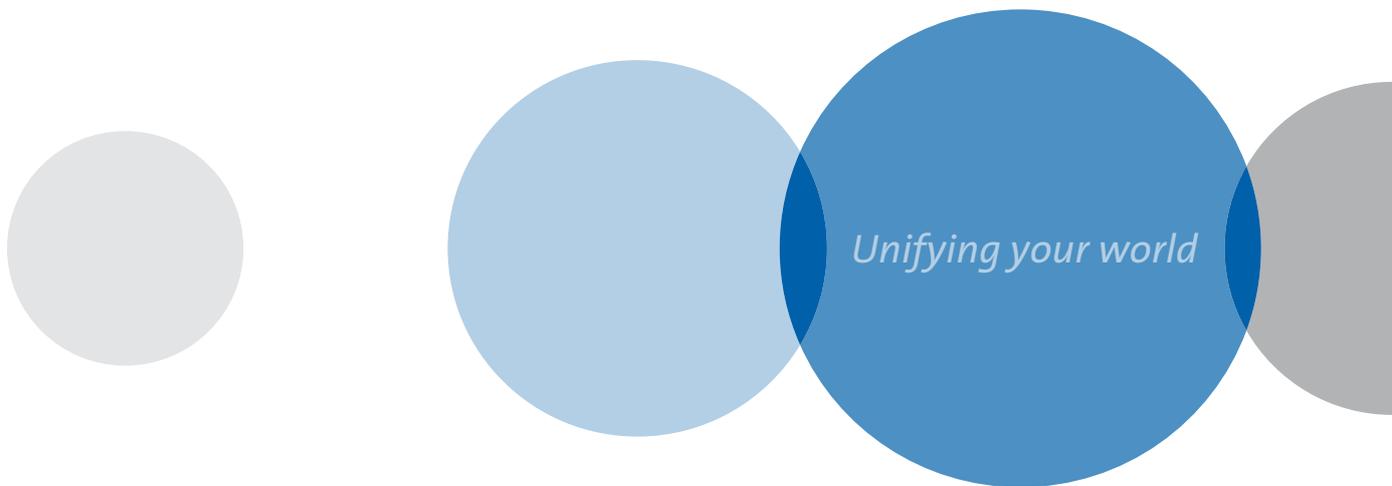


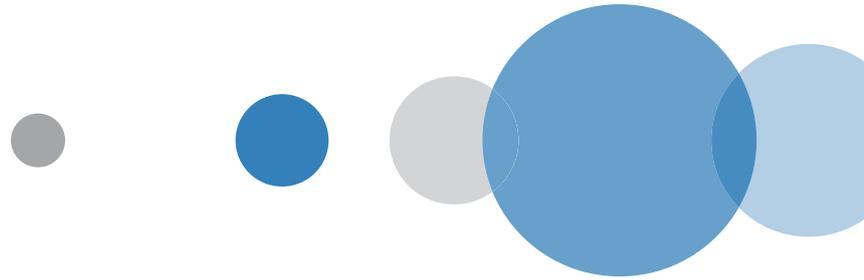
inTechnology

Unaudited interim financial information 2009



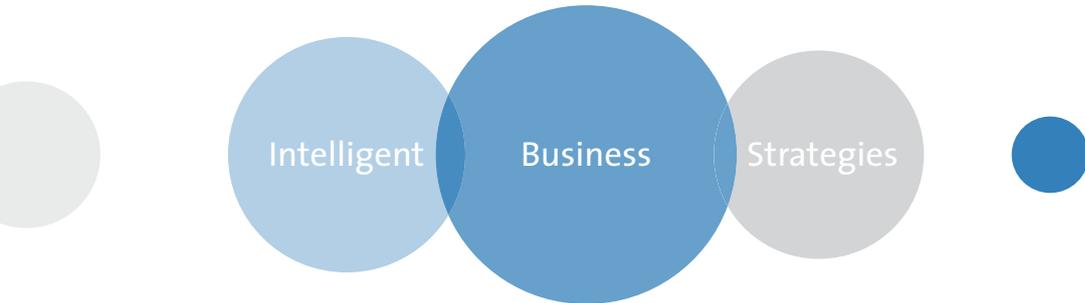
Unifying your world

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Chief Executive Officer's report



Intelligent

Business

Strategies

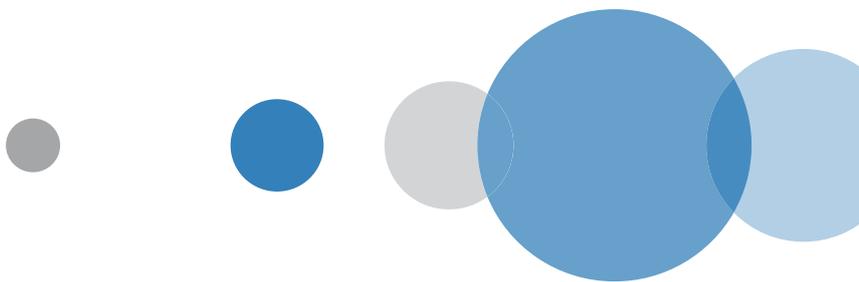
Overview

As the recession continues in the UK our revenues and Group operating profit declined. However our balance sheet remains strong with net cash and unutilised bank borrowing facilities.

Whilst revenues declined, reflecting many customers seeking cost reductions as contracts are renewed, we remain confident of our ability to win new business across all our services. As I mentioned in my last report we continue to enhance our products so as to offer customers improved productivity combined with value for money pricing.

Trading and operating performance

- Recognised revenues reduced to £20.6m (2008: £23.8m). New major contracts for voice and network services won late last financial year and in this period are only just being rolled out and commissioned thus having no impact on recognised revenues.
- Group operating profit was £0.7m (2008: £1.4m) reflecting the decline in revenue. However gross profit margins increased to 63 percent (2008: 60 percent), and net operating expenses declined to £12.5m (2008: £13.0m) reflecting your Board's determination to control operating costs.
- Our share of post tax loss of our investment in Mobile Tornado Group plc ("Mobile Tornado") was £0.5m (2008: £1.0m) and our share of post tax loss in Live-PA Ltd ("Live-PA") was £0.02m (2008: nil). I comment on both these investments later.
- Net cash was £8.3m (2008: £9.7m and £9.9m at 31 March 2009). The reduction in net cash is attributed to £2.0m of mobile handsets purchased for our voice division and £1.7m investment in our associate companies.
- We have unutilised bank facilities of £2.1m (2008: £5.1m) available to fund our capital expenditure and provide working capital as required.



Associate companies

Mobile Tornado

Progress in securing contracts has been slow caused by having to resolve several minor technical issues which I am pleased to report have now all been rectified. However these issues held back the shipment of the mobile phones we purchased in April. They also caused delays in completing trials in the UK and overseas of the Push to Talk services. However I am pleased to report that customer interest remains strong and we hope to report significant progress when publishing our full year results.

Live-PA

The development of voice recording software operating within Microsoft's OCS platform continued during the period and it is planned to launch the first product by our fourth quarter. Marketing strategy has been formulated and it will be offered worldwide to all Microsoft OCS accredited Gold Partners. Live-PA remains the sole developer of voice recording software for OCS and the potential global market is enormous. Our committed investment of £0.5m for a 45.4 percent equity holding is on course and on budget. At 30 September 2009 we had invested £0.27m.

Outlook

Regardless of the national and global economic outlook we remain confident of our ability to kick start your company back into profitable and sustainable growth. We have launched new products and cost re-engineered existing ones across our data and voice services divisions, and constantly control operating costs. The Board remains confident of achieving a very good return from the investments in Mobile Tornado and Live-PA. Time will tell, but I remain determined to succeed.

Peter Wilkinson

Chief Executive Officer

3 November 2009

Group statement of comprehensive income

for the six months ended 30 September 2009

		6 months ended 30 September 2009 (Unaudited) £'000	6 months ended 30 September 2008 (Unaudited) £'000	Year ended 31 March 2009 (Audited) £'000
Revenue	Note	20,579	23,846	44,760
Cost of sales		(7,586)	(9,597)	(17,200)
Gross profit		12,993	14,249	27,560
Net operating expenses before depreciation and amortisation		(10,802)	(11,354)	(22,661)
Depreciation of property, plant and equipment		(1,519)	(1,496)	(2,984)
Amortisation of intangible assets		(140)	(140)	(280)
Net operating expenses		(12,461)	(12,990)	(25,925)
Other operating income		136	119	229
Group operating profit		668	1,378	1,864
Finance income		78	255	418
Finance costs		(43)	(50)	(72)
Share of post tax loss of associate		(524)	(957)	(1,598)
Profit before taxation		179	626	612
Taxation	5	(417)	(467)	(357)
(Loss)/profit for the period		(238)	159	255
Other comprehensive income:				
Currency translation differences		66	(1)	(813)
Total comprehensive (loss)/income for the period		(172)	158	(558)
Earnings per share (pence)				
Basic	6	(0.17)	0.12	0.19
Diluted	6	(0.17)	0.12	0.19

Group statement of changes in shareholders' equity

for the six months ended 30 September 2009

	Share capital (Unaudited) £'000	Share premium (Unaudited) £'000	Capital redemption reserve (Unaudited) £'000	Share option reserve (Unaudited) £'000	Retained earnings (Unaudited) £'000	Total (Unaudited) £'000
As at 31 March 2008	1,318	52,717	480	1,157	8,567	64,239
Employee share options:						
– value of employee services	–	–	–	173	–	173
– deferred tax charge on employee services	–	–	–	(118)	–	(118)
Issue of deferred share options	69	1,104	–	–	–	1,173
Cancelled share options	–	–	–	(1,150)	1,150	–
Share of exchange losses of associate	–	–	–	–	(1)	(1)
Net profit for the period	–	–	–	–	159	159
As at 30 September 2008	1,387	53,821	480	62	9,875	65,625

Employee share options:						
– value of employee services	–	–	–	(25)	–	(25)
– deferred tax charge on employee services	–	–	–	(1)	–	(1)
Cancelled share options	–	–	–	62	(62)	–
Share of exchange losses of associate	–	–	–	–	(813)	(813)
Net profit for the period	–	–	–	–	96	96
As at 31 March 2009	1,387	53,821	480	98	9,096	64,882

Employee share options:						
– value of employee services	–	–	–	23	–	23
Issue of deferred payment shares	7	91	–	–	–	98
Share of exchange gains of associate	–	–	–	–	66	66
Net loss for the period	–	–	–	–	(238)	(238)
As at 30 September 2009	1,394	53,912	480	121	8,924	64,831

Group balance sheet

as at 30 September 2009

	30 September 2009 (Unaudited) £'000	30 September 2008 (Unaudited) £'000	31 March 2009 (Audited) £'000
Assets			
Non-current assets			
Goodwill	38,997	38,997	38,997
Intangible assets	73	353	213
Property, plant & equipment	6,780	7,965	7,382
Investment in subsidiary and associate undertakings	2,987	3,118	1,664
Deferred tax assets	1,681	1,859	1,790
Available-for-sale financial assets	–	–	90
	50,518	52,292	50,136
Current assets			
Inventories	2,094	106	121
Trade and other receivables	10,878	12,066	10,968
Cash and cash equivalents	11,156	10,301	13,185
	24,128	22,473	24,274
Liabilities			
Current liabilities			
Trade and other payables	(6,274)	(8,342)	(6,100)
Borrowings	(758)	(491)	(906)
Current tax liabilities	(694)	(175)	(110)
Net current assets	16,402	13,465	17,158
Non-current liabilities			
Borrowings	(2,089)	(132)	(2,412)
Net assets	64,831	65,625	64,882
Shareholders' equity			
Ordinary shares	1,394	1,387	1,387
Share premium	53,912	53,821	53,821
Capital redemption reserve	480	480	480
Share option reserve	121	62	98
Retained earnings	8,924	9,875	9,096
Total shareholders' equity	64,831	65,625	64,882

Group cash flow statement

for the six months ended 30 September 2009

	Note	6 months ended 30 September 2009 (Unaudited) £'000	6 months ended 30 September 2008 (Unaudited) £'000	Year ended 31 March 2009 (Audited) £'000
Cash flows from operating activities				
Cash generated from operations	7	694	3,892	4,694
Interest received		78	255	418
Interest paid		(17)	(16)	(12)
Interest element of finance lease payments		(26)	(39)	(60)
Tax received/(paid)		276	(578)	(461)
Net cash from operating activities		1,005	3,514	4,579
Cash flows from investing activities				
Proceeds from sale of property, plant & equipment		24	5	23
Purchase of property, plant & equipment		(917)	(3,016)	(3,955)
Investment in subsidiary and associate undertakings		(1,680)	–	–
Net cash (used in) investing activities		(2,573)	(3,011)	(3,932)
Cash flows from financing activities				
(Decrease)/increase in borrowings		(300)	–	2,950
Capital element of finance lease payments		(171)	(265)	(520)
Net cash (outflow)/inflow from financing		(471)	(265)	2,430
Net (decrease)/increase in cash and cash equivalents in the period		(2,039)	238	3,077
Cash and cash equivalents at beginning of period		13,185	10,085	10,085
Exchange gains/(losses) on cash and cash equivalents		10	(22)	23
Cash and cash equivalents at end of period		11,156	10,301	13,185

Notes to the interim financial information

for the six months ended 30 September 2009

1 General information

InTechnology plc provides managed data and voice services to users over its own end to end quality assured IP network.

The company is an unlisted public company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is Central House, Beckwith Knowle, Harrogate, HG3 1UG.

The registered number of the company is 3916586.

The interim financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2009 were approved by the Board of directors on 16 June 2009 and filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The interim financial information has been reviewed, not audited.

2 Basis of preparation

The interim financial information has been prepared under the historical cost convention, except for share based payments which are measured at fair value, in accordance with the accounting policies set out in the annual financial statements which have been published on the Company's website. The interim financial information has not been prepared in accordance with IAS 34.

3 Accounting policies

The accounting policies adopted in preparing this report are consistent with those used in the Group's financial statements for the year ended 31 March 2009 as described in those statements. The following new standards, amendments to existing standards or interpretations are mandatory for the first time for financial years beginning on or after 1 January 2009, and have been adopted by the Group effective from 1 April 2009:

- (i) IAS 1 (revised), 'Presentation of financial statements' – The revised standard brings new disclosure requirements regarding 'non-owner changes in equity' and owner changes in equity, which are now required to be shown separately. Under this revised guidance the Group has elected to present one performance statement: a statement of comprehensive income. The interim financial statements have been prepared under the revised disclosure requirements.
- (ii) IFRS 8, 'Operating segments'. IFRS 8 replaces IAS 14, 'Segment reporting'. IFRS 8 requires a 'management approach' under which segment information is presented on the same basis as that used for internal reporting purposes. This has not resulted in a change to reported segments, which remain as Managed Data Services and Managed Voice Services.

4 Investments

At 30 September 2009, the group held a 27% interest in the nominal value of ordinary shares in Live-PA which is incorporated in the United Kingdom. The group has entered into an agreement to purchase a total of 45.4% of the share capital of Live-PA which will require a further investment of £0.23m during the next 12 months.

5 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.

6 Earnings per share

Basic earnings per share is calculated by dividing the earnings attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the year.

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

Additional earnings per share measures are included below to give a better indication of the Group's underlying performance. These are stated net of tax.

	6 months ended 30 September 2009 (Unaudited)			6 months ended 30 September 2008 (Unaudited)			Year ended 31 March 2009 (Audited)		
	Earnings £'000	Weighted average number of shares '000	Per share amount (pence)	Earnings £'000	Weighted average number of shares '000	Per share amount (pence)	Earnings £'000	Weighted average number of shares '000	Per share amount (pence)
Basic EPS									
(Loss)/profit attributable to equity holders of the company	(238)	139,246	(0.17)	159	134,581	0.12	255	136,649	0.19
Effect of dilutive share options		218			1,048			620	
Diluted EPS	(238)	139,463	(0.17)	159	135,629	0.12	255	137,269	0.19

	6 months ended 30 September 2009 (Unaudited)			6 months ended 30 September 2008 (Unaudited)			Year ended 31 March 2009 (Audited)		
	Earnings £'000	Weighted average number of shares '000	Per share amount (pence)	Earnings £'000	Weighted average number of shares '000	Per share amount (pence)	Earnings £'000	Weighted average number of shares '000	Per share amount (pence)
Basic EPS	(238)	139,246	(0.17)	159	134,581	0.12	255	136,649	0.19
Share based payments	23		0.02	55		0.04	29		0.02
Amortisation of intangible assets	101		0.07	101		0.07	202		0.15
Share of post tax loss of associate	524		0.38	957		0.71	1,598		1.17
Adjusted basic EPS	410	139,246	0.30	1,272	134,581	0.94	2,084	136,649	1.53
Diluted EPS	(238)	139,463	(0.17)	159	135,629	0.12	255	137,269	0.19
Share based payments	23		0.02	55		0.04	29		0.02
Amortisation of intangible assets	101		0.07	101		0.07	202		0.15
Share of post tax loss of associate	524		0.38	957		0.71	1,598		1.16
Adjusted diluted EPS	410	139,463	0.30	1,272	135,629	0.94	2,084	137,269	1.52

Notes to the interim financial information

continued

7 Cash generated from operations

	6 months ended 30 September 2009 (Unaudited) £'000	6 months ended 30 September 2008 (Unaudited) £'000	Year ended 31 March 2009 (Audited) £'000
Continuing operations			
Operating profit	668	1,378	1,864
Adjustments for:			
Depreciation	1,519	1,496	2,984
Profit on sale of property, plant & equipment	(24)	(5)	(21)
Amortisation of intangibles	140	140	280
Exchange movements	(20)	31	(81)
Share option non cash charge	23	173	148
Changes in working capital			
Increase in inventories	(1,973)	(1)	(16)
Decrease/(increase) in trade and other receivables	187	(359)	739
Increase/(decrease) in trade and other payables	174	1,039	(1,203)
Cash generated from operations	694	3,892	4,694

8 Shareholder information

This interim financial information will be published on the Company's website in November 2009. 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	Chief Operating Officer

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Registrar and transfer office:

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Kent
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Matched bargain exchange:

www.sharemark.com

Principal bankers:

Lloyds TSB Bank Plc
PO Box 96
6-7 Park Row
Leeds
LS1 1NX

Independent auditors:

PricewaterhouseCoopers LLP
Benson House
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Solicitors:

Hammonds LLP
2 Park Lane
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