. Short-Term Investments

	31 March 2012 £'000	31 March 2011 £'000
Sterling	**1,000**	-
	1,000	-

	31 March 2012 £'000	31 March 2011 £'000
Fixed rate	**1,000**	-
	1,000	-

The short term investment at fixed rate represents an amount held with Natwest Bank for a fixed period of time. Short-term deposits held during the year have an average maturity of 9 months (2011: 3 months) with an average interest rate of 1.04% (2011: 0.88%).

v. Creditors: Amounts Falling Due Within One Year

	31 March 2012 £'000	31 March 2011 £'000
Other creditors	**9**	9
	9	9

vi. Provisions for Liabilities and Charges

	31 March 2012 £'000	31 March 2011 £'000
Total unprovided deferred tax assets are as follows:		
Tax losses available	**2,639**	1,551
Other temporary differences	**18**	19
Unprovided deferred tax asset	**2,657**	1,570

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

vii. Profit and Loss Account

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 2012 the Company made a profit of £1,478,000 (2011: loss of £386,000).

viii. 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 2011	199,759,576	499
As at 31 March 2012	**199,759,576**	**499**

ix. Share Capital and Reserves

	Share capital £'000	Capital redemption reserve £'000	Share premium account £'000	Share based payment £'000	As restated Profit and loss account £'000
Balance at 1 April 2011	499	198	695	272	8,362
Profit for the year	-	-	-	-	1,478
Dividends paid in year	-	-	-	-	(200)
Share option charge	-	-	-	168	-
Balance at 31 March 2012	**499**	**198**	**695**	**440**	**9,640**

x. Share Options and Share Based Payments

Share options and share based payments are disclosed in note 23 to the consolidated financial statements.

xi. 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.

xii. Events after the Balance Sheet Date

Post year end the Directors are recommending that a final dividend for the year ended 31 March 2012 of 0.2 pence per ordinary share be paid to the shareholders whose names appear on the register at the close of business on 24 August 2012 with payment on 21 September 2012. The ex-dividend date will be 19 September 2012. This recommendation will be put to the shareholders at the Annual General Meeting on 15 August 2012. Based on the shares in issue at the year end, this payment would amount to £0.4m.

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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