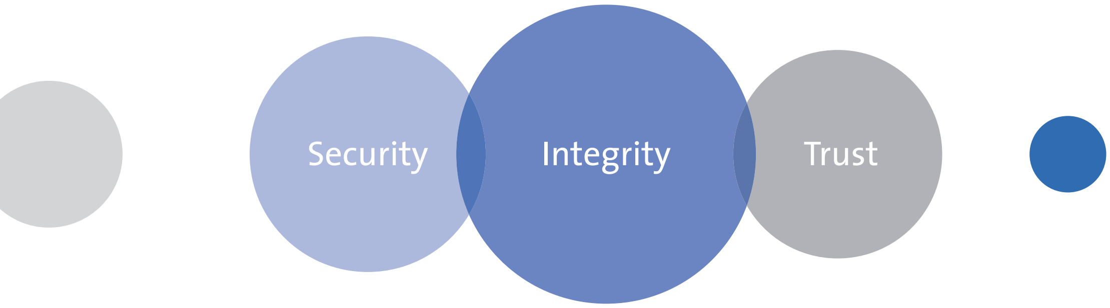
inTechnology

# Unaudited interim financial information 2007

# Contents

# Chief Executive Officer's statement




## Overview

In my annual report to you on 29 June 2007 I said that the recently enlarged Managed Services business had commenced in line with our expectations and that your Board remained confident of the outcome for this year. I am pleased to now report that this confidence remains. In addition, as announced in our trading update in August, our net cash has increased following the sale of the land and buildings in Harrogate.

However the share price of our company, in which I have maintained a constant majority shareholding since July 2000, has continued to underperform on the stockmarket during 2007. Your Board has reviewed the options available to it, and has sought professional opinion from its advisers, and has concluded that there is no longer any advantage to the company in maintaining a listing on AIM. Accordingly, we are proposing to convene an Extraordinary General Meeting later this year to put to shareholders a special resolution to de-list the company. In order that shareholders who are unable or unwilling to hold shares in an unlisted company have the opportunity to sell their shares while the company remains on AIM, it is proposed that, subject to obtaining the Court's consent, the company's brokers, Panmure Gordon, will make a Tender offer to buy shares on behalf of the company up to a maximum of £8.5 million. A circular detailing these proposals will be mailed to shareholders in due course.

## Trading and operating performance during the first half year

- Group turnover was £23.2m (2006: £13.7m excluding discontinued operations) an increase of 69%. Turnover, excluding the contribution from EEscape Holdings Limited (trading as "Evoxus") which was acquired in January 2007, was £16.7m, an organic growth of 22%.
- Group operating profit before its sale of property was £1.0m (2006: £0.8m excluding discontinued operations) an increase of 25%. Total operating profit was £2.2m (2006: £0.8m excluding discontinued operations) which includes the profit on sale of freehold property of £1.2m. As the Group owns no other freehold property this is a non-recurring item.
- Net finance income was £0.3m (2006: £0.8m payable), reflecting the net cash position following the sale of all distribution businesses.

- The Group share of post tax loss in its associate, Mobile Tornado Group plc acquired in October 2006, was £0.9m (2006: £nil).
- Profit before tax for the period was £1.5m (2006: £nil from continuing operations and £4.9m loss from discontinued operations).
- The Group ended the period with gross cash of £16.4m (30 September 2006: £8.8m, 31 March 2007: £12.8m) and net funds of £15.5m (30 September 2006: £(10.1)m net debt, 31 March 2007: £10.3m net funds).

## Adoption of IFRS accounting standards

In preparing this interim statement we have adopted IFRS accounting and a reconciliation from UK GAAP to IFRS is included on the Group's website, www.intechnology.co.uk/investor relations.

Apart from the reporting format the main changes to this interim unaudited statement relate to deferred taxation and the valuation of intangible assets and goodwill (IFRS3 "Business Combinations").

## Managed Data Services division ("MDS")

MDS revenues were £16.7m (2006: £13.7m), an increase of 22%. Contract churn, being contracts not renewed at the end of term or early termination, is running at around 8% which is as budgeted. Gross profit margins were 70% (2006: 73%), the small reduction caused by the cost of migrating many customers to a new software platform which is more efficient and robust than the one it replaces.

New customer contracts won have been slightly ahead of our expectations, and the upsell of new business to existing customers is well above our own expectations whilst keeping churn down to reasonable levels. The increased customer focus that I reported on in last year's Annual Report continues to pay excellent dividends.

## Managed Voice Services division ("MVS")

The revenues from MVS include the recent acquisition during January 2007 of Evoxus for £3m in cash. On 1 June 2007 we integrated all assets and liabilities of Evoxus into the MVS division of InTechnology, which has been successfully completed.

MVS revenues were £6.5m (2006: £nil) and gross profit margins were 31%. However contract churn has been higher than anticipated at the time of acquisition and is presently estimated to reach 40% this financial year. On acquisition we had estimated that certain large customer contracts would not be renewed in 2008, but this has occurred earlier than expected. The reasons are not caused by quality of service but major customers rationalising operations after corporate merger and

# Chief Executive Officer's statement continued

acquisition activities. I do stress that this is churn on contracts, not customer churn. We have already secured good new business from a number of new customers, but there will be a gap of several months between the revenue from contracts ending and new business starting to produce additional recognised revenue. As at 30 September 2007 the value of new contracts won was equivalent to the losses attributable to contract churn.

## Cash

Gross cash on 30 September 2007 was £16.4m following the sale of the Harrogate freehold land and buildings tenanted by the purchaser of our former UK Distribution business for £4.6m. We also agreed all the completion accounts with the purchasers of the Distribution businesses and all monies owed have been received.

When the Evoxus acquisition was completed on 1 June 2007 its bank loans of £1.2m were repaid.

Medium term banking facilities have been agreed to finance capital expenditure, including £4.1m for the refit and expansion of those data centres which are nearing capacity. Work at the Harrogate data centre has just commenced and will improve operational efficiency as well as increasing capacity.

## Mobile Tornado Group plc "Mobile Tornado"

We invested £4m cash in October 2006 for a 46% holding in Mobile Tornado. I described in my June 2007 Annual Report that your Board feels that the intellectual property that Mobile Tornado has developed puts it in an exciting part of the global market for mobile telephony with its Push-To-Talk ("PTT") and Push-To-Experience applications. However Mobile Tornado still requires additional working capital and so we are increasing our holding to 49.9%, therefore keeping it as an associated, but not a subsidiary, company. We are also subscribing for £1.5m non-voting, cumulative 10% redeemable convertible preference shares. The total further investment is £2.4m and was confirmed by Mobile Tornado at its EGM on 26 October 2007.

More importantly to shareholders of InTechnology, other than the possible capital appreciation of our investment which now totals £6.4m, is that we have an agreement with Mobile Tornado for your company to continue development of a managed service around its core technology and to provide all the infrastructure to service it across the whole of Europe. We believe this can provide our MVS division with a large profitable recurring revenue stream over the medium term, and that it will do the same for Mobile Tornado, thereby enhancing our investment in them.

However this is a new service which we have recently commenced trialling in the UK market and it is not possible at present to forecast short term revenues and margins that investment bank analysts require. Your Board believes in the prospects for PTT, although it is not without risk, but it is not possible to commit to short-term forecasts for a product that is new to Europe, even though large in North America.

## Proposal to de-list from AIM

Despite strengthening the balance sheet via the disposal of the distribution business, and the improvement in operating margins brought about by focusing solely on being a managed data and voice services company, InTechnology's share price has continued to fall.

Your Board has discussed this concern with its advisers, and whilst there are several factors affecting any company's share price, a key point for InTechnology is the lack of demand for the company's shares and, in practical terms, a small free float, which further reduces demand. It is extremely unlikely that the company will need to raise money through a new share issue or to issue more shares in connection with an acquisition and, therefore, the lack of shares in free float will continue. I am the majority shareholder and do not wish to sell any shares at the current price to increase the free float. Your Board believes that greater shareholder value will ultimately be derived by operating the business off market.

Based on the above, your Board, having taken advice and carefully considered its options, will be recommending a de-listing of InTechnology's shares in a circular which will be sent to you shortly. In addition, the Board has decided that the company, through its brokers, Panmure Gordon, will make a Tender Offer to all shareholders, allowing those, subject to limits, who are unable or do not wish to hold shares after the company has de-listed to sell their shares prior to the company de-listing from AIM. The Company's repurchase of shares will be subject to a maximum outlay of £8.5 million. The Company has received irrevocable undertakings from its Directors in respect of 84,543,810 shares not to participate in the tender offer, representing 60% of the issued share capital. The price offered will be 35 pence being a premium of 19.7% over the closing mid-market price of an InTechnology ordinary share on 29 October 2007, the day before this announcement. Any shares purchased in this way will then be cancelled. The Tender Offer will require the consent of the Court because the company will have to reduce its share premium account in order to create sufficient distributable reserves in order to undertake the share buy-back. The appropriate resolutions to undertake the Tender Offer will be put to shareholders at the same time they are asked to approve the de-listing.

# Chief Executive Officer's statement continued

A circular will be mailed to all shareholders in due course together with a copy of this unaudited interim financial information.

## Outlook

Your company has in the past eighteen months transformed itself from a mix of high volume distribution and higher margin managed services businesses to being solely the latter. Net debt is replaced by net funds, and together with adequate banking facilities I cannot envisage a need to raise further cash by the issue of shares, and certainly not at the current share price.

I believe we have great prospects to grow a profitable business. Your company continues to develop new products for both the MDS and MVS divisions and the strategic investment in Mobile Tornado is expected to further enhance the Group's prospects in the medium term. I have every confidence in our future ability to earn profits and generate cash and so enhance shareholder value.

Peter Wilkinson
Chief Executive Officer
30 October 2007

# Consolidated income statement

## for the six months ended 30 September 2007

| | Note | **6 months ended 30 September 2007 (Unaudited) £'000** | 6 months ended 30 September 2006 (Unaudited) £'000 | Year ended 31 March 2007 (Unaudited) £'000 |
|---|---|---|---|---|
| **Continuing operations** | | | | |
| Revenue | | **23,194** | 13,696 | 32,900 |
| Cost of sales | | **(9,247)** | (3,709) | (11,797) |
| **Gross profit** | | **13,947** | 9,987 | 21,103 |
| Net operating expenses before depreciation and amortisation | | **(10,991)** | (7,129) | (15,449) |
| Depreciation of tangible assets | | **(1,892)** | (2,027) | (4,231) |
| Amortisation of intangible assets | | **(140)** | - | (63) |
| Net operating expenses | | **(13,023)** | (9,156) | (19,743) |
| Other operating income | | **107** | - | 80 |
| Group operating profit before sale of property | | **1,031** | 831 | 1,440 |
| Profit on sale of property | 2 | **1,131** | - | - |
| **Group operating profit** | | **2,162** | 831 | 1,440 |
| Finance costs | | **(63)** | (861) | (1,368) |
| Finance income | | **318** | 71 | 204 |
| Share of post tax loss of associate | | **(875)** | - | (694) |
| **Profit/(loss) on continuing operations before taxation** | | **1,542** | 41 | (418) |
| Taxation | 3 | **(720)** | - | - |
| **Profit/(loss) sustained for the period from continuing operations** | | **822** | 41 | (418) |
| **Discontinued operations** | | | | |
| Post tax loss for the period from discontinued operations | 4 | - | (4,941) | (13,257) |
| **Profit/(loss) sustained for the period** | | **822** | (4,900) | (13,675) |
| | | | | |
| **Earnings/(loss) per share (pence) - Total Group** | | | | |
| Basic | 5 | **0.58** | (3.47) | (9.63) |
| Diluted | 5 | **0.57** | (3.42) | (9.63) |
| | | | | |
| **Earnings/(loss) per share (pence) - Continuing operations** | | | | |
| Basic | 5 | **0.58** | 0.03 | (0.29) |
| Diluted | 5 | **0.57** | 0.03 | (0.29) |

# Consolidated balance sheet

## as at 30 September 2007

| | **30 September 2007 (Unaudited) £'000** | 30 September 2006 (Unaudited) £'000 | 31 March 2007 (Unaudited) £'000 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | **39,559** | 59,012 | 39,559 |
| Intangible assets | **632** | - | 772 |
| Property, plant & equipment | **6,169** | 9,887 | 9,611 |
| Investment in associate | **2,497** | - | 3,371 |
| Deferred tax assets | **2,083** | 2,455 | 2,139 |
| | **50,940** | 71,354 | 55,452 |
| **Current assets** | | | |
| Inventories | **87** | 7,918 | 92 |
| Trade and other receivables | **10,542** | 63,300 | 15,722 |
| Cash and equivalents | **16,381** | 8,788 | 12,782 |
| | **27,010** | 80,006 | 28,596 |
| **Liabilities** | | | |
| **Current liabilities** | | | |
| Trade and other payables | **(8,778)** | (56,776) | (11,861) |
| Borrowings | **(542)** | (16,913) | (1,872) |
| Current tax liabilities | **(501)** | (139) | (2,766) |
| **Net current assets** | **17,189** | 6,178 | 12,097 |
| **Non-current liabilities** | | | |
| Borrowings | **(323)** | (2,022) | (594) |
| **Net assets** | **67,806** | 75,510 | 66,955 |
| **Shareholders' equity** | | | |
| Ordinary shares | **1,900** | 1,895 | 1,899 |
| Share premium | **188,844** | 188,671 | 188,843 |
| Revaluation reserve | **-** | 1,472 | 1,475 |
| Share option reserve | **1,096** | 1,025 | 1,069 |
| Retained earnings | **(124,034)** | (117,553) | (126,331) |
| **Total shareholders' equity** | **67,806** | 75,510 | 66,955 |

# Consolidated statement of changes in equity

## for the six months ended 30 September 2007

| | Share capital (Unaudited) £'000 | Share premium (Unaudited) £'000 | Revaluation reserve (Unaudited) £'000 | Share option reserve (Unaudited) £'000 | Retained earnings (Unaudited) £'000 | Total (Unaudited) £'000 |
|---|---|---|---|---|---|---|
| As at 1 April 2006 | 1,891 | 188,668 | 1,526 | 906 | (112,707) | **80,284** |
| Employee share options: | | | | | | |
| - value of employee services | - | - | - | 161 | - | **161** |
| - deferred tax charge on employee services | - | - | - | (42) | - | **(42)** |
| - proceeds from shares issued | 4 | 3 | - | - | - | **7** |
| Depreciation transferred on revalued assets | - | - | (54) | - | 54 | **-** |
| Net loss for the period | - | - | - | - | (4,900) | **(4,900)** |
| **As at 30 September 2006** | **1,895** | **188,671** | **1,472** | **1,025** | **(117,553)** | **75,510** |
| Employee share options: | | | | | | |
| - value of employee services | - | - | - | 87 | - | **87** |
| - deferred tax charge on employee services | - | - | - | (43) | - | **(43)** |
| - proceeds from shares issued | 4 | 172 | - | - | - | **176** |
| Depreciation transferred on revalued assets | - | - | 3 | - | (3) | **-** |
| Net loss for the period | - | - | - | - | (8,775) | **(8,775)** |
| **As at 31 March 2007** | **1,899** | **188,843** | **1,475** | **1,069** | **(126,331)** | **66,955** |
| Employee share options: | | | | | | |
| - value of employee services | - | - | - | 100 | - | **100** |
| - deferred tax charge on employee services | - | - | - | (73) | - | **(73)** |
| - proceeds from shares issued | 1 | 1 | - | - | - | **2** |
| Sale of property | - | - | (1,475) | - | 1,475 | **-** |
| Net profit for the period | - | - | - | - | 822 | **822** |
| **As at 30 September 2007** | **1,900** | **188,844** | **-** | **1,096** | **(124,034)** | **67,806** |

# Consolidated cash flow statement

## for the six months ended 30 September 2007

| | Note | **6 months ended 30 September 2007 (Unaudited) £'000** | 6 months ended 30 September 2006 (Unaudited) £'000 | Year ended 31 March 2007 (Unaudited) £'000 |
|---|---|---|---|---|
| **Cash flows from operating activities** | | | | |
| Cash generated from operations | 6 | **4,810** | 12,388 | 12,437 |
| | | | | |
| Interest received | | **318** | 71 | 204 |
| Interest paid | | **(14)** | (753) | (1,074) |
| Interest element of finance lease payments | | **(49)** | (99) | (194) |
| Tax paid | | **(3,002)** | (400) | (4,990) |
| **Net cash from operating activities** | | **2,063** | 11,207 | 6,383 |
| | | | | |
| **Cash flows from investing activities** | | | | |
| Proceeds from sale of property, plant & equipment | | **5,408** | 44 | 40,070 |
| Purchase of property, plant & equipment | | **(2,134)** | (945) | (3,145) |
| Acquisition of subsidiaries (net of cash acquired) | | **(74)** | - | (8,143) |
| Proceeds from sale of subsidiary undertakings | | **-** | - | 4,630 |
| Investment in associate | | **(65)** | - | (4,000) |
| **Net cash used in investing activities** | | **3,135** | (901) | 29,412 |
| | | | | |
| **Cash flows from financing** | | | | |
| Net proceeds from issue of ordinary share capital | | **2** | - | 183 |
| Net decrease in borrowings | | **(1,181)** | (13,525) | (34,455) |
| Capital element of finance lease payments | | **(420)** | (712) | (1,457) |
| **Net cash outflow from financing** | | **(1,599)** | (14,237) | (35,729) |
| | | | | |
| **Net increase/(decrease) in cash and equivalents in the period** | 7 | **3,599** | (3,931) | 66 |
| Cash and equivalents at beginning of period | | **12,782** | 12,719 | 12,719 |
| **Cash and equivalents at end of period** | | **16,381** | 8,788 | 12,785 |

# Notes to the interim financial information

## for the six months ended 30 September 2007

### 1 Basis of preparation

This interim financial information is the first interim financial information following the adoption of International Financial Reporting Standards ("IFRS") and International Financial Reporting Interpretation Committee ("IFRIC") interpretations. As the Group has not previously published a full set of financial statements under IFRS, the Investors Section of the corporate website (www.intechnology.co.uk) contains reconciliations of net assets and equity from previously reported amounts under UK Generally Accepted Accounting Principles ("UK GAAP") for the six months ended 30 September 2006 and the year ended 31 March 2007 along with explanations of the changes and the revised accounting policies under IFRS. These restated financial figures will be the principal comparative figures in the 2008 financial statements and have been released to provide a more detailed analysis of the impact of adopting IFRS on the Group.

This interim report, which comprises the consolidated interim balance sheet as at 30 September 2007 and the related consolidated interim statements of income, cash flows and changes in shareholders' equity for the six months then ended and related notes, is unaudited and does not constitute statutory accounts within the meaning of the Companies Act 1985. In addition, this financial information does not comply with IAS 34 "Interim Financial Reporting" which is not currently required to be applied under the AIM rules. The accounts for the year ended 31 March 2007, on which the auditors gave an unqualified audit opinion, were prepared in accordance with UK GAAP and not in accordance with IFRS and IFRIC interpretations.

### 2 Profit on sale of property

The Group's freehold land and buildings were sold on 1 August 2007 for a cash consideration of £4,600,000, giving rise to a profit on historic cost of £2,726,000. However there was an earlier recognised gain on revaluation of £1,595,000 and a deferred tax liability of £120,000 so the profit on disposal taken to the income statement this year is £1,131,000.

### 3 Taxation

The interim tax charge is based on an estimate of the likely effective tax rate for the full year (excluding tax on the sale of land and buildings) expressed as a percentage of the expected result for the year and then applied to the interim profit before tax.

### 4 Discontinued operations

| | **6 months ended 30 September 2007 (Unaudited) £'000** | 6 months ended 30 September 2006 (Unaudited) £'000 | Year ended 31 March 2007 (Unaudited) £'000 |
|---|---|---|---|
| Revenue | **-** | 94,093 | 153,030 |
| Expenses | **-** | (92,247) | (150,075) |
| **Operating profit** | **-** | 1,846 | 2,955 |
| Impairment of goodwill | **-** | (6,091) | - |
| Loss on sale of business assets | **-** | - | (7,379) |
| Loss on sale of subsidiary undertakings | **-** | - | (373) |
| **Loss before tax from discontinued operations** | **-** | (4,245) | (4,797) |
| Tax on loss on ordinary activities | **-** | (696) | (1,461) |
| Tax on sale of business assets | **-** | - | (6,999) |
| **Loss after tax on discontinued operations** | **-** | (4,941) | (13,257) |

# Notes to the interim financial information

## for the six months ended 30 September 2007

### 5 Earnings/(loss) per share

Basic earnings per share is calculated by dividing the profit/(loss) attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the period.

For diluted earnings per share, the weighted average number of ordinary shares in issue is adjusted to assume conversion of all potential dilutive ordinary shares.

Reconciliation of the earnings and weighted average number of shares used in the calculation are set out below:

| | **6 months ended 30 September 2007 (Unaudited)** | | | 6 months ended 30 September 2006 (Unaudited) | | | Year ended 31 March 2007 (Unaudited) | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Earnings £'000** | **Weighted average number of shares (thousands)** | **Per share amount (pence)** | Earnings £'000 | Weighted average number of shares (thousands) | Per share amount (pence) | Earnings £'000 | Weighted average number of shares (thousands) | Per share amount (pence) |
| **Basic EPS** | | | | | | | | | |
| Profit/(loss) attributable to equity holders of the company | | | | | | | | | |
| - Continuing operations | **822** | **141,996** | **0.58** | 41 | 141,112 | 0.03 | (418) | 141,885 | (0.29) |
| - Discontinued operations | **-** | **141,996** | **-** | (4,941) | 141,112 | (3.50) | (13,257) | 141,885 | (9.34) |
| | **822** | **141,996** | **0.58** | (4,900) | 141,112 | (3.47) | (13,675) | 141,885 | (9.63) |
| Effect of dilutive share options | **-** | **1,994** | **-** | - | 2,109 | - | - | - | - |
| **Diluted EPS** | | | | | | | | | |
| - Continuing operations | **822** | **143,990** | **0.57** | 41 | 143,221 | 0.03 | (418) | 141,885 | (0.29) |
| - Discontinued operations | **-** | **143,990** | **-** | (4,941) | 143,221 | (3.45) | (13,257) | 141,885 | (9.34) |
| | **822** | **143,990** | **0.57** | (4,900) | 143,221 | (3.42) | (13,675) | 141,885 | (9.63) |

The adjusted earnings per share has been calculated to provide a better understanding of the underlying performance of the Group as follows:

| | **6 months ended 30 September 2007 (Unaudited)** | | | 6 months ended 30 September 2006 (Unaudited) | | | Year ended 31 March 2007 (Unaudited) | | |
|---|---|---|---|---|---|---|---|---|---|
| | **Earnings £'000** | **Weighted average number of shares (thousands)** | **Per share amount (pence)** | Earnings £'000 | Weighted average number of shares (thousands) | Per share amount (pence) | Earnings £'000 | Weighted average number of shares (thousands) | Per share amount (pence) |
| **Basic EPS** | **822** | **141,996** | **0.58** | (4,900) | 141,112 | (3.47) | (13,675) | 141,885 | (9.64) |
| Effect of discontinued operations | **-** | | **-** | 4,941 | | 3.50 | 13,257 | | 9.34 |
| Value of employee services | **70** | | **0.05** | 78 | | 0.06 | 115 | | 0.08 |
| Amortisation of intangible assets | **98** | | **0.07** | - | | - | 44 | | 0.03 |
| Share of post tax loss of associate | **875** | | **0.62** | - | | - | 694 | | 0.49 |
| **Adjusted basic EPS** | **1,865** | **141,996** | **1.32** | 119 | 141,112 | 0.09 | 435 | 141,885 | 0.30 |
| **Diluted EPS** | **822** | **143,990** | **0.57** | (4,900) | 143,221 | (3.42) | (13,675) | 141,885 | (9.64) |
| Effect of discontinued operations | **-** | | **-** | 4,941 | | 3.45 | 13,257 | | 9.34 |
| Value of employee services | **70** | | **0.05** | 78 | | 0.05 | 115 | | 0.08 |
| Amortisation of intangible assets | **98** | | **0.07** | - | | - | 44 | | 0.03 |
| Share of post tax loss of associate | **875** | | **0.61** | - | | - | 694 | | 0.49 |
| **Adjusted diluted EPS** | **1,865** | **143,990** | **1.30** | 119 | 143,221 | 0.08 | 435 | 141,885 | 0.30 |

## 6 Reconciliation of operating profit to net cash inflow from operating activities

| | **6 months ended 30 September 2007 (Unaudited) £'000** | 6 months ended 30 September 2006 (Unaudited) £'000 | Year ended 31 March 2007 (Unaudited) £'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| Operating profit | **2,162** | 831 | 1,440 |
| Adjustments for: | | | |
| Depreciation | **1,892** | 2,027 | 4,231 |
| Profit on sale of property, plant & equipment | **(1,130)** | (27) | (35) |
| Amortisation of intangibles | **140** | - | 63 |
| Exchange movements | **(5)** | - | (17) |
| Share option non cash charge | **100** | 112 | 164 |
| Changes in working capital | | | |
| Decrease/(increase) in inventories | **5** | (628) | 211 |
| Decrease in trade and other receivables | **3,361** | 1,576 | 4,081 |
| Decrease in trade and other payables | **(3,534)** | (815) | (4,734) |
| **Cash generated from continuing operations** | **2,991** | 3,076 | 5,404 |
| **Discontinued operations** | | | |
| Loss before tax | **-** | (4,245) | (4,797) |
| Adjustments for: | | | |
| Depreciation | **-** | 389 | 574 |
| Profit on sale of property, plant & equipment | **-** | - | (1) |
| Impairment of goodwill | **-** | 6,091 | 7,752 |
| Exchange movements | **-** | - | 34 |
| Share option non cash charge | **-** | 48 | 23 |
| Changes in working capital | | | |
| Decrease/(increase) in inventories | **-** | (668) | 6,374 |
| Decrease in trade and other receivables | **1,819** | 22,058 | 56,172 |
| Decrease in trade and other payables | **-** | (14,361) | (59,098) |
| **Cash generated from discontinued operations** | **1,819** | 9,312 | 7,033 |
| **Cash generated from operations** | **4,810** | 12,388 | 12,437 |

# Notes to the interim financial information

## for the six months ended 30 September 2007

### 7 Reconciliation of movement in net funds/(debt)

| | **6 months ended 30 September 2007 (Unaudited) £'000** | 6 months ended 30 September 2006 (Unaudited) £'000 | Year ended 31 March 2007 (Unaudited) £'000 |
|---|---|---|---|
| Increase/(decrease) in cash and equivalents in the period | **3,599** | (3,931) | 66 |
| Net cash outflow from decrease in finance leases | **420** | 712 | 1,457 |
| Cash outflow from repayment of debt | **1,181** | 13,525 | 34,455 |
| Change in net funds/(debt) resulting from cash flows | **5,200** | 10,306 | 35,978 |
| Non-cash changes: | | | |
| Exchange movements | **-** | - | (3) |
| Inception of new finance leases | **-** | (963) | (964) |
| Debt issue costs | **-** | (38) | (100) |
| Borrowings acquired on purchase of subsidiary | **-** | - | (5,143) |
| Movement in net funds/(debt) in the period | **5,200** | 9,305 | 29,768 |
| Net funds/(debt) at start of period | **10,316** | (19,452) | (19,452) |
| Net funds/(debt) at end of period | **15,516** | (10,147) | 10,316 |

### 8 Shareholder information

The interim announcement will be posted to shareholders on 9 November 2007. Further copies are available on request from the registered office of the Company at Central House, Beckwith Knowle, Harrogate, HG3 1UG.

This interim financial information will be published on the Company's website. The maintenance and integrity of the InTechnology plc website is the responsibility of the Directors. Legislation in the UK governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# Corporate information

**Board of Directors:**

| | |
|---|---|
| The Rt. Hon. Lord Parkinson | Non-executive Chairman |
| Joe McNally | Non-executive Director |
| Charles Scott | Non-executive Director |
| Peter Wilkinson | Chief Executive Officer |
| Richard James | Director & Company Secretary |
| Andrew Kaberry | Finance Director |
| Bryn Sage | Sales Director |
| Jason Firth | Director of Professional Services |

**Registered office:**
InTechnology plc
Central House
Beckwith Knowle
Harrogate
HG3 1UG
Tel +44 (0)1423 850 000
Fax +44 (0)1423 850 001

**Registrar and transfer office:**
Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

**Principal bankers:**
Barclays Bank plc
Parliament Street
York
YO1 1XD

**Nominated adviser and broker:**
Panmure Gordon (Broking) Limited
155 Moorgate
London
EC2M 6XB

**Independent auditors:**
PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

**Solicitors:**
Norton Rose
Kempson House
Camomile Street
London
EC3A 7AN

**Company registration number:**
3916586

**Internet address:**
www.intechnology.co.uk

# Principal offices

**Headquarters &**
**Northern Data Centre**
InTechnology plc
Central House
Beckwith Knowle
Harrogate
HG3 1UG
Tel +44 (0) 1423 850 000
Fax +44 (0) 1423 850 001

**Southern Data Centres**
260-266 Goswell Road
Islington
London
EC1V 7EB

East India Dock House
240 East India Dock Road
London
E14 9YY

13 Selsdon Way
London
E14 9GL

**London Office**
17 St Helen's Place
London
EC3A 6DG

**Reading Office**
Commensus House
Worton Drive
Reading
Berkshire
RG2 0TG
Tel +44 (0)870 777 7778
Fax +44 (0)870 777 7779