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annual report 2010

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Eckoh[•]

always inspiring

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Overview

Eckoh is the UK's leading developer of speech recognition and IVR solutions for customer contact centres.

Eckoh is the specialist of choice for organisations looking to maximise the efficiency of their contact centre operations

Our sophisticated technology enables routine enquiries, transactions or payments to be processed without the need for the consumer to actually talk to an agent. This significantly reduces our client's operational costs, whilst freeing up agents to deal with more complex enquiries. Eckoh is the largest developer of such hosted services in the UK.

Our secure and resilient infrastructure has the scalability to handle over 650,000 calls an hour and up to 8,000 calls simultaneously, which means calls can always be answered no matter how unpredictable the circumstances.

Typical applications

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

Highlights of the Year

Financial Highlights:

- 19% growth in revenue from continuing operations from £6.7m to £7.9m
- Increase in continuing gross margin to 72% (FY09 64%) resulting in a 33% growth in continuing gross profit to £5.7m (FY09 £4.3m)
- FY10 adjusted* profit before taxation of £0.7m (FY09 loss of £0.4m)
- Adjusted* EBITDA amounted to a profit of £0.8m (FY09 loss of £0.3m)
- Operating loss from continuing operations reduced to £0.5m (FY09 loss of £1.8m)
- Strong debt free financial position with a cash and short term investment balance of £3.9m (FY09 £5.2m)

Operational Highlights and Recent Contract Wins:

- Restructuring of Board composition during the year resulting in basic Board cost reducing by 28%
- 3 year contract renewal with William Hill for the provision of customer service options
- New contracts for the provision of automated card payments services to Northumbrian Water and Dŵr Cymru Welsh Water
- 3 year contract renewals with two existing water utility clients for the provision of card payment solutions
- Major investment in technology strengthening market leading position
- Good progress towards becoming PCI ("Payment Card Industry") Compliant
- Closure of office in Montpellier to produce cost saving and operational efficiencies
The closure will be completed on 30 June 2010, all estimated costs in relation to the closure have been provided for in 2009/10

Post Period Developments:

- Merger of Client Interactive Voice Response ("IVR") division with Telecom Express Limited, with Eckoh taking a 27.5% share of the combined business
- 3 year contract with a government executive agency to provide service for logging the movement of livestock

* on continuing operations excluding exceptional items, amortisation of intangible assets and share option charges

Chairman's Statement

The results for the year to 31 March 2010 demonstrate the progress made over the financial year. There has been a 19% increase in revenue from £6.7m to £7.9m. There has also been a margin improvement on those revenues resulting in a 33% increase in gross margin from £4.3m to £5.7m. The overall profitability of the Group is also much improved with Earnings before Interest, Tax, Depreciation and Amortisation of £0.2m compared to a loss of £1.2m in the prior year.

Since the year end, we have been able to announce the merger of the Client MR division with Telecom Express Limited. Eckoh retain a 27.5% interest in the combined entity and anticipates that this newly created combination is well positioned to be profitable in the years ahead. The financial performance of the Client MR division has been in decline over recent years due to falling print circulations and associated calls to interactive services. Consolidation in the market will give both Eckoh and Telecom Express Limited the best opportunity of realising profit generation from these activities in future years. The MR division is disclosed as a discontinued operation within these results.

The Board and management are now able to fully focus on the opportunity presented by the Speech Solutions business. Over the last two years, we have experienced revenue growth of 31% and margin growth of 47% against a background of global economic crisis. Several significant contract wins have been secured during the year as well as enhancements and renewals with existing clients. We now have long term contracts with over 30 blue chip organisations.

With the excellent growth achieved and a strong financial position including £3.9 million cash we can look forward to the new financial year with optimism. We are excited by the significant increase in the number of opportunities in the sales pipeline and thus the opportunity to further increase revenues and the client portfolio.

This year saw a restructuring of the board and functions within the company and I would like to take this opportunity to thank both my board colleagues and particularly the employees of Eckoh for their ongoing efforts and commitment that has been the single major factor behind the progress made by the business. Eckoh have been recognised during the year by the 2010 Sunday Times "Best Companies to work for" survey and we will continue to recognise the efforts of our employees to ensure this progress continues.

We look forward to the future with confidence.

Chris Batterham,
Chairman

Business Review

Introduction

The Directors are pleased to report a year of significant financial improvement on the continuing operations and the completion of the final steps required to position Eckoh as a pure Speech Solutions business

During the year, strategic decisions were taken to sell the Client Interactive Voice Response ("IVR") division, close the technical office in France and reorganise the Board. This has left a rapidly growing Speech Solutions business with an appropriate cost base and an opportunity for significant shareholder value to be generated

Financial Review

Revenue and Margin

The 2010 financial year built on the momentum of the prior year, with revenue from continuing operations increasing by 19% to £7.9m (FY09: £6.7m). The margin achieved on these revenues has grown to 72% (FY09: 64%), with gross profit increasing by 33% from £4.3m to £5.7m.

No single client represents more than 16% of the margin generated. Consequently, there is no great dependency on any individual client for the financial sustainability of the business.

The cost base of the Group is largely represented by the employees, who are predominantly in the areas of service development, delivery and support. This headcount is deployed on a mix of delivering new client business, maintaining and improving existing clients' services, developing Eckoh products and special projects such as the PCI accreditation process. When new business is won, this does not typically require an increase in headcount and associated overhead costs unless it is likely to

consume very specialist resources for extended periods. As a result, growth in revenue usually contributes directly to the profitability of the business.

Administrative Expenses

	2010 £000's	2009 £000's
Administrative expenses before non recurring items	5,578	5,223
French office closure costs	286	-
Employee restructuring	306	16
EGM costs	61	-
Legal settlement	-	627
Aborted transaction costs	-	168
Total Administrative expenses	6,231	6,034

As detailed in the table above, administrative expenses arising from the 33% increase in margin increased by only 3% from £6.0m to £6.2m. Adjusting the administrative expenses for non-recurring items of expenditure, administrative expenses still grew by only 7% from £5.2m to £5.6m.

Aside from the EGM costs, the non recurring items of expenditure arising in 2009/10 will produce significant operational and financial benefits in future financial years. The employee restructuring expense largely consists of the severance costs arising from a restructuring of the Board, which has reduced the basic cost of the Board by 28%.

Eckoh has had a technical support office in Montpellier, France, for over 10 years and has benefitted from the expertise of some excellent employees. Over this period, the number of French staff has gradually declined whilst the adverse exchange fluctuation of the Pound against the Euro has significantly increased the cost of the operation, leading to the difficult decision being made to close the office. Whilst the severance costs of French employees

Business Review

continued...

are high, it was felt that the long term financial benefit of closing the office, along with the operational efficiency arising from having all Eckoh employees in one location, was worthwhile. The Group is committed to this closure, which will be completed by 30 June 2010. The estimated costs in relation to this closure have been provided for at the year end.

Profitability Measures

Adjusted profit	2010 £'000	2009 £'000
Loss before tax from continuing operations	(197)	(1,373)
Amortisation of intangible assets	157	121
Share option charges	44	54
Non-recurring items of expenditure	653	811
Adjusted profit / (loss) before taxation	657	(387)
Net interest receivable	(99)	(382)
Depreciation	529	474
Arrangement fees on loans	(238)	-
Adjusted EBITDA	849	(295)

The table above illustrates the progress in the profitability made by the Group with an adjusted loss of £0.4m for FY09 converted into a profit of £0.7m for this year. Adjusted EBITDA has improved from a loss on continuing operations of £0.3m to a profit of £0.8m. Excluding the adjustments, the loss before tax from continuing operations reduced from £1.4m to £0.2m. The Speech Solutions business has reached a level of maturity where it can be self-sustaining, and is well-positioned to take advantage of the market opportunity and further improve profitability in the coming years.

Statement of Financial Position

During the year, there has been a significant investment in the infrastructure supporting the Speech Solutions business, from which it will benefit for several years. This has resulted in £1.0m of equipment acquisitions. This led to a reduction in cash balances from £5.2m to £3.9m in the year. No further capital expenditure of this magnitude is planned in the medium term. In addition to the £3.9m cash balance, a loan of £2.9m is due to be repaid by Redstone plc ("Redstone") in two instalments in October 2011 and October 2012, which will further increase the strength of the Group's balance sheet. The renegotiation of the terms of this loan resulted in arrangement fee income of £0.2m to be recognised in the year with a further £0.3m being spread over the remaining term of the loan. No significant impact on the statement of financial position is anticipated to arise from the discontinued Client IIR division.

Business Review

continued...

Operational Review

Speech Solutions

Eckoh is a leading developer of speech recognition solutions for customer contact centres and is the largest provider of such hosted services in the UK

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

For large organisations seeking to maximise the efficiency of their contact centre operations Eckoh is the specialist of choice and the services it provides are used by a wide range of mass market establishments to serve millions of their customers each year.

The length of contracts with clients are generally for periods of at least 3 years, and typically with guaranteed minimum levels of revenue either from fixed recurring fees or from specified volumes of call traffic or transactions, which gives excellent visibility on future revenues.

Eckoh's technical infrastructure has the scalability to handle up to 8,000 inbound phone calls simultaneously, which means calls can always be answered on a 24 hour-a-day basis no matter how unpredictable the circumstances and at a fraction of the cost of a live agent. During the year Eckoh made a major investment in a new VoiceXML call handling platform from Holly Connects and the established industry leader in speech recognition software, Nuance Recognizer 9.

The first complex speech-enabled application to be launched on this new platform was a journey planning service for Transport for London, which went live in December 2009 (0843 222 1234).

The worst winter weather for many years saw call levels to the new service increase dramatically in January from their normal levels, whilst comparable fluctuations occurred on National Rail Enquiries TrainTracker™ service. Similarly during the travel chaos following the eruption of the Eyjafjallajökull volcano in Iceland, the real-time flight information services that Eckoh provides for Heathrow and Gatwick airports experienced massive increases in demand during April. In all cases, the on-demand hosted solutions that Eckoh provide were able to deal effectively with the sudden dramatic call increases, clearly demonstrating the benefits offered by Eckoh's hosted services.

Eckoh is undertaking a two-year process to become compliant with the Payment Card Industry Data Security Standards ("PCI DSS"). £162,000 (FY09: £79,000) of expenses have been capitalised on the PCI DSS project in the 2009/10 financial year. This is a comprehensive set of requirements that all companies holding, processing or transferring customer payment card details are required to adopt. Eckoh is seeking to be accredited at the highest level and recent changes in the regulations extended the timescale of the project, but the process is now nearing completion with the conclusion expected by September 2010. The Group's client base in this area continues to grow, along with the volume of card payments being processed, which is now at an annual run rate of £150 million, validating the effort Eckoh has expended in this area. As an example Eckoh has recently announced contract wins with Northumbrian Water Limited and Dŵr Cymru Welsh Water, together with contract renewals for two other existing utility clients.

Business Review

continued

Other significant contract renewals with large clients include William Hill, which renewed its agreement for the provision of results, live commentary and call centre services for 3 years

New Products

EckohPAY, which offers customers the ability to make real-time, secure and compliant phone and web card payments, is the first of the productised offerings that Eckoh has developed - and is designed specifically for the expected demand from PCI. The ability to sell such a product to a client and have the service live within a matter of weeks significantly broadens the market that Eckoh can target. Other products to be launched this year include EckohID, which helps companies identify callers and capture name and address information, EckohLOCATE, which enables calls to be routed efficiently and direct customers to store or dealer locations, and EckohSECURE, which allows companies to authenticate their customers with just their voices. Earlier in the year, Eckoh announced a 2-year contract to provide services to Comic Relief, and EckohPAY was successfully used on their behalf to collect over 38,000 donations totalling over £1.1m during the Sport Relief weekend in March 2010.

Business Review continues on page 18

Transport for London calls on Eckoh to keep commuters on track

Eckoh were awarded a five year contract with Transport for London (TfL) to provide automated telephone journey planning services using Eckoh's advanced speech recognition technology.

TfL was created in 2000 and is the integrated body responsible for the Capital's transport system. Its main role is to implement the Mayor's Transport Strategy for London and manage transport services across the Capital. London's transport system caters for approximately 24 million trips a day, across an integrated network of rail, underground and bus links.

The service, which was successfully launched in December 2009, gives callers the ability to obtain real-time journey planning information between 921 London locations incorporating bus, tube, tram, and rail services. In addition, it provides callers with the ability to refine their journey details using a combination of advanced search parameters including time of travel, preferred mode of transport and number of interchanges. Callers are presented with real-time service bulletins to inform them if there are delays that may impact their journey.

Other innovative features include the technology's ability to "learn" a caller's travel preferences over time, providing the caller with an even more sophisticated and intuitive level of service. The speech recognition technology, hosted on our VoiceXML platform has been optimised to deal with noisy environments such as bus stops or station platforms, and a complementary and comprehensive touchtone service using a predictive text style interface is available.

TfL is the first of Eckoh's clients to have launched a complex speech recognition application on our new VoiceXML platform. The service is an integral element of a 21st century multimedia contact centre, which has helped TfL deal with an increase in call traffic whilst expanding the variety of self-service options available to callers.

"Eckoh have an unrivalled track record in delivering highly successful and customer centric speech recognition solutions on a truly mass market scale. Their ability to handle such large numbers of calls simultaneously has enabled us to provide our customers with real-time information in all circumstances to help them plan their journeys around London more successfully."

Ian Henderson,
Director of Customer Services,
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.

Our Products

EckohPAY

Real-time and secure phone and web card payments

EckohID

Identify callers and capture name and address information

EckohLOCATE

Route calls efficiently and direct customers to stores or locations

EckohSECURE

Authenticate callers and customers with just their voices

By using Eckoh's innovative solutions our clients can increase the efficiency of contact centre agents by allowing them to service more complex or higher-value calls

Eckoh's contact centre solutions focus on improving customer service, maximising agent productivity and reducing costs and risk

EckohPAY

Bill payment • Account payment • Product purchase • Balance enquiry
Subscription and renewals • Membership services • Ticket booking

EckohPAY enables our client's customers to make card payments conveniently and securely over the phone or on the web, 24 hours a day

By using EckohPAY our clients can increase the efficiency of their contact centre agents by allowing them to service more complex or higher-value calls

Callers are greeted and guided through each step of the service by a professionally recorded voiceover and script. They have the choice of either speech recognition or touch tone to interact with the service

To identify the caller and ensure accurate reconciliation EckohPAY uses a suitable identifier such as an account or customer number, product or reference code, bill or invoice number

The card authorisation and settlement is handled in real-time with one of the leading merchant acquirers including Barclaycard, BT Buynet and Realex and the caller is given a confirmation number for reference. As an option confirmation of the transaction can be delivered by SMS to the caller's mobile phone

Eckoh operates secure methods to capture, process and transmit payment card data on behalf of our clients. EckohPAY does not retain the full card number after authorisation, card details are either deleted or masked

Eckoh also provides a secure web service to allow customers to make card payments. The same business rules and validation methods are used from the phone service. All payments are collated into a single accounts file, marked appropriately to show the source channel for each transaction

Eckoh currently process over £150m per annum in card payments through EckohPAY

Clients using EckohPAY include the Ministry of Justice, Northumbrian Water, Comic Relief, the BBC, Vue and Northern Ireland Electricity

EckohID

Brochure and leaflet requests • Ticket booking • Change of address
Order confirmation and tracking • Appointment requests
Redelivery requests • Subscription and renewals

EckohID is an automated speech recognition solution ideal for capturing name and address information

EckohID enables our clients to increase the efficiency of their contact centre agents by handling campaigns or peaks with ease and allowing them to service more complex or higher-value calls

EckohID provides an accurate and convenient way to capture and validate a caller's details with full integration into our postcode database. EckohID can instantly reduce call volumes to live agents, minimise call waiting times and improve the efficiency and accuracy for fulfilment requests

Callers are greeted and guided through each step of the service by a professionally recorded voiceover and script. They have the choice of either speech recognition or touch tone to interact with the service

EckohID is an effective method when responding to requests for brochures, catalogues, leaflets by replacing record and transcription or live agents with a full data capture / fulfilment solution or data capture / database supply solution. EckohID provides an ideal way to minimise costs while maintaining service levels and operational efficiency

Eckoh can seamlessly integrate the service with our other products to provide a complete end-to-end solution. For example, integration with EckohLOCATE can route the caller to their desired destination or with EckohPAY to securely place an order and process the payment

EckohLOCATE

Localised branch, office or store locations • SMS location-specific details
Provide opening times and contact details • Provide localised offers
Connect callers directly to branch, office, store or name requested

EckohLOCATE provides our clients with a convenient way for their customers to locate or connect to their nearest branch, store or outlet without ever needing to speak to an agent

By using EckohLOCATE our client's can increase the efficiency of their contact centre agents by allowing them to service more complex or higher-value calls

EckohLOCATE is a speech-enabled service that provides location specific information and routes calls according to the caller's instructions

Callers say the name of a town or city, landmark or postcode and EckohLOCATE will identify the nearest location to that place by mapping the request against a database of the client's sites

Specific rules can be applied to the service, to ensure the caller receives the most relevant and personal information by recognising repeat callers. A geographic range can be defined which could vary depending on postcode, to only present locations that are open at that time

Once the nearest location has been identified, the caller can receive information such as the address details, opening hours, telephone number, and services available, as well as having the option of connecting directly to that location

EckohLOCATE can also distribute calls to your various contact centres based upon the location or needs of the caller. With more callers accessing services from their mobile phones the traditional methods of routing calls based upon the caller's landline telephone number are becoming obsolete. This ensures that unnecessary and costly re-routing of calls between contact centres is eliminated

If your organisation has a large number of employees and locations EckohLOCATE can route calls to the relevant location simply by asking the caller to say the name of the person they wish to speak to. This improves efficiency and reduces cost from wasted calls

TrainTracker™ – always prepared for the unexpected

TrainTracker™ and TrainTrackerText™ provide comprehensive real-time passenger information, including end-to-end journey planning capability, real-time train information and fare details.

The service covers over 3,000 locations including information for metro, ferry, tram, walking and bus transfers

TrainTracker™ was developed by Eckoh for National Rail Enquiries (NRE) in 2005. NRE runs one of the "top 5 super sites" and handles one of the UK's busiest and most volatile telephone service receiving 160 million customer contacts per annum

The TrainTracker™ automated telephone service on an average day handles between 8,000 and 15,000 calls. To date the service has received 22.5 million calls and 55 million minutes of traffic. As a hosted solution, the service has the scalability to easily cope with any sudden and dramatic increase in call volumes no matter how unpredictable the circumstances, at its busiest it has dealt with over 100,000 calls in a single day

TrainTracker™ Text was implemented in 2008 to expand the choice of channels available to callers. The SMS service has the same journey planning functionality as the automated speech recognition solution, providing live departure and arrival information direct to a mobile. The service has processed over 2 million text enquiries

Both services have the ability to retain a caller's previous request and using a combination of caller recognition and self learning capabilities the service will provide personalised information the next time the service is used for example offering return journey information

The TrainTracker™ services demonstrate how speech recognition technology has been successfully deployed to enable routine enquiries to be effectively handled without the need to talk to an agent, this has allowed NRE's contact centre advisors the ability to focus on callers that need more complex advice and information

"National Rail Enquiries is leading the way in maximising communications technology to provide fast and accurate access to information. With technology and the demands of customers' ever-changing, it's vital that we continue to provide timely information to passengers – however, whenever and by whatever media they want it. Eckoh's expertise, approach and professionalism is excellent, they delivered us a series of solutions and services designed specifically for our customers needs."

Chris Scoggins,

Chief Executive, National Rail Enquiries

As a hosted solution, the service has the scalability to easily cope with any sudden and dramatic increase in call volumes no matter how unpredictable the circumstances, at its busiest it has dealt with over 100,000 calls in a single day.

Business Review

continued...

Key Post Period Developments

Discontinued Operations

On 28 May 2010, Eckoh announced that the Group's Client IVR division ("the Division") had merged with Telecom Express Limited ("TE") in return for 27.5% of the issued share capital of the enlarged business. The Division had experienced a continuing difficult period with revenues falling by 29% to £8.8m for the year (FY09: £12.4m) and margin declining by 35% to £1.2m (FY09: £1.9m). As a result, the profit contribution fell to £0.05m compared with £0.7m for the previous year. The issues faced by the Client IVR division have been shared by all premium rate service providers as print circulations fall. The need to focus management efforts on the growing Speech Solutions business as well as to remove the compliance risk around the provision of premium rate services resulted in an exercise being undertaken to seek a means to remove the operation from the continuing Eckoh group. An agreement was reached with the owners of TE that a combination of the respective businesses would generate significant operational efficiencies and give the combined operation a prospect of increased future profitability. The results for the Client IVR division are shown within the discontinued operation disclosures on the income statement. The disclosures around the disposal will be presented in the interim results statement for the 6 months ending 30 September 2010.

Contract Win

Eckoh achieved a significant client win after the end of the period with the signing of a 3-year contract with a Government Executive Agency. This is for the provision of a speech recognition solution, due to go live in June 2010, to allow authenticated users to register the identity and movement of livestock. This contract builds on Eckoh's long-standing relationship with the UK government and its departments, including the Ministry of Justice and Transport for London, with the latter entering into a 5-year contract with Eckoh and its partner BT in July 2009.

Outlook

As a result of the strong progress made in growing the Speech division and the final restructuring of the Group, the Board remains highly confident of Eckoh's prospects. The strategic decisions, such as PCI compliance and the investment in new technical infrastructure, are already demonstrating their value and will ensure that the services provided by Eckoh remain ahead of those offered by its competitors. Whilst the sales focus will continue to target the high-value long-term contracts, the new range of Eckoh products, including the highly successful EckohPAY, will enable smaller size contracts to be won and deployed quickly.

The future value of the Group will be derived from the growth attained from the Speech Solutions division, which is now the core focus of the Board following the merger of the Client IVR division with TE.

Board of Directors

Chris Batterham,

Non-executive Chairman

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

Clive Ansell,

Non-executive Director

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

Nik Philpot,

Chief Executive Officer

Nik joined the Board in February 1999, appointed COO and Deputy CEO in September 2001 and appointed CEO in September 2006. Nik was a co-founder of Symphony Telecom and formerly worked for British Telecom. As co-founder of Eckoh he has created the UK's largest speech recognition specialist for the contact centre industry. Nik has 23 years experience in the voice services industry.

Adam Moloney,

Group Finance Director

Adam has been Finance Director at Eckoh for almost 6 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, Resilient Inc.

Directors' Report

The Directors of Eckoh plc present their annual report, together with the audited financial statements of the Company and the Group for the year ended 31 March 2010.

Principal Activity

The principal activity of Eckoh plc and its subsidiary undertakings ("the Group") is the provision of hosted speech recognition services and outsourced automated solutions. The Chairman's Statement (page 5) and the Business Review (pages 6 to 18) report on the progress made in the financial year under review.

The principal subsidiary undertakings are listed on page 67.

Results and Dividends

The audited financial statements and related notes for the year ended 31 March 2010 are set out on pages 43 to 82. The Group's loss for the year is set out in the Income Statement on page 43.

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

The Group's financial risk management is discussed in note 3. The Directors' regularly assess the Group's key commercial risks, which are considered to be the competitive market sector and the 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.

Research and Development

The Group capitalised £0.4m (2009 £0.4m) of development expenditure during the year as an intangible asset as it sought to become compliant with Payment Card Industry Data Security Standards ("PCI DSS").

Financial Instruments

The financial instruments of the Group are set out in the notes to the financial statements on pages 46 to 76. 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.

Annual General Meeting

The next Annual General Meeting of the Company will be held at 10.00 on 22 September 2010. Details of the business to be proposed at the Annual General Meeting are contained within the Notice of Meeting, which accompanies this Report.

Directors' Report

continued

Directors

The current Directors of the Company are shown on page 19. Peter Reynolds resigned as Non Executive Chairman on 11 September 2009. Jim Hennigan resigned as Executive Director on 21 December 2009. 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. Adam Moloney will retire by rotation and puts himself forward for re-election at the Annual General Meeting.

Directors' Interests

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

Directors' Interests in Shares

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

	31 May 2010 Ordinary shares of 0.25 pence each	31 March 2010 Ordinary shares of 0.25 pence each	1 April 2009 Ordinary shares of 0.25 pence each
N B Philpot (i)	2,752,000	2,752,000	2,282,000
A P Moloney	135,000	135,000	-
C M Batterham	500,000	500,000	-

Notes

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

Directors' Report

continued...

Directors' Share Options

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

	Note	At 31 March 2010 (numbered)	Granted in year (number)	Lapsed in year (number)	At 1 April 2009 (number)	Exercise price (pence)	Earliest date for exercise	Latest date for exercise
N B Philpot	b	3,000,000	-	-	3,000,000	6 50	27 06 05	27 06 12
	a	380,710	-	-	380,710	7 88	07 10 07	07 10 14
	b	337,702	-	-	337,702	7 88	07 10 07	07 10 14
	b	1,000,000	-	-	1,000,000	8 75	13 09 08	13 09 15
	c	800,000	-	-	800,000	8 75	31 07 10	31 07 17
	b	200,000	-	-	200,000	8 75	31 07 10	31 07 17
	b	1,000,000	1,000,000	-	-	5 13	05 03 13	05 03 20
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
J P Hennigan	b	200,000	-	-	200,000	7 75	07 03 05	16 11 10
	b	800,000	-	-	800,000	10 75	28 11 05	16 11 10
	a	34,014	-	-	34,014	7 88	07 10 07	16 11 10
	b	500,000	-	-	500,000	8 75	13 09 08	16 11 10
	c	1,000,000	-	-	1,000,000	8 75	31 07 10	16 11 10

The information contained in this table has been audited. J P Hennigan resigned as a Director on 21 December 2009. His share options can be exercised up until 16 November 2010.

Notes

- a Granted under the Inland Revenue approved Appendix to the Eckoh plc Share Option Scheme (1999)
- b Granted under the Eckoh plc Share Option Scheme (1999) but not qualifying for Inland Revenue approval
- c Granted under the Eckoh plc 2007 Enterprise Management Incentive ("EMI") Share Option Plan

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

Directors' Report

continued...

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.

Charitable and Political Donations

The Group made no political donations during the year. Charitable donations totalled £2,668 during the year (2009: £1,380). The business of the Group does include the support of charities and their fund raising programmes, but this is operated solely on a commercial basis.

Employees

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

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

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

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

Environmental Report

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

Payments to Creditors

The Company and its subsidiaries have a variety of payment terms with their suppliers. The Group agrees payment terms with its suppliers when it enters into binding purchasing contracts for the supply of goods and services. 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 2010 the amount of trade creditors shown in the balance sheet represents 37 days of average purchases for the Group (2009: 44 days). The Company had no trade creditors at 31 March 2010.

Directors' Report

continued...

Statement of Disclosure of Information to Auditors

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

Auditors

A resolution to reappoint BDO LLP as auditors of the Company, 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 former Chairman, Peter Reynolds, and the current Chairman, Christopher Batterham, have both met with shareholders and brokers during the period under review. The Chairman is available to attend presentation meetings and other presentations on an ongoing basis.

All Directors have access to the Company's nominated advisors who give feedback from shareholders and receive copies of broker update documents.

All shareholders have the opportunity to raise questions at the Company's Annual General Meeting, or leave written questions, which will be answered in writing as soon as possible. At the meeting the Chairman will give a statement on the Group's performance during the year, together with a statement on current trading conditions.

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

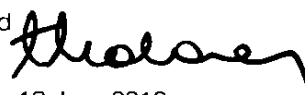
Going Concern

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

By order of the Board

Adam Moloney

Company Secretary - 18 June 2010



The strategic decisions, such as PCI compliance and the investment in new technical infrastructure, are already demonstrating their value and will ensure that the services provided by Eckoh remain ahead of those offered by its competitors.

Eckoh supports Comic Relief

Eckoh provided a number of services for the charity including real-time card payment processing, speech recognition enabled transcription and call routing

These services are based around two of Eckoh's core products: EckohPAY and EckohID

As part of a wider network, Eckoh provided the IVR component of Sport Relief's donation line, which was promoted during the Sport Relief Weekend, which took place on Friday 19th March through to Sunday 21st March 2010. Eckoh's scalable call handling platform and sophisticated technology ensured a significant and robust network was available for the automated processing of the donations

The fundraising kit request line allowed callers to request a fundraising pack. The service utilised speech recognition technology to capture name and address, and data was transferred daily to Comic Relief for fulfilment

General enquires from the public were routed through to the Sport Relief contact centre, where calls were answered by live advisors. The service gave Comic Relief the functionality to manage various features, such as the closed times and related messages. Messages left out of hours were delivered directly to the contact centre team to ensure responses could be managed efficiently

"Eckoh delivered us a diverse range of solutions that not only met all our requirements, but also reduced our operational costs through the implementation of automated speech recognition technology"

Caroline Lien,

Operations Director, Comic Relief

EckohPAY was successfully used on their behalf to collect over 38,000 donations totalling over £1.1m during the Sport Relief weekend in March 2010.

Ideal Shopping customers place over a million orders using Eckoh's service

Ideal Shopping Direct (ISD), a leading digital retailer, extended its contract with Eckoh for a further two years until October 2013

The service was originally launched in May 2005 for the provision of inbound telephony. The contract was renewed in May 2008 and the services extended to also include advanced speech recognition and interactive voice response (IVR) solutions to simplify the product ordering process and improve customer service. The service is fully integrated with ISD's database ensuring that up-to-date information on products, stock levels and membership details are available.

During periods of high demand and agent availability, callers are given the option of pressing 2 at anytime to beat the queue by using the Eckoh automated service. When 100% of agents are utilised all calls switch to the automated service, which is scalable.

Eckoh also provide the Customer Service line for ISD. Improvements have been introduced to allow new customers to register more easily and provide existing customers access to detailed information on product tracking.

ISD sells its products to consumers via the internet and its four television shopping channels: Ideal World, Ideal Extra, Ideal & More and Create and Craft - broadcasting to more than 23 million households in the UK.

The Orderline and Customer Service lines have provided ISD with the capability to deliver a much improved customer service.

"Customer service is a vital part of our strategy whilst maintaining operational efficiency and Eckoh have a crucial role to play in helping us to fulfil this. We are extremely pleased with the services that have been delivered and we're thrilled to have extended our relationship with Eckoh and to be able to continue working with them to extend the automated services for our customers."

David Peck,

Head of Customer Service, Ideal Shopping Direct

Corporate Governance

Compliance Statement

The Board of Eckoh plc recognises its responsibilities to maintain high standards of corporate governance throughout the Group. The Board continues to give careful consideration to the principles of corporate governance as set out in the Combined Code published by the Financial Services Authority, although as a company listed on AIM it is not required to comply with the Combined Code. The Company is committed to complying with the Combined Code so far as is practicable and appropriate for a public company of its size and nature.

Board of Directors

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

The biographical details of the Board members are set out on page 19.

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.

Corporate Governance continued. .

Day-to-day management of the business is delegated to the Management Team, now 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.

Corporate Governance continued...

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

The Audit Committee is responsible for reviewing the following:

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

The Audit Committee formally met twice during the period under review, with no absentees. Adam Moloney, the Group Finance Director, attends all Audit Committee meetings by invitation and provides advice to the Committee where appropriate. The Chief Executive Officer was invited to and attended both meetings. The Company's auditors attended both meetings and the Committee considered reports issued by them. The auditors have direct access to the Audit Committee without the presence of an Executive Director. The Committee reviews the effectiveness of the Company's internal financial controls by reference to reports from the external auditors. The Committee also reviews the scope and results of the external audit as well as its cost effectiveness.

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

Internal Control and Risk Management

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

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

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

Corporate Governance continued...

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.

Remuneration Committee

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

Directors' remuneration for the financial year was as follows:

Name	Salary and fees £'000	Bonus £'000	Other benefits £'000	2010 Total £'000	2009 Total £'000
C Ansell (i)	18	-	-	18	-
C M Batterham (ii)	28	-	-	28	-
J P Hennigan (iii)	251	-	2	253	194
A P Moloney (iv)	118	-	13	131	168
N B Philpot	207	-	2	209	268
H R P Reynolds (v)	90	-	-	90	73
Total	712	-	17	729	703

The information contained in this table has been audited.

Notes

- (i) C Ansell was appointed as a non Executive Director on 7 July 2009.
- (ii) CM Batterham was appointed as non Executive Director on 15 July 2009 and further appointed as Non Executive Chairman on 11 September 2009.
- (iii) JP Hennigan resigned as a Director on 21 December 2009. Included within the salary and fees figure is an amount totalling £163,000 which was paid after the date of his resignation as a director in connection with a compromise agreement and his contractual 12 month notice period.
- (iv) Included within the other benefits paid to A P Moloney is an employer pension contribution of £12,000 (2009: £12,000). There were no other pension costs during the year.
- (v) HRP Reynolds formally resigned as Non Executive Chairman and Director on 11 September 2009. Included within the salary and fees figure is a payment in respect of his contractual 12 month notice period of £75,000 agreed in June 2009. HRP Reynolds continued in his role as Non Executive Chairman without further payment from 30 June 2009 until he formally resigned on 11 September 2009.

Gains on the exercise of share options in the year ended 31 March 2010 totalled £nil (2009: £nil).

Corporate Governance

continued...

Remuneration and Service Contracts

A thorough review of the remuneration and structure of the Board has taken place during the financial year resulting in the basic cost of the Board being reduced by 28% from £566,000 to £407,000. The remuneration of NB Philpot and AP Moloney is determined by the Remuneration Committee. During the year, independent professional advice has been gained to assist in determining Executive remuneration. Remuneration Committee considers that both executive Directors are salaried appropriately and does not propose an increase in salary for either Director. Neither executive Director has been awarded an increase in salary since April 2007. Both executive directors have service contracts which are terminable on twelve month's notice.

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

Bonus Arrangements

There is an annual bonus scheme for executive Directors of up to 60% of salary, payable in cash. Payments under the bonus scheme in 2009/10 were dependent on the achievement of profits targets exceeding market expectation. Whilst significant progress has been made in the business during the year and profits targets have been achieved, bonuses were to be funded from any excess of achievement above target. As targets were met, but not exceeded, bonus payments have not been awarded in respect of the year to 31 March 2010 (2009 NB Philpot £59,000, AP Moloney £36,000). Bonus payments in 2010/11 will be based on a series of targets to be set by the Remuneration committee which will more accurately reward good performance.

Long-term Incentive Arrangements for Directors

1,000,000 share options were granted under the Eckoh plc Share Option Scheme (1999) on 5 March 2010 to both remaining executive directors. These were the first share option awards made since July 2007.

The remuneration committee considers that both executive directors are currently insufficiently incentivised to deliver long term shareholder value, and to ensure that their interests are comprehensively aligned with shareholders interests, it is intended that a Long Term Incentive Plan ("LTIP") will be developed during the coming months which will address the situation.

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.

Eckoh has a clear vision and path for future growth and success

Swine flu information service for the Department of Health and COI

Eckoh has been working with the Department of Health (DH) and the Central Office of Information (COI), the Government's centre of excellence for marketing and communications, for over 4 years in their Pandemic Influenza preparedness.

Eckoh were contracted to design, develop and then host an interactive telephone information service to deal with a pandemic situation. The service was designed so that it could be activated at extremely short notice and was provided in standby mode in early 2009.

On the 26 April 2009 the COI/DH requested that the service go live. Eckoh ensured that the service was updated with the relevant information and the service was ready to take calls that same day. A TV, radio and print media campaign was organised by the COI/DH to advertise the number with the first live calls being taken on the 30 April.

The service allowed callers to obtain information on swine flu, what to do if you think you had contracted it, how to prevent contracting it, and what action the Government was taking. It also allowed the caller to request an information leaflet in a variety of languages and accessibility formats including brail and large type, during 2009 Eckoh handled over fifteen and a half thousand requests for the leaflets. The caller's name and address details were taken automatically using EckohID, an automated speech recognition solution for capturing name and address information.

The service handled over 1 million calls since its launch with the busiest day on the 14 July, which saw the service take over 58,000 calls.

Driving exceptional customer service with a speech-enabled branch locator solution

Eckoh successfully renewed its contract with Enterprise Rent-A-Car, the UK's leading specialist in personal, business and replacement car hire, for the provision of Eckoh's speech-enabled locator service, EckohLOCATE.

Based on Eckoh's specialist speech recognition software, callers are able to say the name of a town and EckohLOCATE will identify the nearest Enterprise branch within a five mile radius of that location – providing details such as branch address, opening hours and contact information as well as the option to connect through directly to the branch. The Enterprise National Reservations Number is available 24 hours a day, 7 days a week and, since its launch in October 2004, has handled more than 1.5 million call minutes.

In the UK, Enterprise is the sole specialist in providing replacement vehicles and courtesy cars, which are relied upon in the event of an accident. Enterprise, which was established in the UK in 1994, has rapidly expanded and currently has over 330 locations across the UK, with more than 3,000 staff.

By using EckohLOCATE, Enterprise contact centre agents are able to focus on more complex calls and in-store queries whilst routine and repetitive requests for basic information are handled by the service.

"A level of service that exceeds our customers' expectations has always been at the heart of the Enterprise brand and Eckoh continue to ensure that we provide our customers with a fast, efficient and easy-to-use branch locator service "

Parthi Kumarasamy,

IT Director – Europe, Enterprise Rent-A-Car

The Enterprise National Reservations Number is available 24 hours a day, 7 days a week and, since its launch in October 2004, has handled more than 1.5 million call minutes.

Statement of Directors' Responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the company financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law).

Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period. The directors are also required to prepare financial statements in accordance with the rules of the London Stock Exchange for companies trading securities on the Alternative Investment Market.

In preparing these financial statements, the directors are required to

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

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

Website Publication

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

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 ended 31 March 2010 which comprise the consolidated statement of comprehensive income, statement of financial position, statement of changes in equity, statement of cash flow, and the related notes. The financial reporting framework that has been applied in the preparation of the group financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the parent company financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

Respective Responsibilities of Directors and Auditors

As explained more fully in the statement of directors' responsibilities, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit 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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the group's and the parent company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements.

Audit Report for Eckoh plc continued...

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 2010 and of the group's loss for the year then ended,
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union,
- the parent company's financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006

Opinion on other matters prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

 we have not received all the information and explanations we require for our audit

Richard Kelly (senior statutory auditor)
For and on behalf of BDO LLP,
statutory auditor
Hatfield
United Kingdom
18 June 2010

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

Consolidated Financial Statements

Consolidated Statement of Comprehensive Income for the year ended 31 March 2010

		2010 £'000	2009 £'000
	Notes		
Continuing operations			
Revenue	4	7,923	6,674
Cost of sales		(2,226)	(2,395)
Gross profit	4	5,697	4,279
Administrative expenses before non-recurring items		(5,578)	(5,223)
French office closure costs		(286)	-
Employee restructuring		(306)	(16)
EGM costs		(61)	-
Legal settlement		-	(627)
Aborted transaction costs		-	(168)
Total Administrative expenses	4,6	(6,231)	(6,034)
Loss from operating activities	5	(534)	(1,755)
Finance income	4,9	340	382
Finance expense		(3)	-
Loss before taxation	4	(197)	(1,373)
Taxation	10	-	-
Loss for the year from continuing operations		(197)	(1,373)
Discontinued operations			
Post tax profit for the year from discontinued operations	11	79	495
Loss for the year attributable to the equity holders of the parent company		(118)	(878)
Other comprehensive income			
Exchange differences on translating foreign operations		(8)	(20)
Total comprehensive expense for the year attributable to the equity holders of the parent company		(126)	(898)
Loss per share (pence)	12		
Basic and diluted		(0 06)	(0 44)
Loss per share from continuing (pence)	12		
Basic and diluted		(0 10)	(0 36)

Consolidated Financial Statements
continued...Consolidated Statement of Financial Position
as at 31 March 2010

		2010 £'000	2009 £'000
	Notes		
Assets			
Non-current assets			
Intangible assets	13	599	376
Property, plant and equipment	14	1,160	714
Loans and other receivables	17	2,925	1,700
		4,684	2,790
Current assets			
Inventories	16	5	4
Trade and other receivables	17	2,490	4,476
Short-term investments	18	1,821	2,821
Cash and cash equivalents	19	2,067	2,421
Assets held for sale	28	945	-
		7,328	9,722
Total assets		12,012	12,512
Liabilities			
Current liabilities			
Trade and other payables	20	(1,651)	(3,812)
Obligations under finance leases	21	(1)	(3)
Liabilities directly associated with assets held for sale	28	(1,504)	-
		(3,156)	(3,815)
Non-current liabilities			
Provisions	22	(320)	(79)
		(320)	(79)
Net assets		8,536	8,618
Shareholders' equity			
Share capital		499	499
Capital redemption reserve		198	198
Share premium		695	695
Currency reserve		(55)	(47)
Retained earnings		7,199	7,273
Total shareholders' equity		8,536	8,618

The financial statements on pages 43 to 76 were approved by the Board of Directors on 18 June 2010
and signed on its behalf by

Adam Moloney – Group Finance Director

Consolidated Financial Statements

continued ..

Consolidated Statement of Changes in Equity

as at 31 March 2010

	Share Capital	Capital redemption reserve	Share premium	Retained earnings	Currency reserve	Total shareholders equity
	£'000	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2008	499	198	695	8,097	(27)	9,462
Total comprehensive expense for period	-	-	-	(878)	(20)	(898)
Share based payment charge	-	-	-	54	-	54
Balance at 31 March 2009	499	198	695	7,273	(47)	8,618
Balance at 1 April 2009	499	198	695	7,273	(47)	8,618
Total comprehensive expense for period	-	-	-	(118)	(8)	(126)
Share based payment charge	-	-	-	44	-	44
Balance at 31 March 2010	499	198	695	7,199	(55)	8,536

Consolidated Statement of Cash Flows

for the year ended 31 March 2010

	Notes	2010 £'000	2009 £'000
Cash flows from operating activities			
Cash utilised in operations	27	(979)	(2,836)
Interest paid		(3)	-
Taxation		-	(45)
Net cash utilised in operating activities		(982)	(2,881)
Cash flows from investing activities			
Purchase of property, plant and equipment		(1,003)	(443)
Purchases of intangible fixed assets		(380)	(383)
Decrease / (increase) in short-term investments		1,000	(1,291)
Loans repaid by third parties		-	500
Interest received		396	382
Net proceeds on disposal of business operations		617	1,234
Net cash generated / (utilised) in investing activities		630	(1)
Cash flows from financing activities			
Capital element of finance lease rental payments		(2)	(4)
Net cash utilised in financing activities		(2)	(4)
Decrease in cash and cash equivalents		(354)	(2,886)
Cash and cash equivalents at the start of the period	19	2,421	5,307
Cash and cash equivalents at the end of the period	19	2,067	2,421

Notes to the Financial Statements

for the year ended 31 March 2010

1. Basis of preparation

The consolidated financial statements of Eckoh plc have been prepared in accordance with International Financial Reporting Standards ("IFRS"). These financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at 31 March 2010 as endorsed by the EU.

In the current year the Group has adopted Amendment to IAS 23 "Borrowing Costs", Amendment to IFRS 2 "Share-based Payment: Vesting Conditions and Cancellations", Amendments to IAS 1 "Presentation of Financial Statements: A Revised Presentation", Amendments to IAS 32 and IAS 1 "Puttable Financial Instruments and Obligations Arising on Liquidation", Amendments to IFRS 1 and IAS 27 "Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate", IAS 39 and IFRS 7 (Amendments) "Reclassification of Financial Instruments", Amendment to IFRS 7 "Improving Disclosures about Financial Instruments", IFRIC 13 "Customer Loyalty Programmes", IFRIC 15 "Agreements for the Construction of Real Estate" and IFRIC 16 "Hedges of a Net Investment in a Foreign Operation".

IFRS 8 "Operating Segments" is mandatory for periods beginning on or after 1 January 2009. However, the Group elected to apply the standard early in its financial statements for the year ended 31 March 2009.

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:

- Revised IAS 24 "Related Party Disclosures"
- IAS 27 (amended) "Consolidated and Separate Financial Statements"
- IAS 39 (amended) "Financial Instruments: Recognition and Measurement - Eligible Hedged Items"
- IFRS 1 (Revised) "First Time Adoption of International Financial Reporting Standards"
- IFRS 3 (revised) "Business Combinations"
- IFRS 9 "Financial Instruments"
- Amendment to IAS 32 "Financial Instruments: Presentation: Classification of Rights Issues"
- Amendments to IFRS 2 "Group Cash-settled Share Based Payment Transactions"
- Amendments to IFRIC 9 and IAS 39 "Embedded Derivatives"
- Amendments to IFRIC 14 "IAS 19 - Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"
- IFRIC 17 "Distribution of non-cash Assets to Owners"
- IFRIC 18 "Transfers of Assets from Customers"
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"

The directors' review newly issued standards and interpretations in order to assess the impact 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 2010.

Notes to the Financial Statements

for the year ended 31 March 2010 continued

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

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

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

2. Summary of principal accounting policies

Critical accounting policies, estimates and adjustments

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

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

Intangible assets	note 13
Trade and other receivables	note 17
Provisions	note 22
Share based payment	note 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 purchase method of accounting. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the Group's share of the net assets of the subsidiary acquired, the difference is recognised directly in the income statement.

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

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 identified.

(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 develop new products and enhance its systems. Development costs 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.

Notes to the Financial Statements

for the year ended 31 March 2010 continued. .

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.

(b) Loans and receivables

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

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

Financial assets continued

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. Impairment losses recognised previously on debt securities are reversed through the income statement when the increase can be related objectively to an event occurring after the impairment loss was recognised in the income statement.

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

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

Inventories

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

Trade and other receivables

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

Cash and cash equivalents

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

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

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

Foreign currency transactions

(a) Functional and presentation currency

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

(b) Group companies

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

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

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

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

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

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

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

Provisions

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

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

Employee benefits

(a) Pensions

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

(b) Bonus schemes

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

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

(c) Share-based payments

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

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

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

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

(d) Employee Share Ownership Plan

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

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

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

Client IVR revenue is recognised when the Group has determined that users have accessed its services via a telephone carrier network and/or the Group's telecommunication call processing equipment connected to that network. Cost of sales includes out-payments due to clients, production costs and facility costs, and is expensed in the accounting period in which the related revenues are generated.

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 shareholders 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.

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.

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

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.

Notes to the Financial Statements for the year ended 31 March 2010 continued...

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. The Group's treasury policy requires that surplus funds are invested in short-term (less than 12 months) deposit accounts with banks or building societies that can demonstrate governmental support, to ensure that funds are available to meet current and future operating requirements.

Interest rate risk

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

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

	2% decrease in interest rates £'000	2% increase in interest rates £'000
(Decrease)/increase in fair value of loans and other receivables	(57)	57
(Decrease)/increase in fair value of short-term investments	(21)	21
Impact on income statement (loss)/gain	(78)	78

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

Foreign currency risk

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

Capital management

The Board's policy is to maintain a strong capital base with the joint objectives to maintain investor, creditor and market confidence and to sustain future development of the business. Capital comprises all components of equity (i.e. share capital, capital redemption reserve, share premium 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	
	2010	2009
Current financial assets	£'000	£'000
Trade receivables (note 17)	1,217	1,020
Other receivables (note 17)	45	27
Loans and receivables (note 17)	2	1,620
Short-term investments (note 18)	1,821	2,821
Cash and cash equivalents (note 19)	2,067	2,421
Total current financial assets	5,152	7,909
Non-current financial assets		
Loans and receivables (note 17)	2,925	1,700
Total non-current financial assets	2,925	1,700
Total financial assets	8,077	9,609

Financial liabilities

All financial liabilities held by the Group are measured at amortised cost and comprise trade payables of £501,000 (2009: £1,980,000), other payables of £302,000 (2009: £27,000) and obligations under finance leases of £1,000 (2009: £3,000). See notes 20 and 21 for further details.

Notes to the Financial Statements

for the year ended 31 March 2010 continued. .

4. Segment analysis

Following the post year end disposal of the Client IVR business, the Group's continuing operations represents a single integrated business with only one reportable segment. In addition, there are no material foreign entities and revenue is derived entirely from the UK therefore segmental information by geographical area is therefore not presented. This analysis reflects the way that financial information is reported internally within the Group. The statement of financial position is not split by segment for internal reporting purposes. Continuing operations in the table below are represented by the Speech Solutions division with discontinued operations represented by the Client IVR division.

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

2009	Continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	6,674	12,435	19,109
Gross profit	4,279	1,890	6,169
Administrative expenses	(6,034)	(1,272)	(7,306)
Net interest receivable	382	51	433
(Loss)/profit before taxation	(1,373)	669	(704)
Taxation	-	(45)	(45)
Post tax gain from disposal of operations	-	(129)	(129)
(Loss)/profit after taxation	(1,373)	495	(878)

In 2009/10, there were two customers which individually accounted for more than 10% of the total revenue of the continuing operations of the company (2008/9 three customers). Revenue from these customers in 2009/10 totalled £2,550,000 (2008/9 £3,380,000).

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

5. Loss from operating activities

	2010	2009
	£'000	£'000
The Group's operating loss is arrived at after charging		
Employee benefits expense (note 7)	3,242	3,034
Depreciation (note 14)	529	474
Amortisation (note 13)	157	121
Operating lease payments - property	464	501
Office closure costs (note 6)	286	-
Restructuring costs (note 6)	306	16
EGM costs (note 6)	61	-
Litigation costs (note 6)	-	627
Aborted corporate transaction costs (note 6)	-	168
Property reorganisation costs	-	131

6 Non-recurring items

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

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

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

During the year ended 31 March 2009, the Group incurred some non recurring items of expenditure. The largest item was £627,000 relating to the final settlement of a claim made by Channel Four Television Corporation in relation to the "Richard and Judy" programme. There were also £168,000 of aborted corporate transaction costs and £16,000 of employee restructuring costs.

Notes to the Financial Statements for the year ended 31 March 2010 continued...

7. Employee benefits expense

	2010 £'000	2009 £'000
Wages and salaries	3,019	2,972
Less Internal development costs capitalised in the year	(267)	(326)
Amortisation of internal development costs	144	29
Social security costs	296	300
Pension costs	6	5
Share based payments	44	54
	3,242	3,034

The Directors' report on page 20 provides further details on the Directors' emoluments. The average number of people (including executive directors) employed by the Group during the year was

	2010 Number	2009 Number
Technical support	28	35
Customer services	21	15
Administration and management	36	36
	85	86

8. Auditor remuneration

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

	2010 £'000	2009 £'000
Fees payable for the audit of the parent company and consolidated accounts	25	25
Fees payable for other services		
The audit of subsidiary undertakings comprising continuing operations	42	43
The audit of subsidiary undertakings comprising discontinued operations	2	2
Services relating to aborted transaction due diligence	-	3
Taxation services	6	50
Total fees payable to the Group's auditor	75	123

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

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

9. Finance income

	2010 £'000	2009 £'000
Continuing operations		
Bank interest receivable	36	247
Interest receivable on loans and other receivables	66	135
Arrangement fees on loans	238	-
	340	382
Discontinued operations		
Interest receivable on loans and other receivables (note 11)	58	51
	398	433

During the year ended 31 March 2010, the terms of a loan of £2,700,000 outstanding from Redstone plc were renegotiated

The key terms of the renegotiated loan are as follows

- £1,000,000 is repayable on 1 October 2011 and the balance of £1,700,000 is repayable on 1 October 2012
- Interest is payable monthly in arrears at 2% over the Bank of England base rate
- Eckoh will be granted security which will be subordinated to Barclays Bank PLC and the holders of the Loan Note

Eckoh will receive arrangement fees totalling £530,000 as a result of agreeing these revised terms. Of this, £305,000 has been paid with a final payment of £225,000 due when full repayment of the loan is made in October 2012. In accordance with the accounting policy, £350,000 of the arrangement fee will be recognised in the income statement across the remaining term of the loan.

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

10. Taxation

Continuing operations	2010 £'000	2009 £'000
Current tax	-	-
Deferred tax	-	-
Taxation	-	-

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

Continuing operations	2010 £'000	2009 £'000
Loss on ordinary activities before taxation	(197)	(718)
Loss on ordinary activities multiplied by rate of corporation tax in the UK of 28% (2009 28%)	(55)	(201)
Effect of expenses not deductible for tax purposes	14	7
Effect of capital allowances in excess of depreciation	148	7
Effect of income not chargeable to tax	24	(12)
(Utilisation of) / unutilised tax losses	(131)	199
Current tax charge for the year	-	-

No deferred tax assets have been recognised in respect of tax losses and other temporary differences on the grounds that there is insufficient evidence that the assets will be recoverable. Unprovided deferred taxation assets total £6,444,000 (2009 £6,597,000) in respect of trading losses and £8,768,700 (2009 £8,768,700) in respect of capital losses of which £6,277,000 (2009 £6,277,000) are restricted. In addition, there are other temporary timing differences resulting in unprovided deferred tax assets of £616,000 (2009 £456,000).

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

11. Post tax profit for the year from discontinued operations

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

On 28 May 2010, the Company announced that it had 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. 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.

The loss on discontinued operations relates to the disposal of the three trading divisions of Eckoh Projects Limited in the year ended 31 March 2008 and can be detailed as follows:

	2010 £'000	2009 £'000
Profit from disposal of operations		
Consideration		
Deferred cash	(30)	(150)
Cash consideration	(30)	(150)
Discounting on deferred cash	-	21
Net consideration received	(30)	(129)
Pre and post-tax loss from the disposal of operations	(30)	(129)

No cash or cash equivalents were disposed of with the sale of these operations (2009: £nil)

	2010 £'000	2009 £'000
Trading result of discontinued operations		
Revenue	8,769	12,435
Cost of Sales	(7,542)	(10,545)
Gross Profit	1,227	1,890
Administrative expenses	(1,206)	(1,272)
Interest receivable	58	51
Profit before taxation	79	669
Taxation	-	(45)
Post-tax profit for the year from discontinued operations	79	624
Post-tax loss from the disposal of operations	-	(129)
	79	495
Basic and diluted earnings per share (note 12)	0.04 pence	0.25 pence

Notes to the Financial Statements for the year ended 31 March 2010 continued...

11. Post tax profit for the year from discontinued operations continued

The taxation charge in the year ended 31 March 2009 is an adjustment in respect of the prior year

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

	2010 £'000	2009 £'000
Operating activities	(502)	(1,689)
Investing activities	(28)	-
Net cash utilised in discontinued operations	(530)	(1,689)

12. Earnings per share

Basic earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares of 199,688,710 (2009 199,688,710) in issue during the year ended 31 March 2010 after adjusting for shares held by the Employee Share Ownership Plan of 70,866 (2009 70,866) and the loss for the period attributable to equity holders of the parent of £126,000 (2009 loss of £898,000)

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 2,000 (2009 nil)

Denominator	2010 '000	2009 '000
Weighted average number of shares in issue in the period	199,760	199,760
Shares held by employee ownership plan	(71)	(71)
Number of shares used in calculating basic earnings per share	199,689	199,689
Dilutive effect of share options	2	-
Number of shares used in calculating diluted earnings per share	199,691	199,689

Notes to the Financial Statements for the year ended 31 March 2010 continued...

13. Intangible assets

Group	Goodwill	Internally developed computer software	Other intangible assets	Total
	£'000	£'000	£'000	£'000
Cost				
At 1 April 2008	15,922	470	18	16,410
Additions	-	381	2	383
At 31 March 2009	15,922	851	20	16,793
Additions	-	380	-	380
At 31 March 2010	15,922	1,231	20	17,173
Amortisation				
At 1 April 2008	15,922	359	15	16,296
Charge for the year	-	119	2	121
At 31 March 2009	15,922	478	17	16,417
Charge for the year	-	156	1	157
At 31 March 2010	15,922	634	18	16,574
Carrying amount				
At 31 March 2010	-	597	2	599
At 31 March 2009	-	373	3	376

Notes to the Financial Statements for the year ended 31 March 2010 continued...

14. Property, plant and equipment

Cost	Fixtures and equipment £'000
At 1 April 2008	4,918
Additions	443
Disposals	(291)
At 31 March 2009	5,070
Additions	1,003
Disposals	(29)
Transfer to assets held for sale	(30)
At 31 March 2010	6,014
Depreciation	
At 1 April 2008	4,175
Charge for the year	474
Disposals	(293)
At 31 March 2009	4,356
Charge for the year	529
Disposals	(29)
Transfer to assets held for sale	(2)
At 31 March 2010	4,854
Carrying amount	
At 31 March 2010	1,160
At 31 March 2009	714

The carrying amount of property, plant and equipment includes £nil (2009 £3,000) in respect of assets held under finance lease contracts. The depreciation charge in respect of assets held under finance lease was £3,000 (2009 £4,000).

Notes to the Financial Statements for the year ended 31 March 2010 continued...

15. Investment in subsidiary undertakings

The following are the principal subsidiary undertakings of the Group

Subsidiary undertakings	Country of incorporation	Principal activities	Percentage of share capital held
Eckoh UK Limited	England and Wales	Speech Solutions and Client IVR	100%
Eckoh France SAS	France	Speech Solutions and Client IVR	100% (i)
Eckoh Enterprises LBG	England and Wales	Dormant	67% & 33% (i)
Eckoh Projects Limited	England and Wales	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

	2010 £'000	2009 £'000
Work in progress	5	4
	5	4

Notes to the Financial Statements for the year ended 31 March 2010 continued...

17 Trade and other receivables

	2010	2009
	£'000	£'000
Current		
Trade receivables	1,336	1,051
Less provision for impairment of receivables	(72)	(31)
Net trade receivables	1,264	1,020
Loans and receivables	2	1,620
Other receivables	43	27
Prepayments and accrued income	1,181	1,809
	2,490	4,476
Non-current		
Loans and receivables (note 28)	2,925	1,700
	2,925	1,700

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

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the Group's trade and other receivables. Concentrations of credit risk with respect to trade receivables are limited due to working capital practices of the market sector and the Group, and the nature of the Group's customer base. The working capital practices of the market sector within which the Group operates are such that the majority of the trade receivables balance is due from the telephony carriers under a self bill agreement. The working capital practices of the Group follow the PhonePayPlus regulations, making out-payments to clients once the relevant trade receivable has been received. For other trade receivables, the reputable nature of the Group's current customer base limits exposure to credit risk. At 31 March 2010, trade receivables that are past due but not impaired represent £19,000 or 1.5% of the total trade receivables (2009: £158,000 or 15.0%). The past due balance of £19,000 represents receivables that are between 60 and 90 days past due (2009:

£158,000 60 to 90 days past due). 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 the impairment of an £41,000 receivable from ACP Retail Limited who have entered into administration (2009: impairment of £5,000 due to an impaired receivable).

As part of the financing arrangements for the acquisition of Anglia Telecom Centres Limited in April 2006, Eckoh plc loaned Symphony Telecom Holdings plc ("Symphony") £7,500,000. £3,500,000 was repaid during May 2006. On 18 July 2006, the date of the disposal of Symphony, amounts due to Eckoh plc totalled £700,000.

This amount was added to the principal of the loan, bringing the loan to £4,700,000. Since the commencement of the loan £2,000,000 of capital repayments have been made. However, no capital repayments were received during the year ended 31

Notes to the Financial Statements for the year ended 31 March 2010 continued...

March 2010 (2009 £500,000) In September 2009 it was agreed that the loan should be transferred to the acquirer of Symphony, Redstone plc ("Redstone") and repayment of the remaining capital amount of £2,700,000 could be deferred to be repaid in two instalments, of £1,000,000 in October 2011 and £1,700,000 in October 2012. As part of the agreement, arrangement fees totalling £530,000 were agreed. £180,000 was paid in July 2009 and recognised in full during the 2009/10 financial year. The remaining fee of £350,000 is to be paid in two instalments with the first received in September 2009 of £125,000 and the final instalment of £225,000 to be paid with the final capital payment in October 2012.

As at 31 March 2009, the balance on the loan to Redstone totals £2,927,000 (2009 £2,722,000).

£2,000 (2009 £1,022,000) is reported within other receivables due within one year and £2,925,000

(2009 £1,700,000) is reported within other receivables due after one year. The loan now bears interest at 2% above the Bank of England base rate and interest is payable monthly in arrears. The loan is secured on the assets of Redstone. Interest receivable and arrangements fees from the loan recognised during the year ended 31 March 2010 amounted to £304,000 (2009 £135,000). The effective rate of interest is 2.08% (2009 4.54%).

Included within loans and receivables as at 31 March 2009 is consideration paid for the Connection Makers TV and Chat divisions totalling £nil (2009 £456,000). £nil (2009 £456,000) is recognised within loans and receivables falling due within one year. These receivables were discounted at 10%.

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

18. Short-term investments

	2010 £'000	2009 £'000
Sterling	1,821	2,821
	1,821	2,821
Fixed rate	1,504	2,504
Floating rate	317	317
	1,821	2,821

Of the amount presented within short-term investments, £316,600 (2009 £316,600) represents an amount held in escrow in connection with a client contract. The amount will become available within three months of the contract termination, expiry or re-negotiation. Short-term deposits have an average maturity of 4 months (2009 3 months). The average interest rate on short-term deposits during the year was 1.49% (2009 4.95%).

Notes to the Financial Statements for the year ended 31 March 2010 continued...

19. Cash and cash equivalents

	2010 £'000	2009 £'000
Sterling	2,027	2,409
Euro	40	12
	2,067	2,421
Floating rate	2,067	2,421
	2,067	2,421

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 0.47% (2009: 4.13%).

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

20. Trade and other payables

	2010 £'000	2009 £'000
Trade payables	501	1,980
Other payables	302	27
Other taxation and social security	375	447
Accruals and deferred income	473	1,358
	1,651	3,812

All of the amounts above are payable within one year and are less than three months old at the year end (2009: £48,000 of the payable balance was more than three months old at the year end).

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

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

21. Obligations under finance leases

	2010 Minimum lease payments	2010 Present value of minimum lease payments	2009 Minimum lease payments	2009 Present value of minimum lease payments
	£'000	£'000	£'000	£'000
Amounts payable under finance leases				
Within one year	1	1	3	3
	1	1	3	3
Less future finance charges		-		-
Present value of lease obligations		1		3
Less amount due for settlement within one year (shown under current liabilities)		1		3
Amount due for settlement after one year		-		-

22. Provisions

	Provision for Dilapidations	French office closure	Total
	£'000	£'000	£'000
At 1 April 2009	79	-	79
Provided in year	-	280	280
Utilisation in year	(39)	-	(39)
At 31 March 2010	40	280	320

The dilapidation provision will not be payable until the end of the lease on the Group's Telford House offices in 2015. £39,000 of the prior year provision was utilised on termination of the lease relating to premises in Dudley, West Midlands.

The Group is committed to closing the office of Eckoh France SA (see note 6). The provision of £280,000 is to cover the estimated costs of employee redundancy and associated premises and legal costs.

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

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.

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

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

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

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk free rate of return is the yield on zero-coupon UK government bonds of a term consistent with assumed option life. A reconciliation of option movements over the year to 31 March 2010 is shown below

	2010		2009	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
Outstanding at 1 April	13,292,637	8.24	14,902,250	8.32
Granted	4,500,000	5.13	-	-
Forfeited	(357,970)	9.27	(1,609,613)	9.04
Outstanding at 31 March	17,434,667	6.09	13,292,637	8.24
Exercisable at 31 March	8,634,667	7.94	8,767,637	7.97

Notes to the Financial Statements for the year ended 31 March 2010 continued...

23. Share based payment continued

Range of exercise prices (pence)	2010				2009			
	Weighted average exercise price (pence)	Number of shares ('000's)	Weighted average remaining life		Weighted average exercise price (pence)	Number of shares ('000's)	Weighted average remaining life	
			Expected	Contractual			Expected	Contractual
4.5-6.5	5.13	4,500	2.9	9.9	-	-	-	-
6.5-8.5	7.32	6,054	-	3.1	7.34	6,167	-	4.2
8.5-10.5	8.75	6,050	-	6.8	8.75	6,275	0.8	7.8
10.5-12.5	10.75	830	-	2.7	10.75	830	-	3.7
16.5-20.0	16.75	1	-	1.2	19.85	21	-	0.2

The total charge for the year relating to employee share based payment plans was £44,000 (2009: £54,000) 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 16):

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

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

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

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

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

	2010	2009
	£'000	£'000
Directors and other key management		
Wages and salaries	899	890
Social security costs	120	132
Pension costs	12	12
Share based payments	35	43
	1,066	1,077

The aggregate Directors' emoluments are shown in the table below. An analysis of Directors' emoluments is included in the Directors' Report on page 20

	2010	2009
	£'000	£'000
Directors'		
Aggregate emoluments	729	703
	729	703

26. Operating lease commitments

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

	2010 £'000	2009 £'000
Land and buildings		
Expiring within one year	487	397
Expiring within two to five years	865	504
Expiring after five years	-	79
	1,352	980

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

The Group also have an operating lease for a data centre in Heathrow, London at which some of its call processing platform is located. The term of the lease covers the period to July 2012 at a cost of £384,000 per annum.

Notes to the Financial Statements

for the year ended 31 March 2010 continued...

27. Cash flow from operating activities

	2010 £'000	2009 £'000
Cash flows from operating activities		
Loss after taxation	(118)	(878)
Loss on disposal of business operations	30	129
Interest income	(398)	(433)
Interest paid	3	-
Taxation recognised in income statement	-	45
Depreciation of property, plant and equipment	529	474
Amortisation of intangible assets	157	121
Share based payments	44	54
Exchange differences	(8)	(20)
Operating profit / (loss) before changes in working capital and provisions	239	(508)
(Increase) / decrease in inventories	(1)	9
(Increase) / decrease in trade and other receivables	(801)	1,687
Decrease in trade and other payables	(657)	(4,086)
Increase in provisions	241	62
Net cash utilised in operating activities	(979)	(2,836)

28. Assets held for sale

Further disclosure on the assets held for sale can be found in note 11

	2010 £'000	2009 £'000
Net book value of property, plant and equipment	28	-
Current Assets		
Net trade receivables	78	-
Other receivables	832	-
Prepayments and accrued income	7	-
Total Assets held for sale	945	-
Current Liabilities		
Trade payables	702	-
Other payables	18	-
Accruals and deferred income	784	-
Total liabilities directly associated with assets held for sale	1,504	-

Company Financial Statements

Prepared under UK GAAP

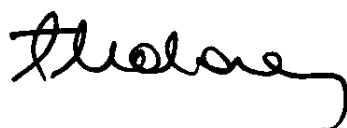
Company balance sheet as at 31 March 2010

Company number 3435822

		2010	2009
	Notes	£'000	£'000
Fixed assets			
Investments	II	5,043	5,451
		5,043	5,451
Current assets			
Debtors amounts falling due within one year	III	35	1,240
Debtors amounts falling due after more than one year	III	2,927	1,700
Short-term investments		1,503	2,504
Cash at bank and in hand		1,144	2,071
		5,607	7,515
Creditors amounts falling due within one year	IV	(301)	(10)
Net current assets		5,306	7,505
Total assets less current liabilities		10,349	12,956
Net assets		10,349	12,956
Capital and reserves			
Called up share capital	VII,VIII	499	499
Capital redemption reserve	VIII	198	198
Share premium account	VIII	695	695
Share based payment	VIII	209	209
Profit and loss account	VIII	8,748	11,355
Total shareholders' funds		10,349	12,956

The financial statements on pages 77 to 82 were approved and authorized for issue by the Board of Directors on 18 June 2010 and signed on its behalf by

Adam Moloney
Group Finance Director



Notes to the Company's Financial Statements

For the year ended 31 March 2010

Principal Accounting Policies

Basis of accounting

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

The principal accounting policies adopted by the Company are described below

Investments

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

Deferred taxation

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

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

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

Related party transactions

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

Share based payments

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

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

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

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

Notes to the Company's Financial Statements

For the year ended 31 March 2010 continued .

Cash flow statement

The cash flows of the Company are included in the consolidated cash flow statement on page 22

i. Operating expenses

Staff costs

Details of the Directors' emoluments are given in the Directors' Report on page 8. The Director's remuneration costs are borne by a subsidiary undertaking. The Company did not incur any staff costs during the year (2009: £nil). The average number of employees employed by the company during the year was 4 (2009: 4).

Services provided by the Group's auditor

Fees payable for the audit of the parent company and consolidated accounts of £25,000 (2009: £25,000) were borne by a subsidiary undertaking.

ii. Fixed asset investments

	31 March 2010 £'000
Cost	
At 1 April 2009	5,451
Additions	44
Impairment	(452)
At 31 March 2010	5,043

Following final payment arising from the disposal of the Chat and Television business divisions and write off of inter-company debt during the year ended 31 March 2010, an impairment charge of £452,000 was recognised in respect of the investment in Eckoh Projects Limited.

Notes to the Company's Financial Statements

For the year ended 31 March 2010 continued...

Additions in the year represent the accounting charge for share options issued by the parent company to employees of subsidiary undertakings

The following are the principal subsidiary undertakings of the Company

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

* Share capital held by a subsidiary undertaking

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

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

iii. Debtors

	31 March 2010	31 March 2009
	£'000	£'000
Other debtors	28	1,048
Amounts due from subsidiary undertakings	-	181
Prepayments and accrued income	7	11
Amounts due within one year	35	1,240
Other debtors	2,925	1,700
Amounts due after more than one year	2,925	1,700

The amounts due after more than one year relate to amounts due from Redstone plc (see note 17 of the consolidated financial statements)

Notes to the Company's Financial Statements

For the year ended 31 March 2010 continued...

iv. Creditors' amounts falling due within one year

	31 March 2010	31 March 2009
	£'000	£'000
Other creditors	301	10
	301	10

v. Provisions for liabilities and charges

	2010	2009
	£'000	£'000
Total unprovided deferred tax assets are as follows		
Tax losses available	1,382	767
Unprovided deferred tax asset	1,382	767

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

vi. Loss of Holding Company

The Directors have taken advantage of the exemption available under section 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 2010 the Company made a loss of £2,647,000 (2009 £4,328,000)

Notes to the Company's Financial Statements

For the year ended 31 March 2010 continued...

vii. Share capital

Allotted, called up and fully paid		
Date of issue and share type	Number of shares	Nominal value £'000
Ordinary shares of 0.25p each		
As at 1 April 2009	199,688,710	499
As at 31 March 2010	199,688,710	499

viii. Share capital and reserves

	Share capital	Capital redemption reserve	Share premium account	Share based payment	Profit and loss account
	£'000	£'000	£'000	£'000	£'000
Balance at 1 April 2009	499	198	695	209	11,351
Loss for the year	-	-	-	-	(2,647)
Share option charge	-	-	-	-	44
Balance at 31 March 2010	499	198	695	209	8,748

ix. Share options and share based payments

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

x. Related party transactions

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

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

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

Registered Office

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

www.eckoh.com

Registered in England and Wales,
Company number 3435822

Registrar

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

Nominated Advisor and

Nominated Broker
Seymour Pierce Limited
20 Old Bailey
London, EC4M 7EN

Solicitor

Travers Smith
10 Snow Hill
London, ECA 2AL

Banker

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

Auditor

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



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