Preliminary Results

For the year ended 31 March 2009

Eckoh plc
Registered in England No. 3435822
Registered office: Telford House, Corner Hall, Hemel Hempstead, HP3 9HN

Eckoh plc
(“Eckoh” or “the Group”)

Preliminary Results

	2008/9 £000’s	2007/8 £000’s
Turnover	**19,109**	**25,590**
Gross Profit	**6,169**	**6,011**
Administrative Expenses	**(7,269)**	**(8,757)**
Interest Receivable	**382**	**569**
(Loss) on continuing operations before tax	**(718)**	**(2,177)**
Exceptional Items	**(811)**	**(447)**
Amortisation of Intangible Assets	**(121)**	**(176)**
Adjusted* Profit / (Loss) Before Tax	**214**	**(1,554)**

Financial Highlights:

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

Operational Highlights:

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

Outlook:

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

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

Nik Philpot, Chief Executive Officer, commented today:

"We are delighted to demonstrate clearly to the market the positive progress Eckoh continues to make. The focus on driving forward our Speech Solutions business in combination with the cost reduction programme has enabled us to transform the financial performance of the Group. By targeting the need for large organisations to deliver better customer service within constrained budgets, we anticipate the future growth from the Speech division to exceed what we have already achieved and as a consequence we expect profitability to increase further in this current year.

Additionally, with the recent investment in our underlying technology, we expect to not only maintain our market leading position but become the pre-eminent provider of speech solutions and as a result we remain extremely confident in the future prospects for the business and with our ability to significantly increase our profitability over the medium term."

For further enquiries, please contact:

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Introduction

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

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

* on continuing operations before tax, exceptional items and amortisation of intangible assets

Speech Solutions

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

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

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

Outlook for Speech Solutions Division

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

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

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

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

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

Client IVR

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

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

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

The Client IVR division stabilised during 2008/9 following the difficulties experienced in the premium rate industry during early 2007. As expected, revenues have declined in the division by 36% to £12.4m (2008: £19.5m). However, most of the revenue reduction has come from very low margin business with the overall margin generated by the division increasing from

11% to 15% and resulting in only a 10% reduction in margin from £2.1m to £1.9m. A thorough review of the division was undertaken in early 2008 which has resulted in administrative expenses of the division decreasing by 40% to £1.2m (2008: £2.1m). As a result, the profit generated by the division has increased from £0.1m to £0.7m.

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

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

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

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

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

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

Balance Sheet
The Group reports £5.2m (2008: £6.8m) of cash and short term investments as at the year end. The reduced cash balance is a result of the unwinding of the working capital benefit from running high levels of Client IVR revenues. Net current assets excluding cash and short term investments at the year end were £0.7m compared to a net current liability on the same basis

of £1.5m at 31 March 2008. In addition to the substantial cash balance, £3.2m remains outstanding at the balance sheet date from the sale of non core subsidiaries over the past couple of years. This is all being paid on time and is scheduled to be fully repaid by June 2010.

Group Outlook

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

The Directors are delighted that the efforts consumed in selling non core businesses and restructuring the remaining core activities have got the Group to the point which has long been anticipated whereby each and every new contract won is expected to feed the profit line. The Directors are pleased with the progress made and are committed to ensure that shareholders obtain value from these efforts.

Consolidated income statement
for the year ended 31 March 2009

		2009 Audited			2008 Audited		
		Pre Exceptional £'000	**Exceptional Items £'000**	**Total £'000**	**Pre Exceptional** £'000	**Exceptional Items** £'000	**Total** £'000
Continuing operations							
Revenue	2	**19,109**	**-**	**19,109**	25,590	-	25,590
Cost of sales	2	**(12,940)**	**-**	**(12,940)**	(19,579)	-	(19,579)
Gross profit	2	**6,169**	**-**	**6,169**	6,011	-	6,011
Administrative expenses	2,3	**(6,458)**	**(811)**	**(7,269)**	(8,310)	(447)	(8,757)
Loss from operating activities		**(289)**	**(811)**	**(1,100)**	(2,299)	(447)	(2,746)
Interest receivable		**382**	**-**	**382**	569	-	569
Interest payable		**-**	**-**	**-**	-	-	-
Profit / (Loss) before taxation		**93**	**(811)**	**(718)**	(1,730)	(447)	(2,177)
Taxation		**-**	**-**	**-**			-
Profit / (Loss) for the year from continuing operations		**93**	**(811)**	**(718)**	(1,730)	(447)	(2,177)
Discontinued operations							
Post tax profit / (loss) for the year from discontinued operations		**(160)**	**-**	**(160)**	2,647	-	2,647
(Loss) / Profit for the year		**(67)**	**(811)**	**(878)**	917	(447)	470
Earnings per share (pence)							
Basic and diluted				**(0.44)**			0.24
Loss per share from continuing (pence)							
Basic and diluted				**(0.36)**			(1.09)

Consolidated balance sheet
as at 31 March 2009

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

Consolidated statement of changes in equity
as at 31 March 2009

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

Consolidated cash flow statement
for the year ended 31 March 2009

	Notes	2009 £'000	2008 £'000
Cash flows from operating activities			
Continuing operations			
Cash utilised in operations	4	**(2,799)**	(5,870)
Interest paid		**-**	-
Net cash utilised in continuing operating activities		**(2,799)**	(5,870)
Discontinued operations			
Cash generated from operations	4	**(37)**	629
Interest paid		**-**	-
Taxation		**(45)**	(10)
Net cash (utilised in) / generated from discontinued operating activities		**(82)**	619
Cash flows from investing activities			
Continuing operations			
Purchase of property, plant and equipment		**(443)**	(336)
Purchases of intangible fixed assets		**(383)**	(109)
(increase) / Decrease in short-term investments		**(1,291)**	1,000
Loans repaid by third parties		**500**	1,500
Interest received		**382**	591
Net cash (utilised in) / generated in continuing investing activities		**(1,235)**	2,646
Discontinued operations			
Purchase of property, plant and equipment		**-**	(13)
Purchases of intangible fixed assets		**-**	(38)
Net proceeds on disposal of business operations		**1,234**	666
Net cash generated from discontinued investing activities		**1,234**	615
Cash flows from financing activities			
Continuing operations			
Issue of shares		**-**	226
Capital element of finance lease rental payments		**(4)**	-
Net cash (utilised in) / generated from continuing financing investing activities		**(4)**	226
Decrease in cash and cash equivalents		**(2,886)**	(1,764)
Cash and cash equivalents at the start of the period		**5,307**	7,071
Cash and cash equivalents at the end of the period		**2,421**	5,307

Notes to the preliminary results for the year ended 31 March 2009

1. Basis of preparation

The preliminary results of Eckoh plc have been prepared in accordance with the recognition and measurement principles of International Financial Reporting Standards ("IFRS") in issue as adopted by the European Union and effective at 31 March 2009. These statements do not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985, but have been derived from those accounts. Statutory accounts for the year ended 31 March 2008 have been delivered to the Registrar of Companies but those for the year ended 31 March 2009 have not yet been delivered. The auditors have reported on the accounts for the year ended 31 March 2009; their report was not qualified, did not include references to any matters to which the auditors drew attention to by way of emphasis without qualifying their report and did not contain statements under section 237(2) or (3) of the Companies Act 1985.

2. Segment analysis

2009	**Speech Solutions £'000**	**Client IVR £'000**	**Central costs £'000**	**Total continuing operations £'000**	**Discontinued operations £'000**	**Total £'000**
Revenue	6,674	12,435	-	**19,109**	**-**	**19,109**
Gross profit	4,279	1,890	-	**6,169**	**-**	**6,169**
Administrative expenses	(2,616)	(1,235)	(3,418)	**(7,269)**	**(37)**	**(7,306)**
Net interest receivable	-	-	382	**382**	**51**	**433**
Profit/(loss) before taxation	1,663	655	(3,036)	**(718)**	**14**	**(704)**
Taxation	-	-	-	**-**	**(45)**	**(45)**
Post tax loss from disposal of operations	-	-	-	**-**	**(129)**	**(129)**
Profit/(loss) after taxation	**1,663**	**655**	**(3,036)**	**(718)**	**(160)**	**(878)**

2008	Speech Solutions £'000	Client IVR £'000	Central costs £'000	Total continuing operations £'000	Discontinued operations £'000	Total £'000
Revenue	6,065	19,525	-	25,590	4,682	30,272
Gross profit	3,881	2,130	-	6,011	2,177	8,188
Administrative expenses	(2,845)	(2,065)	(3,847)	(8,757)	(1,648)	(10,405)
Net interest receivable	-	-	569	569	62	631
Profit/(loss) before taxation	1,036	65	(3,278)	(2,177)	591	(1,586)
Taxation	-	-	-	-	(10)	(10)
Post tax gain from disposal of operations	-	-	-	-	2,066	2,066
Profit/(loss) after taxation	1,036	65	(3,278)	(2,177)	2,647	470

3. Exceptional items

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

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

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

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

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

4. Cash flow from operating activities

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