

INTECHNOLOGY /
UNAUDITED INTERIM
FINANCIAL INFORMATION 2011 /

inTechnology

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CHIEF EXECUTIVE OFFICER'S REPORT /

Overview

Your Company continues to progress well in our objective to grow revenue, Group operating profit and for our Associate companies to establish trading profits. Revenue for the six months to 30 September 2011 was £20.1m (2010: £19.4m) and Group operating profit was £1.0m (2010: £0.4m). During the first half year new sales contracted were on budget, which for the full year is targeted to grow by forty percent on last year's achievement of £28.0m; typically contracts of three year's term.

We continue to enhance our product ranges in both data and voice managed IT services and believe we now have a most comprehensive range of services all delivered in-house from our own infrastructure that is attractive to all UK enterprises. However the UK market remains in a recessionary atmosphere and decision making and contracting can be prolonged because of it. In addition we continue to find it can take several months to fully commission services and recognise new revenue streams from new contracts. This explains the low year on year revenue. Despite this, continuing tight controls on operating costs and product engineering have improved Group operating profit margins to 5.0 percent (2010: 2.3 percent).

Our balance sheet remains strong with net cash of £8.7m and cash at bank was £13.2m. We continue a financial strategy of using medium term loans to finance certain capital projects thus maximising our gross cash balances that can be used for any opportune purchases. Your Board is confident of meeting all negotiated loan covenants.

Trading and operating performance

- Recognised revenue increased to £20.1m (2010: £19.4m). However recurring revenues increased by 9.4 percent to £18.8m. There continue to be delays from contracting new sales contracts to fully commissioning services and recognising revenue.
- Contracts waiting commissioning at 30 September 2011 have annualised revenues of £5.2m and the contracted forward order book is £63.2m.
- Group operating profit increased by 124.1 percent to £1.0m (2010: £0.4m).
- Net operating expenses grew by 2.8 percent to £12.2m (2010: £11.9m).
- Gross profit margins were 65.5 percent (2010: 63.1 percent). The increase caused by product mix and one-off product sales was negligible this year. Margins on recurring revenues were stable.
- Our share of post tax losses in our two Associate companies reduced to £0.5m (2010: £0.6m).
- Net cash was £8.7m (2010: £8.5m) and cash at bank was £13.2m.

CHIEF EXECUTIVE OFFICER'S REPORT CONTINUED /

Associate companies

Mobile Tornado Group Plc

("Mobile Tornado")

(49.8 percent owned)

As you are aware, I am also chairman of Mobile Tornado and fully commented in Mobile Tornado's Annual Report and Accounts on the company's prospects (www.mobiletornado.com/Investors-Annual-Reports.aspx). Suffice to say there is growing evidence that Mobile Tornado's push-to-talk technology is attracting global interest from many enterprises specialising in workforce management and mobile smart phones. I concluded my report as follows:

"These market developments have presented us with an increasing number of opportunities with potential customers and partners around the world. Our biggest challenge is to ensure we deploy our limited resources with those that can give us the best returns. This is our focus and I look forward to reporting continued progress in coming months."

Live-PA

(45.4 percent owned)

Voice recording software for Microsoft Lync, formerly OCS, continues trials and demonstrations. Sales are ultimately dependent on the global sales of Microsoft Lync voice products. Call recording software for the Broadsoft platform has been completed and sales have been made to our own UK voice customers. Operating costs have been reduced as far as possible whilst we assess sales demand.

Outlook

All the actions your Board took following the onset of a lengthy recession has enabled us to keep earning Group operating profits and maintain our net cash position. We remain committed to growing the business, which we believe has a most comprehensive product range for data and voice services that can increase customer productivity and reduce their costs. This commitment is demonstrated by a major investment in an energy efficient data centre in Reading. It is planned to be commissioned in January 2012 and will assist in delivery of our Cloud based services. There are also other major capital projects to increase the efficiency of our infrastructure and hence improve our service level commitments to our existing and prospective customers.

We remain confident of ultimately achieving a very good return from our Associate company investments and growing our core managed services business, and thus keeping our balance sheet strong.

Peter Wilkinson

Chief Executive Officer

22 November 2011

GROUP STATEMENT OF COMPREHENSIVE INCOME /

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Note	6 months ended 30 September 2011 (Unaudited) £'000	6 months ended 30 September 2010 (Unaudited) £'000	Year ended 31 March 2011 (Audited) £'000
Revenue		20,051	19,420	39,648
Cost of sales		(6,919)	(7,170)	(14,589)
Gross profit		13,132	12,250	25,059
Net operating expenses before depreciation and amortisation		(10,973)	(10,570)	(20,946)
Depreciation of property, plant and equipment		(1,251)	(1,317)	(2,689)
Net operating expenses		(12,224)	(11,887)	(23,635)
Other operating income		96	85	199
Operating profit		1,004	448	1,623
Finance income		42	36	76
Finance costs		(13)	(20)	(35)
Share of post tax loss of associates		(494)	(594)	(1,032)
Profit/(loss) before taxation		539	(130)	632
Taxation	3	(376)	(132)	(526)
Profit/(loss) for the period		163	(262)	106
Other comprehensive income:				
Currency translation differences		(3)	5	7
Total comprehensive profit/(loss) for the period		160	(257)	113

Earnings per share (pence)

Basic	4	0.12	(0.19)	0.08
Diluted	4	0.12	(0.19)	0.08

GROUP STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY /

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Retained earnings	Total
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	£'000	£'000	£'000	£'000	£'000	£'000
As at 31 March 2010	1,396	53,914	480	173	8,533	64,496
Employee share options:						
- value of employee services	-	-	-	20	-	20
Share of exchange gain of associate	-	-	-	-	5	5
Net loss for the period	-	-	-	-	(262)	(262)
As at 30 September 2010	1,396	53,914	480	193	8,276	64,259
Employee share options:						
- value of employee services	-	-	-	7	-	7
Issue of deferred payment shares	11	75	-	-	-	86
Share of exchange gain of associate	-	-	-	-	2	2
Net profit for the period	-	-	-	-	368	368
As at 31 March 2011	1,407	53,989	480	200	8,646	64,722
Employee share options:						
- value of employee services	-	-	-	4	-	4
- proceeds from shares issued	1	2	-	-	-	3
Share of exchange loss of associate	-	-	-	-	(3)	(3)
Net profit for the period	-	-	-	-	163	163
As at 30 September 2011	1,408	53,991	480	204	8,806	64,889

GROUP BALANCE SHEET /

AS AT 30 SEPTEMBER 2011

	30 September 2011 (Unaudited) £'000	30 September 2010 (Unaudited) £'000	31 March 2011 (Audited) £'000
Assets			
Non-current assets			
Goodwill	38,997	38,997	38,997
Property, plant and equipment	7,718	6,051	6,432
Investment in subsidiary and associate undertakings	1,094	2,013	1,591
Deferred tax assets	1,047	1,285	1,355
	48,856	48,346	48,375
Current assets			
Inventories	1,142	1,524	1,267
Trade and other receivables	13,626	11,241	11,957
Current tax assets	-	225	-
Cash and cash equivalents	13,168	10,638	11,536
	27,936	23,628	24,760
Liabilities			
Current liabilities			
Trade and other payables	(7,451)	(5,626)	(6,375)
Borrowings	(600)	(639)	(607)
Current tax liabilities	(2)	-	(281)
Net current assets	19,883	17,363	17,497
Non-current liabilities			
Borrowings	(3,850)	(1,450)	(1,150)
Net assets	64,889	64,259	64,722
Shareholders' equity			
Ordinary shares	1,408	1,396	1,407
Share premium	53,991	53,914	53,989
Capital redemption reserve	480	480	480
Share option reserve	204	193	200
Retained earnings	8,806	8,276	8,646
Total shareholders' equity	64,889	64,259	64,722

GROUP CASH FLOW STATEMENT /

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

	Note	6 months ended 30 September 2011 (Unaudited) £'000	6 months ended 30 September 2010 (Unaudited) £'000	Year ended 31 March 2011 (Audited) £'000
Cash flows from operating activities				
Cash generated from operations	5	1,789	(359)	2,591
Interest received		38	24	79
Interest paid		(13)	(16)	(29)
Interest element of finance lease payments		-	(4)	(6)
Tax paid		(347)	(89)	(62)
Net cash from (used in) operating activities		1,467	(444)	2,573
Cash flows from investing activities				
Proceeds from sale of property, plant and equipment		25	17	68
Purchase of property, plant and equipment		(2,546)	(1,158)	(2,927)
Investment in subsidiary and associate undertakings		-	(50)	(50)
Net cash used in investing activities		(2,521)	(1,191)	(2,909)
Cash flows from financing activities				
Increase/(decrease) in borrowings		2,700	(300)	(600)
Capital element of finance lease payments		(7)	(53)	(85)
Net cash from (used in) financing activities		2,693	(353)	(685)
Net increase/(decrease) in cash and cash equivalents in the period		1,639	(1,988)	(1,021)
Cash and cash equivalents at beginning of period		11,536	12,598	12,598
Exchange (losses)/gains on cash and cash equivalents		(7)	28	(41)
Cash and cash equivalents at end of period		13,168	10,638	11,536

NOTES TO THE INTERIM FINANCIAL INFORMATION /

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

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 03916586.

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 2011 were approved by the Board of Directors on 13 June 2011 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 IAS34.

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.

NOTES TO THE INTERIM FINANCIAL INFORMATION CONTINUED /

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

4 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 2011 (Unaudited)			6 months ended 30 September 2010 (Unaudited)			Year ended 31 March 2011 (Audited)		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000	'000	pence	£'000	'000	pence	£'000	'000	pence
Basic EPS	163	140,750	0.12	(262)	139,599	(0.19)	106	140,345	0.08
Effect of dilutive share options		-			-			-	
Diluted EPS	163	140,750	0.12	(262)	139,599	(0.19)	106	140,345	0.08
	6 months ended 30 September 2011 (Unaudited)			6 months ended 30 September 2010 (Unaudited)			Year ended 31 March 2011 (Audited)		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000	'000	pence	£'000	'000	pence	£'000	'000	pence
Basic EPS	163	140,750	0.12	(262)	139,599	(0.19)	106	140,345	0.08
Share-based payments	4		-	20		0.01	27		0.02
Share of post tax loss of associates	494		0.35	594		0.43	1,032		0.73
Adjusted basic EPS	661	140,750	0.47	352	139,599	0.25	1,165	140,345	0.83
Diluted EPS	163	140,750	0.12	(262)	139,599	(0.19)	106	140,345	0.08
Share-based payments	4		-	20		0.01	27		0.02
Share of post tax loss of associates	494		0.35	594		0.43	1,032		0.73
Adjusted diluted EPS	661	140,750	0.47	352	139,599	0.25	1,165	140,345	0.83

NOTES TO THE INTERIM FINANCIAL INFORMATION CONTINUED /

FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2011

5 Cash generated from operations

	6 months ended 30 September 2011 (Unaudited) £'000	6 months ended 30 September 2010 (Unaudited) £'000	Year ended 31 March 2011 (Audited) £'000
Operating profit	1,004	448	1,623
Adjustments for:			
Depreciation	1,251	1,317	2,689
Profit on disposal of property, plant and equipment	(14)	(17)	(49)
Exchange movements	12	(13)	38
Share option non cash charge	4	20	27
Changes in working capital			
Decrease in inventories	125	50	307
Increase in trade and other receivables	(1,669)	(2,359)	(2,988)
Increase in trade and other payables	1,076	195	944
Cash generated from operations	1,789	(359)	2,591

6 Shareholder information

This interim financial information will be published on the Company's website in November 2011. 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
Joe McNally
Charles Scott
Peter Wilkinson
Richard James
Andrew Kaberry
Bryn Sage

Non-executive Chairman
Non-executive Director
Non-executive Director
Chief Executive Officer
Director & Company Secretary
Finance Director
Chief Operating Officer

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MATCHED BARGAIN EXCHANGE /

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COMPANY REGISTRATION NUMBER /

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