Final Results

12 June 2012

Eckoh plc
Registered in England No. 3435822
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("Eckoh" or "the Company")

Final Results

Eckoh plc (AIM: ECK), the UK's leading provider of speech recognition and associated payment solutions, announces its final results for the year ended 31 March 2012, a copy of which is also available on the Company's website, www.eckoh.com.

Financial Highlights:

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

Operational Highlights:

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

Current Trading:

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

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

Nik Philpot, Chief Executive Officer, commented today:

"The global demand for speech services continues to underpin our strong operational performance, clearly demonstrated by our double digit revenue and margin growth delivering over £2.1m of EBITDA. The opportunity for both our speech based services and payment solutions is now significant, providing Eckoh with two substantial profit drivers that we expect to deliver continued growth for the Company.

We have started the new financial year with great promise securing a number of contracts which place us firmly ahead of the previous year. We have also successfully completed important contract renewals with a number of our largest clients, in some cases expanding our existing mandates. Our sales pipeline remains strong with the level of new business enquiries at an all-time high.

The Board remains confident in our future prospects and against this background we are doubling the dividend payment."

For further enquiries, please contact:

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Introduction

The 2011/12 financial year has been one of significant progress for the Group both strategically and operationally. Demand for our solutions is at an all-time high with the public and private sector examining ways to minimise their cost base whilst refusing to compromise customer service. Alongside our operational progress we have embarked on a strategic investment programme for the business that is designed to ensure our current growth is sustained over a prolonged period and that our scale is sufficient to meet the demands of our expanding client base.

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

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

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

Operational Review

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

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

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

Expansion of indirect sales channels

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

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

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

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

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

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

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

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

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

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

The announcement today (June 12th) of the renewal of our multi-million pound contract with a global financial services company highlighted that we are now terminating calls from Australia and New Zealand and we expect further territories to be added over the coming period. We also expect through this extended agreement to work on a number of speech applications covering a wide range of geographies. In anticipation of these developments we have added an additional 1,000 Nuance speech recognition licences and have expanded our licence agreement with Nuance to include all the global languages that they support. This provides a hosted speech capacity and capability that we believe is unrivalled in the UK and Europe.

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

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

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

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

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

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

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

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

Current trading

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

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

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

Outlook

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

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

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

Financial Review

Revenue and Margin

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

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

Profitability Measures

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

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

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

*excludes non-recurring administrative expenses

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

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

Statement of financial position

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

Consolidated statement of comprehensive income
for the year ended 31 March 2012

	Notes	2012 £'000	2011 £'000
Continuing operations			
Revenue		**10,392**	9,003
Cost of sales		**(2,497)**	(2,340)
Gross profit		**7,895**	6,663
Total Administrative expenses		**(6,788)**	(6,036)
Profit from operating activities		**1,107**	627
Finance expense		**-**	(1,225)
Finance income		**49**	121
Profit from sale of investment		**100**	-
Share of loss in associate		**-**	(23)
Impairment of investment in associate		**-**	(115)
Profit / (loss) before taxation		**1,256**	(615)
Taxation	4	**1,320**	316
Profit / (loss) for the year from continuing operations		**2,576**	(299)
Discontinued operations			
Post tax profit for the year from discontinued operations		**-**	67
Profit / (loss) for the year attributable to the equity holders of the parent company		**2,576**	(232)
Other comprehensive income			
Exchange differences on translating foreign operations		**-**	14
Adjustment for change in fair value of available for sale equity instruments		**-**	(160)
Transferred to profit or loss on sale		**-**	160
Total comprehensive income / (expense) for the year attributable to the equity holders of the parent company		**2,576**	(218)
Profit / (loss) per share (pence)			
Basic earnings per 0.25p share	3	**1.29**	(0.12)
Diluted earnings per 0.25p share	3	**1.23**	(0.12)
Profit / (loss) per share from continuing operations (pence)			
Basic earnings per 0.25p share	3	**1.29**	(0.15)
Diluted earnings per 0.25p share	3	**1.23**	(0.15)
Profit per share from discontinued operations (pence)			
Basic earnings per 0.25p share	3	-	0.03
Diluted earnings per 0.25p share	3	-	0.03

Consolidated statement of financial position
as at 31 March 2012

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

The financial statements were approved by the Board of Directors on 11 June 2012 and signed on its behalf by:

Adam Moloney – *Group Finance Director*

Consolidated statement of changes in equity
as at 31 March 2012

	Share Capital £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Currency reserve £'000	Total shareholders equity £'000
Balance at 1 April 2010	499	198	695	7,199	(55)	8,536
Total comprehensive expense for period	-	-	-	(232)	-	(232)
Other comprehensive income - exchange differences	-	-	-	-	14	14
Share based payment charge	-	-	-	63	-	63
Balance at 31 March 2011	499	198	695	7,030	(41)	8,381
Balance at 1 April 2011	499	198	695	7,030	(41)	8,381
Total comprehensive expense for period	-	-	-	2,576	-	2,576
Dividends paid in the year	-	-	-	(200)	-	(200)
Share based payment charge	-	-	-	105	-	105
Balance at 31 March 2012	499	198	695	9,511	(41)	10,862

Consolidated statement of cashflows

for the year ended 31 March 2012

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

1. Basis of preparation

The financial information set out above does not constitute the company's statutory accounts for the years ended 31 March 2012 and 2011 but is derived from those accounts. Statutory accounts for 2011 have been delivered to the registrar of companies, and those for 2012 will be delivered in due course. The auditor has reported on those accounts; their reports were (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

2. Cash flow from operating activities

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

3. Earnings per share

Basic earnings per ordinary share is calculated on the basis of the weighted average number of ordinary shares of 199,759,576 (2011: 199,759,576) in issue during the year ended 31 March 2012 after adjusting for shares held by the Employee Share Ownership Plan of 9,156 (2011: 9,156) and the profit for the period attributable to equity holders of the parent of £2,576,000 (2011: loss of £232,000).

In calculating diluted earnings per share, the weighted average number of ordinary shares in issue, after adjusting for shares held by the Employee Share Ownership Plan, is further adjusted to include the dilutive effect of potential ordinary shares. The potential ordinary shares represent share options granted to employees where the exercise price is less than the average market price of ordinary shares in the period. The total number of options in issue is disclosed in note 24. The dilutive effect of potential ordinary shares outstanding at the end of the year is 9,740,000 (2011: 4,943,000).

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

4. Taxation

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

No taxation was recognised directly in equity.

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

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

During the year ended 31 March 2012, £nil (2011: £316,000) was received in respect of HMRC Research and Development tax credits in relation to the years ended 31 March 2008, 31 March 2009 and 31 March 2010. This is disclosed in the table above as an adjustment in respect of prior periods.

Recognition of deferred tax assets and liabilities

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

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

Movement in deferred tax balances during the year

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

Unrecognised deferred tax assets

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

In the 2012 Budget, the Chancellor announced a reduction in the main rate of corporation tax from 24% to 22%, to be phased in over three years as follows:
With effect from 1 April 2012 - 24%
With effect from 1 April 2013 - 23%
With effect from 1 April 2014 - 22%

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

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