Interim Results

For the six months ended 30 September 2010

15 November 2010

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

Eckoh plc

Unaudited interim results for the six months ended 30 September 2010

Eckoh plc ("Eckoh" or "the Company"), the UK's leading developer of speech recognition solutions for customer contact centres, announces its results for the six months to 30 September 2010.

	6 months ended 30 Sept 2010 £'000	6 months ended 30 Sept 2009 £'000	Year ended 31 March 2010 £'000
Turnover	**4,188**	3,751	7,923
Gross profit	**3,072**	2,679	5,697
Administrative expenses excluding non recurring items	**(2,951)**	(2,957)	(5,578)
Profit / (Loss) before tax and non recurring items from continuing operations	**121**	**(278)**	**119**
Amortisation of intangible assets	**99**	108	157
Share option charges	**41**	25	44
Net interest receivable	**37**	81	99
Arrangement fee on loans	**76**	189	238
Adjusted profit before taxation	**374**	**125**	**657**
Net interest receivable	**(37)**	(81)	(99)
Arrangement fee on loans	**(76)**	(189)	(238)
Depreciation	**218**	278	529
Adjusted EBITDA	**479**	**133**	**849**

Financial Highlights:

- Continuation of strong growth trend with revenue increasing by 12% to £4.2m (H1 2009/10: £3.8m) and gross margin increasing by 15% to £3.1m (H1 2009/10: £2.7m)
- 90% of revenues generated are of a recurring nature from long-term contracts
- Administrative expenses remained flat resulting in the increased revenue substantially feeding through to profitability with adjusted EBITDA increasing to £0.5m (H1 2009/10: £0.1m)
- Settlement agreed on loan owed by Redstone plc resulting in a £1.5m cash inflow and an impairment of the receivable of £1.1m. The impairment led to a loss for the period of £0.9m (H1 2009/10: £0.0m)
- Cash balance on 30 September 2010 of £5.0m (30/9/09: £3.3m)
- Maiden dividend payment anticipated at the end of 2010/11 financial year

Operational Highlights:

- Contract wins with Utilita and an Executive Government Agency
- Contract renewals with Ideal Shopping Direct and Enterprise Rent-a-Car
- Closure of French office completed on 30 June 2010 with all costs provided for in the prior financial year

- Disposal of Client Interactive Voice Response ("IVR") division to Telecom Express Limited completed with effect from 1 June 2010

Post Period-End Highlights:

- Contract wins with RCI Financial Services, Addison Lee and Lead the Good Life
- Received highest level accreditation for compliance with the Payment Card Industry Data Security Standards

Nik Philpot, Chief Executive Officer, commented today:

"We are pleased to report continued strong growth as the contracts won last year reached their full run rate, resulting in increased revenue and profits. The first half saw the completion of the divestment and restructuring programme ensuring that Eckoh is now purely focused on developing speech recognition solutions for customer contact centres.

"Looking ahead, the contract wins and renewals achieved to date this year, combined with our successful PCI DSS accreditation, will contribute to increased revenue and profits in the second half of the year. As a result, we are confident that the revenue growth trend will continue strongly and profits will rise for the full year 2010 and beyond. With that level of confidence in the future of the business, the Board announced today its intention to pay a dividend at year-end and on an ongoing basis."

For further enquiries, please contact:

Eckoh plc
Nik Philpot, Chief Executive Officer
Adam Moloney, Group Finance Director

www.eckoh.com Tel: 01442 458 300

Corfin Public Relations
Harry Chathli, Claire Norbury Tel: 020 7596 2860

Singer Capital Markets
Shaun Dobson Tel: 020 3205 7500

Operational Review

The Directors are pleased to report another period of strong growth for the business in the six months to 30 September 2010, boosted by contracts won in the previous year, with clients such as Transport for London and a global financial services company, ramping up to full run rate. In the first half, revenue grew by 12% to £4.2m (H1 2009/10: £3.8m).

In addition to the strong financial performance, the strategic decisions announced in the preliminary results on 21 June 2010 have been completed with the closure of the technical office in France and disposal of the Client IVR division.

As a result, Eckoh is now purely focused on developing 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.

The length of contracts with clients are generally for periods of three to five 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. In the first half, over 90% of the revenue generated is of a recurring nature and the revenue was generated by over 30 clients.

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 substantial new VoiceXML call handling platform from Holly Connects and the established industry leader in speech recognition software, Nuance Recognizer 9, which will help ensure that Eckoh retains its market leading position.

Contract wins and renewals
In the period, Eckoh announced a contract renewal until October 2013 with Ideal Shopping Direct ("ISD"), which is one of the Company's largest clients, and with Enterprise Rent-a-Car. Both have been clients of the Company for over five years, which clearly demonstrates that the value of Eckoh's services has true longevity.

In April 2010, Eckoh was awarded a three-year contract with an Executive Government Agency. The contract is for the provision of a speech recognition solution that allows authenticated users to register the identity and movement of livestock. The service provides farmers with more choice in the ways they contact the Agency and helps to improve the quality of disease control information as well as reducing administration costs.

During the period, new clients included the Utilita Group, which entered into a three-year agreement for the provision of secure card payment services using EckohPAY. The service will allow Utilita customers to make payments for electricity and gas via EckohPAY and the contract highlights Eckoh's multi-channel capability as it will initially only take payments over the web rather than the phone.

Payment Card Industry Accreditation
Eckoh announced in October that, following a two-year process to receive formal accreditation of compliance with the Payment Card Industry Data Security Standards ("PCI DSS" or "the standard"), it had achieved the highest level of accreditation. The PCI DSS is the payment card industry requirement for all organisations that store, process or transmit credit or debit cardholder data. It was developed by the founding payment brands of the PCI Security Standards Council, such as MasterCard Worldwide and Visa Inc., to facilitate the adoption of consistent data security measures on a global basis that ensure

customer card information is managed securely through a complete and multifaceted array of security policies, practices and controls.

EckohPAY is one of the Company's productised offerings that has been developed to target the increasing demand for PCI DSS compliant card processing solutions.

Post period-end activity
Recently the Company announced that RCI Financial Services ("RCI") entered into a three-year contract for the provision of the EckohPAY service, enabling Renault and Nissan customers to securely make credit card payments over the phone and to receive settlement figures on their agreements. The solution will also use another Eckoh product, EckohID, to identify and authenticate the caller through the use of unique identifiers. The service is expected to become live in the new calendar year.

Eckoh is also extremely pleased to announce that since the end of the period the Company has signed another two significant agreements. The first is with Lead the Good Life ("LTGL"), which is a retailer of plants and gardening equipment that was acquired by ISD in 2010. Eckoh will be providing LTGL with a portfolio of automated services very similar in scope to those it provides ISD, including product information, product ordering, delivery tracking, FAQs and customer service. In addition, Eckoh will provide all live contact centre services. Currently LTGL operate an offshore contact centre and Eckoh's solution has enabled them to bring customer service back to the UK without any increase in cost. The contract is for a three-year period and is expected to commence on 1 December 2010. LTGL's business is by its nature seasonal with the peak occurring during the spring and summer months.

Eckoh has also secured a significant agreement with Addison Lee. At almost five times the size of its nearest competitor, Addison Lee ("AL") is Europe's largest minicab fleet and one of the UK's fastest growing private companies. AL takes bookings from both account and cash customers and the two-year contract with Eckoh is anticipated to commence in December with the initial service, which will be the automation of a percentage of their cash bookings. This will use speech recognition technology to identify the customer, and take address details of the pick-up and drop-off destinations.

Financial Review

Revenue and Margin
The 2008/9 financial year saw revenue growth of 9% with margin growth of 10%. This was followed by revenue growth of 19% and margin growth of 33% in 2009/10. The first half of the 2010/11 financial year has seen a continuance of this trend with revenue growth of 12% to £4.2m (H1 2009/10: £3.8m) and margin growth of 15% to £3.1m (H1 2009/10: £2.7m).

This revenue growth has largely come from the development of services won in previous years, which are now operating at a full run rate. The financial benefit of many of the recent contract wins has yet to be seen and will be reported in future periods.

During the period, a settlement of £1.5m was agreed with Redstone plc relating to an outstanding loan. Whilst this has also resulted in an impairment of £1.2m in the period, the uncertainty around the receivable has now been resolved with the inflow of cash leading to a cash balance of £5.0m reported as at 30 September 2010. Details of the settlement are disclosed in note 4.

Administrative Expenses
The administrative expenses are largely fixed and represented by the costs of employees and technical infrastructure. As a result, strong increases in revenue as seen in recent periods do not normally lead to significant increases in administrative expenses. The 12% increase in revenue experienced during the first half of 2010/11 has actually been accompanied by a very slight decrease in administrative expenses in comparison to the prior year.

This has meant that the £0.4m increase in margin has almost entirely contributed to an increase in the profitability of the Company.

Profitability Measures
Operating profit from continuing operations has increased from a loss of £0.3m to a profit of £0.1m. Adjusted profit before tax has increased from £0.1m to £0.4m and Adjusted EBITDA has increased from £0.1m to £0.5m.

As demonstrated in the previous financial year, the second half of the year is traditionally stronger than the first half as new contracts won in the early part of the year begin generating revenue and are added to the recurring revenues of the existing clients. This is a trend that is anticipated to continue in the current financial year.

Statement of Financial Position
The major development within the statement of financial position has been the settlement of the debt outstanding from Redstone plc ("Redstone"). Discussions with Redstone had indicated that a refinancing of the business was required in order to secure Redstone's financial future and if this did not occur, the likelihood of Eckoh receiving any part of the outstanding loan was extremely low. One of the critical factors in securing this refinancing was that a settlement was reached with regard to a £2.9m loan that was outstanding to Eckoh. The settlement that was ultimately agreed resulted in a cash inflow of £1.5m to Eckoh and the impairment of the remaining receivable. This has removed all uncertainty from Eckoh and left the Company with a cash generative business and a reported £5.0m of cash as at 30 September 2010.

Dividend Policy

The Board continually reviews the Company's dividend policy to ensure it is appropriate for the stage of the Company's development and, to date, the Board has not recommended the payment of a dividend. While the focus remains on growing the business and delivering capital growth, with the completion of the divestment and restructuring programme and given the cash generation in the business, the Board's intention is to recommend a maiden dividend for the year ended 31 March 2011, and to follow a progressive dividend policy thereafter.

Outlook

The achievement of the highest level of accreditation with PCI DSS was the most significant operational development this year as it has resulted in a large number of sales enquiries. There is an increased awareness of the significant implications of failing to comply with the standard, and organisations are considering outsourcing card payments to third parties such as Eckoh to avoid the need to incur the expense and effort of becoming PCI compliant themselves. A large proportion of the opportunities currently in the pipeline are either directly related to an EckohPAY solution or have PCI DSS compliance as a requirement of tendering for the business.

The contract wins and renewals achieved to date this year, combined with recent contract wins, will contribute to increased revenue and profits in the second half of the year. As a result, the Board is confident that the revenue growth trend will continue strongly and profits will rise for full year 2010 and beyond.

Statement of comprehensive income
for the period ended 30 September 2010

	Six months ended 30 September 2010 £'000 (unaudited)	Six months ended 30 September 2009 £'000 (unaudited)	Year ended 31 March 2010 £'000 (audited)
Continuing operations			
Revenue	**4,188**	3,751	7,923
Cost of sales	**(1,116)**	(1,072)	(2,226)
Gross profit	**3,072**	2,679	5,697
Administrative expenses before non-recurring items	**(2,951)**	(2,957)	(5,578)
French office closure costs	**-**	-	(286)
Employee restructuring	**-**	-	(306)
EGM costs	**-**	-	(61)
Administrative expenses	**(2,951)**	(2,957)	(6,231)
Profit / (loss) from operating activities	**121**	(278)	(534)
Finance expense (note 4)	**(1,226)**	-	-
Finance income	**113**	270	337
Share of loss in associate (note 3)	**(22)**	-	-
Impairment of investment in associate (note 3)	**(116)**	-	-
(Loss)/profit before taxation	**(1,130)**	(8)	(197)
Taxation	**228**	-	-
(Loss)/profit for the period from continuing operations	**(902)**	(8)	(197)
Discontinued operations			
Post tax profit / (loss) for the period from discontinued operations (note 3)	**12**	54	(79)
(Loss)/profit for the period	**(890)**	46	(118)
Other comprehensive income			
Exchange differences on translating foreign operations	**14**	(3)	(8)
Adjustment for change in fair value of available for sale equity instruments (note 4)	**(160)**	-	-
Transferred to profit or loss on sale (note 4)	**160**	-	-
Total comprehensive (expense) / income for the period	**(876)**	43	(126)
(Loss)/earnings per share expressed in pence per share			
Basic and diluted	**(0.45)**	0.02	(0.06)
(Loss)/earnings per share from continuing operations expressed in pence per share			
Basic and diluted	**(0.38)**	0.02	(0.10)

Consolidated statement of financial position
as at 30 September 2010

	30 September 2010	30 September 2009	31 March 2010
	£'000	£'000	£'000
	(unaudited)	(unaudited)	(audited)
Assets			
Non-current assets			
Intangible assets	**687**	452	599
Property, plant and equipment	**1,056**	1,349	1,160
Other receivables	**-**	2,700	2,925
	1,743	4,501	4,684
Current assets			
Inventories	**16**	12	5
Trade and other receivables	**2,423**	3,965	2,490
Short-term investments	**817**	1,817	1,821
Cash and cash equivalents	**4,194**	1,454	2,067
Assets held for sale (note 3)	**113**	-	945
	7,563	7,248	7,328
Total assets	**9,306**	11,749	12,012
Liabilities			
Current liabilities			
Trade and other payables	**(1,295)**	(3,021)	(1,651)
Obligations under finance lease	**-**	(2)	(1)
Liabilities directly associated with assets held for sale (note 3)	**(270)**	-	(1,504)
	(1,565)	(3,023)	(3,156)
Non-current liabilities			
Provisions	**(40)**	(41)	(320)
	(40)	(41)	(320)
Net assets	**7,701**	8,685	8,536
Shareholders' equity			
Share capital	**499**	499	499
Capital redemption reserve	**198**	198	198
Share premium	**695**	695	695
Currency reserve	**(41)**	(50)	(55)
Retained earnings	**6,350**	7,343	7,199
Total shareholders' equity	**7,701**	8,685	8,536

Consolidated interim statement of changes in equity

as at 30 September 2010
(unaudited)

	Share capital £'000	Capital redemption reserve £'000	Share premium £'000	Retained earnings £'000	Currency reserve £'000	Total shareholders equity £'000
Balance at 1 April 2009	499	198	695	7,273	(47)	8,618
Total comprehensive income / (expense) for the period	-	-	-	45	(3)	42
Share based payment charge	-	-	-	25	-	25
Balance as at 30 September 2009	499	198	695	7,343	(50)	8,685
Balance as at 1 October 2009	499	198	695	7,343	(50)	8,685
Total comprehensive income / (expense) for the period	-	-	-	(163)	(5)	(168)
Share based payment charge	-	-	-	19	-	19
Balance at 31 March 2010	499	198	695	7,199	(55)	8,536
Balance at 1 April 2010	499	198	695	7,199	(55)	8,536
Total comprehensive income / (expense) for the period	-	-	-	(890)	14	(876)
Share based payment charge	-	-	-	41	-	41
Balance at 30 September 2010	**499**	**198**	**695**	**6,350**	**(41)**	**7,701**

Consolidated statement of cashflows
for the period ended 30 September 2010

	Six months ended 30 September 2010 £'000 (unaudited)	Six months ended 30 September 2009 £'000 (unaudited)	Year ended 31 March 2010 £'000 (audited)
Cash flows from operating activities			
Profit/(loss) after taxation	**(890)**	46	(118)
Loss on disposal of business operations		-	30
Interest income	**(113)**	(279)	(398)
Interest expense	**-**	-	3
Finance expense (note 4)	**1,226**	-	-
Depreciation of property, plant and equipment	**218**	278	529
Amortisation of intangible assets	**99**	108	157
Share based payments	**41**	25	44
Exchange differences	**14**	(3)	(8)
Operating profit/(loss) before changes in working capital and provisions	**595**	175	(239)
(Increase)/decrease in inventories	**(11)**	(8)	(1)
(Increase)/decrease in trade and other receivables	**1,094**	(820)	(801)
Decrease in trade and other payables	**(1,590)**	(791)	(657)
Increase/(decrease) in provisions	**(280)**	(38)	241
Cash utilised in operations	**(192)**	(1,482)	(979)
Interest paid	**-**	-	(3)
Net cash utilised in continuing operating activities	**(192)**	(1,482)	(982)
Cash flows from investing activities			
Purchase of property, plant and equipment	**(86)**	(913)	(1,003)
Purchase of intangible fixed assets	**(187)**	(184)	(380)
(Increase)/decrease in short term investments	**1,004**	1,004	1,000
Loans repaid by third parties	**982**	-	-
Disposal of available for sale equity instrument	**500**	-	-
Interest received	**107**	270	396
Net proceeds on disposal of business operations	**-**	339	617
Net cash (utilised in)/generated from continuing investing activities	**2,320**	516	630
Cash flows from financing activities			
Capital element of finance lease rental payments	**(1)**	(1)	(2)
Net cash utilised in continuing investing activities	**(1)**	(1)	(2)
Decrease in cash and cash equivalents	**2,127**	(967)	(354)
Cash and cash equivalents at the start of the period	**2,067**	2,421	2,421
Cash and cash equivalents at the end of the period	**4,194**	1,454	2,067

Eckoh plc Consolidated Interim Financial Statements for the period ended 30 September 2010

1. General information
The financial information set out in this interim report for the six months ended 30 September 2010 and the comparative figures for the six months ended 30 September 2009 are unaudited.

2. Basis of preparation
These consolidated interim financial statements ('the interim financial statements') of Eckoh plc are for the six months ended 30 September 2010. These interim financial statements have been prepared in accordance with those IFRS standards and IFRIC interpretations issued and effective or issued and early adopted as at the time of preparing these statements (November 2010). The interim financial statements do not comprise statutory accounts as defined in section 435 of the Companies Act 2006 and should be read in conjunction with the consolidated financial statements of the Group for the year ended 31 March 2010. Those accounts have been reported on by the Group's auditors and delivered to Companies House. The report of the auditors was not qualified, did not contain an emphasis of matter paragraph and did not contain statements under section 498(2) or (3) of the Companies Act 1985.

The interim financial statements have been prepared under the historical cost convention.

Except as noted below, the accounting policies and methods of computation adopted in the preparation of the unaudited interim financial statements are consistent with the policies applied by the Group in its consolidated financial statements for the year ended 31st March 2010. In the current year the Group has adopted Amendments to IAS 27 "Consolidated and Separate Financial Statements", Amendment to IAS 39 "Financial Instruments: Recognition and Measurement - Eligible Hedged Items", IFRS 1 (Revised) "First Time Adoption of International Financial Reporting Standards", Amendment to IFRS 1 "First-time Adoption of International Reporting Standards", IFRS 3 (Revised) "Business Combinations", Amendments to IFRS 2 "Group Cash-settled Share-based Payment Transactions", Amendments to IFRIC 9 and IAS 39 "Embedded Derivatives", IFRIC 17 "Distribution of non-cash Assets to Owners" and IFRIC 18 "Transfers of Assets from Customers". None of these have had a material impact on the results or financial position of the Group.

The following interpretations were issued by the IFRIC and IASB before 30th September 2010, but are not effective for the 2011 year end:

-Revised IAS 24 "Related Party Disclosures"

-IFRS 9 "Financial Instruments"

-Amendment to IAS 32 "Financial Instruments: Presentation: Classification of Rights Issues"

-Amendments to IFRIC 14 "IAS 19 - Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"

-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.

The results for the six months ending 30 September 2010 were approved by the Board on 12 November 2010 and are available on the Company's website (www.eckoh.com) from 15 November 2010.

3. Post tax loss 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 27.5% holding in Telecom Express Limited was valued on 28 May 2010 at £137,500. During the period from 1st June 2010 to 30th September 2010, Telecom Express Limited made losses of £82,000. The Board have decided to fully impair this investment. Balances of £113,000 within current assets and £270,000 within liabilities relate to assets and liabilities from the Client IVR division that were not sold and will be reduced over the coming months.

The profit on discontinued operations was determined as follows:

Profit/(loss) from disposal of operations	**Six months ended 30 September 2010 £'000**	Six months ended 30 September 2009 £'000	Year ended 31 March 2010 £'000
Consideration:			
Shares in Telecom Express	**138**	-	-
Deferred cash	**-**	(30)	(30)
Net consideration received	**138**	(30)	(30)
Cost of disposal	**(92)**	-	-
Net assets disposed:			
Property, plant and equipment	**(15)**	-	-
Pre and post-tax gain / (loss) from the disposal of operations	**31**	(30)	(30)

No cash or cash equivalents was disposed of with the sale of these operations

Trading result of discontinued operations	**Six months ended 30 September 2010 £'000**	Six months ended 30 September 2009 £'000	Year ended 31 March 2010 £'000
Revenue	**1,260**	4,847	8,769
Cost of Sales	**(1,071)**	(4,203)	(7,542)
Gross Profit	**189**	644	1,227
Administrative expenses	**(208)**	(569)	(1,176)
Interest receivable	**-**	9	58
Profit before taxation	**(19)**	84	109
Taxation	**-**	-	-
Post-tax gain / (loss) from the disposal of operations	**31**	(30)	(30)
Post-tax profit from discontinued operations	**12**	54	79

4. Finance Expense

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

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

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

The Eckoh Settlement Shares were sold over several transactions at the placing price of 0.5p per share with the final transaction being completed on 17 September 2010. In addition the balance of deferred arrangement fees was released against the receivable balance. The impairment of receivable was determined as follows:

	£'000
Loan balance at 31 March 2010	**2,927**
Interest receivable accrued and unpaid	6
Cash from Eckoh Settlement Fee	(500)
Net proceeds from disposal of Eckoh Settlement Shares	(500)
Cash from immediate sale of shares	18
Release of deferred arrangement fee	(225)
Interest accrued and unpaid in the period	(660)
Impairment of Receivable	**1,066**
Adjustment for change in fair value of available for sale equity instrument transferred on sale	160
	1,226