inTechnology

Annual Report and Financial Statements 2010

Unifying your world

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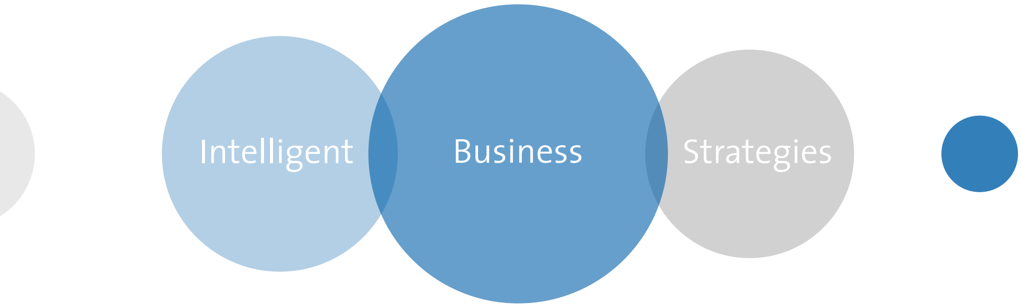
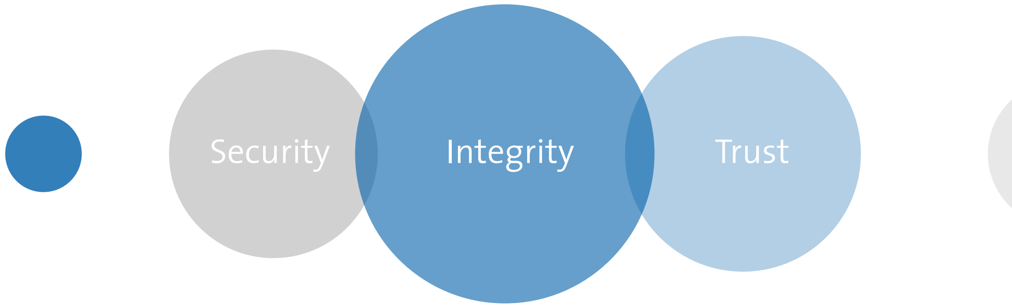
Chairman's introduction



During the year under review we traded against the background of a prolonged economic recession and a continuation of a credit crunch affecting many of our customers. However I am again pleased to report that your company remained profitable at the operating level, albeit with reduced profit from lower revenues. Yet again by careful management of operating costs and capital expenditures the net cash at the financial year end increased to £10.2m from £9.9m.

Recognised revenues of the Group declined by twelve per cent to £39.3m (2009: £44.8m) and Group operating profit declined to £0.6m (2009: £1.9m). However despite the decline in Group operating profit primarily caused by the decline in recognised revenues, your Company achieved its budget for new sales contracts of £28m, typically comprising contracts of three years duration. This was a very good performance in a competitive but risk averse market place and demonstrates the benefits of your Company's continuous development of products which meet market place demand. All customers demand value for money as well as productivity gains from our managed services and so your Board hopes to build on last year's sales success with our improved and enhanced products.

Our share of losses after tax in our associate company, Mobile Tornado Group plc ("Mobile Tornado") was £1.2m. Continuing technical problems delayed a full scale product launch but these are now finally identified and being resolved. In accordance with IAS 1 currency translation differences are shown as other comprehensive income after (loss)/profit for the year. All the gain/(loss) relates to Mobile Tornado. The Board remains confident of the eventual success of Mobile Tornado's technology and is currently not aware of any competitors with commercial technology which is superior to Mobile Tornado's.



Our share of loss after tax in our other associate Live-PA Limited is £0.2m and this is covered in the Chief Executive's report. I can only reiterate his comment that its first product has only just arrived at the "starting grid" but your Board still remains confident of its eventual success. Our total contracted investment in this Joint Venture Company by May 2010 was £0.5m.

I wish to thank again, and on your behalf, the staff whose loyalty, energy and professional skills enable us to keep pace with continuing changes in the IT Services sector in which we operate. I would also like to thank our partners in all areas of the business.

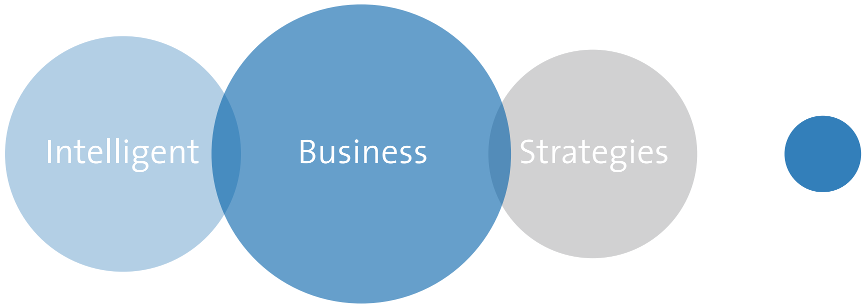
Your Board is determined, despite the uncertain economic background, to take all the necessary actions, both in the short and medium term, to maintain cash generation. We believe that by acquiring new customers and supplying enhanced services to our existing customer base the Managed Services businesses will produce increased revenues and profits.

The Rt. Hon. Lord Parkinson

Chairman

7 June 2010

Chief Executive Officer's report



Overview

Throughout our last financial year the UK economy suffered from a prolonged recession and despite statistics showing that there are signs of recovery nearly all our customers, and ourselves, continue to look at ways to reduce operating costs. As I mentioned in my report to you in November 2009 our Group revenues and operating profit declined. However, now and as then, our balance sheet remains strong with net cash and unutilised bank borrowing facilities.

Whilst some customers did not renew contracts, causing our recognised revenues and operating margins to decline year on year, we did achieve last year's sales budget of new business contract wins. We continue to constantly refine and upgrade our products and as we start a new year, despite the national economic background, there is a degree of optimism in the company to further improve on last year's sales contract wins and retain customers on contract renewals.

Trading and operating performance

- Recognised revenues reduced to £39.3m (2009: £44.8m) a twelve per cent reduction.
- Group operating profit was £0.6m (2009: £1.9m).
- Finance income less costs was £0.1m (2009: £0.3m) and reflects low deposit rates of interest.
- Share of loss after tax of our two Associate company investments was £1.4m (2009: £1.6m).
- Taxation charge was low at £6,000 (2009: £357,000) because of prior years overprovision.
- Group loss after tax and loss on Associate companies was £0.8m (2009: £0.3m profit).
- Net cash was £10.2m (2009: £9.9m).
- Key performance indicators ("KPI's") – our KPI's are growth of revenue and operating margin (measured as earnings before interest, exceptional items, share of associates profit or loss, tax and amortisation of intangible assets as a percentage of revenue). Our revenues declined by 12 per cent (2009: 1 per cent decline). Operating margin was 2.0 per cent (2009: 4.8 per cent). This performance is disappointing but there are many IT services companies reporting declines for last year as customer operating costs are reduced and new service contract decisions are delayed because of the economic recession.

Managed Data Services ("MDS")

MDS has been our largest business since 2000 both in revenue and operating profit.

Revenues declined to £31.2m from £36.6m, nearly all of the Group revenue reduction for the reasons mentioned above. MDS operating profit before other income was £3.4m down from £5.7m. During last year we conducted a major review of all products and tariffs and consequently, as we started this new year, offer competitively priced and/or enhanced data services for customers to increase their productivity and reduce costs.

Our data centres in Harrogate and London are close to capacity and are required to host not only customer equipment but to deliver our own services. We are presently investigating sites in Yorkshire and the South East of England for highly efficient and lower carbon footprint data centres.

Managed Voice Services ("MVS")

MVS revenue was marginally down at £8.09m (2009: £8.13m) and the operating loss before other income was £2.8m reduced from £3.6m. MVS includes our Instant Communications operations and excluding this latter product the operating losses were £1.1m reduced from £2.4m. This reduction was caused by the commissioning of our Unity (Voice over IP) product to customers who contracted with us early last year. It is usual for large sales contracts for Unity and network products to take many months to roll out and be fully reflected in recognised revenues. We secured some notable large contract wins last year and target several more similar contract wins this new year. This will greatly aid revenue growth and operating profits in the MVS division.

Instant Communications

Instant Communications is our new brand name for all Push To Experience services using Mobile Tornado's software and is a better description for the services it offers.

The operating losses of £1.7m reflected continuing technical operating issues causing identified sales demand for the products from being contracted and delivered. However I can assure you that we now have a clear direction to resolve past technical issues and for future product development. We know where we are going but we have had difficulties with execution in the past year.

The increase in our inventories last year was caused by the purchase of mobile phones for Instant Communications. Included in other receivables is £2m of prepaid Mobile Tornado licences. The resolution of the technical issues will enable sales to be commissioned and therefore reduce inventories and utilisation of the licences.

Chief Executive Officer's report continued

Investment in Associate Undertakings

Mobile Tornado Group plc

Mobile Tornado incurred further but reduced losses last year and we account for our 49.8 per cent share. They have recently reduced their operating costs in order to lower their breakeven point and have recently announced secured sales contracts in the USA, Scandinavia countries, Germany, Kenya and South Africa. They have several more negotiations awaiting conclusion.

Live-PA Limited ("Live-PA")

This is our Joint Venture Company developing call recording software initially targeted for the Microsoft OCS platform and will have a global market of Microsoft OCS Gold Partners. At 31 March 2010 we had invested £450,000 cash in Live-PA. During May 2010 we have increased the equity investment to £500,000 thus purchasing a 45.4 per cent equity investment in Live-PA. This amount is in accordance with our Joint Venture contract.

Live-PA is very close to finishing its beta-test Call Recording software operating under Microsoft's OCS platform. Following beta-testing Live-PA will launch sales activities to Microsoft OCS Gold Partners. To this extent Live-PA has just arrived at the starting grid and we shall be testing the extent of global demand during this new financial year.

Live-PA now proposes to develop Call Recording software for Broadsoft (the VoIP software platform used by ourselves), Cisco Call Manager and Aveya so that it is not totally dependent upon the Microsoft OCS market.

Outlook

Last year we achieved our sales budget of £28m new business contracts, typically of three year term. This year our objective is to exceed last year's excellent performance and in addition to achieve a high renewal rate as contracts reach their end of term.

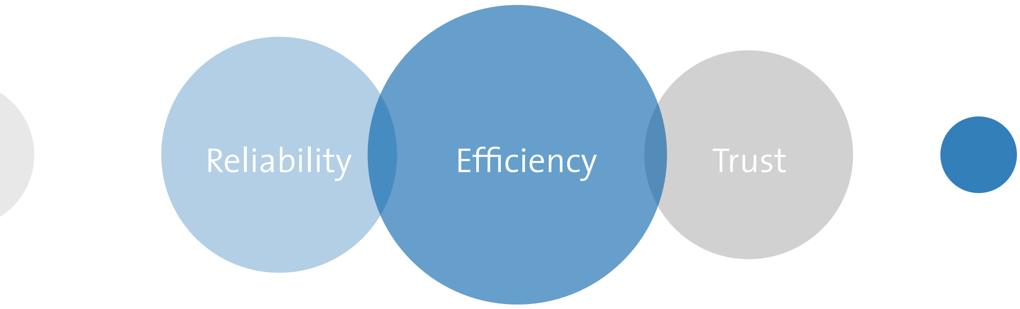
What I reported to you last November has not at all changed. Regardless of the national and global economic outlook we remain confident of our ability to kick start your company back into profitable and sustainable growth. We have launched new products and cost re-engineered existing ones across our 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

7 June 2010

Management team



Non-executive Directors

The Rt. Hon. Lord Parkinson
Chairman and Senior Non-executive Director

Lord Parkinson was appointed to the Board in July 2000 as a non-executive Director and is Chairman of the Audit Committee and a member of the Remuneration Committee. Lord Parkinson is a Member of the House of Lords and was a Member of Parliament from 1970 to 1992, during which time he held a number of senior ministerial positions including Secretary of State for Trade and Industry, Energy and Transport. He was Chairman of the Conservative Party from 1981 to 1983 and again from 1997 to 1998. A qualified chartered accountant, Lord Parkinson is currently Chairman and Director of a number of companies including Jarvis Group Limited, Jarvis Commercial Properties Limited, Henderson Rowe Limited and Professional Medical Limited.

Joe McNally
Non-executive Director

Joe McNally was appointed to the Board in December 2000 as a non-executive Director. He founded Compaq UK and Ireland and was latterly appointed Chairman, before retiring in August 2001.

Charles Scott
Non-executive Director

Charles Scott joined the Board in April 2001 as a non-executive Director. A chartered accountant, he is currently Chairman of William Hill plc and a Director of 2 other companies.

Executive Directors

Peter Wilkinson
Chief Executive Officer

Peter Wilkinson founded STORM in 1983 and VData in 1998 and both these businesses were sold, in a reverse takeover, to InTechnology plc in 2000.

In 1995, he started Planet Online Limited, the internet service provider, which was subsequently sold to Energis in 1998. He retained Planetfootball.com which was reversed into Sports Internet Group plc in 1999 and subsequently sold to BSkyB plc in 2000.

In 1998, Peter invented the free ISP model Freeserve, the internet access service which was launched by DSG international plc.

Peter is non-executive Chairman of Mobile Tornado Group plc, an AIM listed telecoms technology company, and holds a 13% stake. InTechnology plc has a 49.8% stake in Mobile Tornado Group plc.

Andrew Kaberry
Finance Director

Andrew Kaberry has worked with Peter Wilkinson since 1984 as Finance Director and was appointed to the Board of InTechnology plc in July 2000. He has significant experience of the computer industry including Finance Director of Planet Online Limited. Andrew qualified as a chartered accountant with KPMG in 1972.

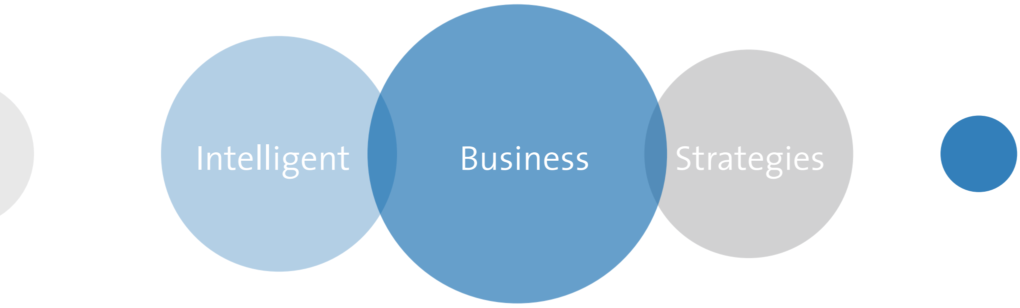
Richard James
Company Secretary

Richard James qualified as a solicitor with Allen & Overy in 1986 and was a Partner at Pinsent Curtis in 1991, before moving to Hammonds as a Partner in 1996. After advising Peter Wilkinson on the acquisition of Planetfootball.com by Sports Internet Group plc, Richard was appointed as Managing Director of Planetfootball.com and Company Secretary of Sports Internet Group plc. Richard was appointed to the Board of InTechnology plc in September 2000 as a Director and Company Secretary.

Bryn Sage
Chief Operating Officer

Bryn Sage has spent his career in the IT industry beginning as a computer engineer in 1981. In 1986, he joined STORM and progressed through the company to the position of Sales Director in 1994. He was appointed to the Board of InTechnology plc in July 2000.

Directors' report



The Directors present their annual report and audited financial statements of the Company and the Group for the year ended 31 March 2010.

Principal activities

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

Business review

The information that fulfils the requirements of the Business review can be found in the Chief Executive Officer's report on pages 4 to 7. Our review of the principal risks and uncertainties of the business is set out on pages 15 to 16.

Results and dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2010 (2009: £nil). The Company currently intends to reinvest future earnings to finance the growth of the business.

The loss retained for the financial year of £771,000 (2009: £255,000 profit) will be deducted from reserves.

Share capital

Details of changes in share capital, are set out in note 19 to the financial statements.

Directors

The Directors of the Company during the year ended 31 March 2010, together with brief biographies, are shown on pages 8 to 9.

Re-election of Directors

In accordance with the Company's Articles of Association, Directors will retire by rotation. Accordingly, The Rt. Hon. Lord Parkinson, Andrew Kaberry and Richard James will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

Directors' remuneration and interests

The Remuneration report is set out on pages 18 to 22. It includes details of Directors' remuneration, interests in the shares of the Company, share options and pension arrangements. The Company's Register of Directors' Interests, which is open to inspection at the Company's registered office, contains full details of Directors' shareholdings and options to subscribe for shares.

The Board's Corporate Governance report, including the Directors' statement on responsibilities for the preparation of financial statements, is set out on pages 13 to 17.

Details of related party transactions involving Directors of the Company are given in note 24 to the financial statements.

Substantial shareholdings

At 7 June 2010, the Company had received notification that the following six shareholders are interested in more than 3 per cent of the issued ordinary share capital of the Company (totalling 92.0%):

	Percentage of shares held
Peter Wilkinson	56.2%
Artemis Fund Managers	11.6%
Jon Wood	7.6%
Gartmore Fund Managers	6.8%
Andrew Kaberry	5.5%
Herald Investment Trust	4.3%

Going concern

Under company law, the Directors are required to consider whether it is appropriate to prepare financial statements on the basis that the Company is a going concern. As part of its normal business practice, budgets, cash flow forecasts and longer term financial projections are prepared and in reviewing this information, the Directors are satisfied that the Company and the Group have adequate resources to enable them to continue in business for the foreseeable future. The Directors have therefore adopted the going concern basis in the preparation of the financial statements.

Employees

The Group places considerable value on the involvement of its employees and has continued its practice of keeping them informed of matters affecting them as employees and the various factors affecting the performance of the Group.

The Directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. Furthermore, the Directors believe that the Group's ability to sustain a competitive advantage over the long term depends to a large part on ensuring that all employees contribute to the maximum of their potential. The Group is committed to improving the performance of all employees through development and training.

The Group is an equal opportunity employer. The Group's policies seek to promote an employment environment free from discrimination, harassment and victimisation and to ensure that no employee or applicant is treated less favourably on the grounds of gender, marital status, age, race, colour, nationality or national origin, disability or sexual orientation or is disadvantaged by conditions or requirements, which cannot objectively be justified. Entry into, and progression within the Group, is solely determined on the basis of work criteria and individual merit.

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities. The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the

Directors' report continued

provision of training and career development and promotion, where appropriate.

Share schemes

Share ownership is very important to the Group's remuneration philosophy and the Directors believe that the key to the Group's future success lies in a motivated workforce holding a stake in the Company. The schemes are described in the Board's Remuneration report and details of the options granted under the schemes are set out in notes 19 and 20 to the financial statements.

Research and development

The Group continues to undertake the development of new products with the objective of increasing future profitability. The cost to the Group is written off to the income statement as incurred. Progress of research and development is discussed in the Chief Executive Officer's report on pages 4 to 7.

Policy and practice on payment of creditors

It is the Group's policy to agree terms and conditions for its business transactions with its suppliers. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

In the year ended 31 March 2010 average creditor days for the Group and Company were 21 days (2009: 24 days).

Charitable and political donations

The contributions made by the Group during the year for charitable purposes totalled £4,614 (2009: £7,550). The Group made no political contributions (2009: £nil).

Environment

The Group recognises the importance of environmental responsibility. The nature of its activities has a minimal effect on the environment but where they do, the Group acts responsibly and is aware of its obligations at all times.

The group is committed to substantially reducing the carbon footprint of its future data centres, which are large consumers of electricity, by utilising state-of-the-art technologies and practices.

Annual General Meeting

The next AGM of the Company will be held on 14 July 2010. Details of the business to be proposed at the AGM are contained within the Notice of Meeting, which is set out on page 60.

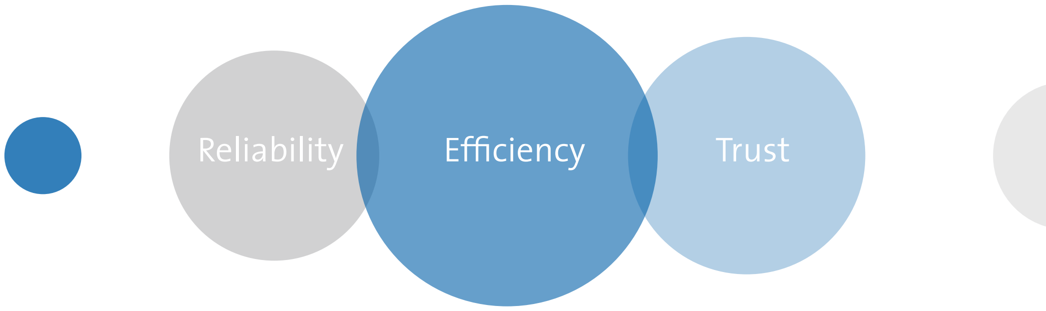
Independent auditors

PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution proposing that they be reappointed as independent auditors and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

Richard James
Company Secretary
7 June 2010

Corporate governance



InTechnology plc is an unlisted public company and is not therefore required to comply with the Principles of Good Governance and Code of Best Practice, the Financial Reporting Council Combined Code on Corporate Governance. The following disclosures are made voluntarily.

Principles of Corporate Governance

The Board recognises the value of good corporate governance as a positive contribution to the well being of the business and believes in applying these principles in a sensible and pragmatic manner.

Board of Directors

The Board of Directors consists of seven members, including a non-executive Chairman and two other non-executive Directors.

The roles of Chairman and Chief Executive Officer are separated and clearly defined. The activities of the Company are controlled by the Board, which meets throughout the year. There is a formal schedule of matters specifically reserved for the full Board's decision, together with a policy enabling Directors to take independent advice in the furtherance of their duties at the Company's expense. The Board programme is designed so that Directors have regular opportunity to consider the Company's strategy, policies, budgets, progress reports and financial position and to arrive at a balanced assessment of the Company's position and prospects.

Re-election of Directors

As required by the Company's Articles of Association, Directors offer themselves for re-election at least once every three years. Any Director appointed during the year is required to seek re-appointment by shareholders at the next Annual General Meeting. The biographical details of all the Directors are set out on pages 8 to 9.

The Board is assisted by the Company Secretary, who provides a point of reference and regular support for all Directors and senior managers. He has responsibility for ensuring that Board procedures are followed, for establishing the Company's corporate governance policies and for assisting the Board in facilitating compliance by the Company with its legal obligations.

The Board receives reports from the following three committees:

The Audit Committee

Comprises two non-executive Directors and the non-executive Chairman and is chaired by Lord Parkinson. Its duties include a comprehensive review of the annual and interim financial statements before they are presented to the Board for approval. The Audit Committee meets at least twice a year to review the findings of the external auditors, key accounting policies and judgements. It has unrestricted access to the Company's auditors.

Corporate governance continued

The Remuneration Committee

Comprises the three non-executive Directors and is chaired by Joe McNally. It meets at least once a year and is responsible for making recommendations to the Board on remuneration policy for executive Directors and for setting salaries, incentive payments and the granting of share options.

The Executive Operating Board

This comprises the executive Directors and certain senior business managers, and is chaired by the CEO. It acts as a general operating management committee and meets twice monthly for most of the year. It authorises recruitment and capital expenditure and reviews operational and financial performance.

Relations with shareholders

The Company seeks to ensure that all shareholders are kept informed about the Company and its activities. A comprehensive annual report is sent to shareholders and both the annual and interim reports are put on the websites of Sharemark (www.sharemark.com) and the Company (www.intechnology.com).

The Annual General Meeting is a forum for shareholders' participation with the opportunity to meet and question Board members.

Internal control

The Board of Directors acknowledges its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness. The Board has control over strategic, financial and compliance issues and has introduced a structure of responsibility with appropriate levels of authority.

The Company's Directors and varying levels of management have clear responsibilities in ensuring that the control environment operates efficiently. Clear lines of responsibility are developed through the Company's organisation structure. Ethical policies are communicated through all forms of personnel training and via appropriate procedures, in establishing a code of ethics.

Although no system of internal control can provide absolute assurance against material misstatement or loss, the Company's systems are designed to provide reasonable assurance that problems are identified on a timely basis and are dealt with appropriately. The principal features of the Company's internal financial control structures can be summarised as follows:

(a) Preparation of budgets and forecasts approved by the Board.

(b) Monthly management accounts, showing comparisons of actual results against budget and prior year results, are reviewed by the Board. Variances from budget are thoroughly investigated and discussed at bi-monthly Board meetings. Where lapses in internal control are detected, these are rectified.

(c) The Company's cash flow is monitored monthly.

(d) The Board authorises capital expenditure where this is significant and all capital expenditure is first authorised by the Executive Operating Board.

The Board has continued to enhance its risk control programme; in particular, those elements which relate to ensuring that risk reviews are formally embedded in control systems rather than being the subject of formal annual reviews.

Risk and uncertainties

There are a number of potential risks and uncertainties that could have an impact on the Company's long term prospects.

Competitive pressures

Both our managed data and managed voice services divisions operate within the UK in a competitive environment.

The MDS division market outsourced online data for both primary and secondary data services that compete with traditional in-house computer solutions. Network services compete with all the major telecom companies and data centre hosting competes with many specialist data centre companies. To mitigate these competitive pressures the Company markets its various services as a "one-stop-shop", targets niche sectors of the market and constantly develops and refines its services to demonstrate a competitive edge to existing and potential customers.

The MVS division has competition from the large telecom companies and many smaller operators. To mitigate these competitive pressures the Company offers more value added services such as Voice over IP and its recently launched mobile phone services. These latter services help differentiate the Company and earn higher margins than such commodity services as lines and call minutes.

Corporate governance continued

Both Data and Voice divisions contract with agreed Service Level Agreements ("SLAs"). Adherence by the Company to operating within such SLAs is crucial to maintaining customer satisfaction and renewal of a contract.

Staff costs

As a services business total staff costs are approximately 50 per cent of our total operating costs. The Company could be hindered by a shortage or inability to recruit and retain qualified and experienced staff.

To mitigate this risk the Company constantly seeks to structure our recruitment and retention strategies to attract and retain the right people.

Economy

Any national economic downturn can detrimentally affect the Company's level of demand for its data and voice services.

To mitigate this risk the Company usually contracts for all services on a three year or longer minimum term and constantly reviews, develops and enhances its product range so that customers can improve their own productivity or reduce their current bought in costs.

Risk assessment

The Board is made aware of the risks to the Company by the executive Directors who are members of the Executive Operating Board, which includes senior managers of the Company. The Executive Operating Board usually meets two times per month.

The Executive Operating Board has established an ongoing process for identifying, evaluating and managing the significant risks faced by the Company.

Statement of directors' responsibilities in respect of the Annual Report and Financial Statements

The directors are responsible for preparing the Annual Report and Financial Statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and the group for that period.

In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

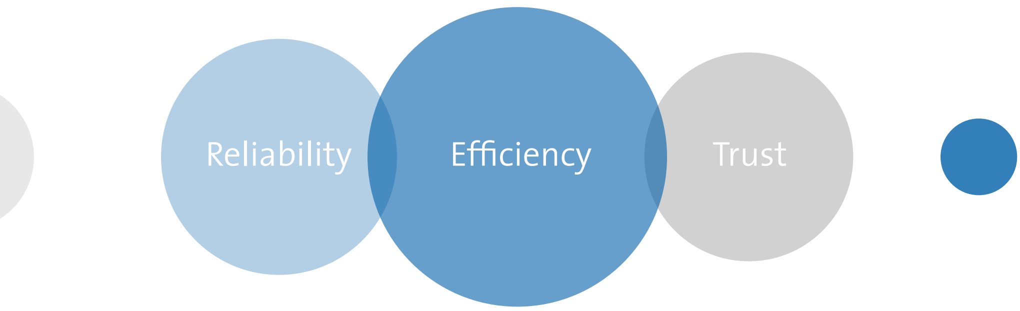
The directors are responsible for the maintenance and integrity of the Company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as each Director is aware, there is no relevant information of which the Company's auditors are unaware. Each Director has taken all the steps that he ought to have taken as a Director in order to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

By order of the Board

Richard James
Company Secretary
7 June 2010

Remuneration report



The Directors present their remuneration report which covers the remuneration of both executive Directors and non-executive Directors. The report has been approved by the Board and signed on its behalf by the Chairman of the Remuneration Committee. The contents of this report are unaudited unless clearly identified as audited.

The Remuneration Committee comprises the non-executive Directors:

Joe McNally (Chairman)
The Rt. Hon. Lord Parkinson
Charles Scott

Directors' remuneration

Remuneration of non-executive Directors

The remuneration of the non-executive Directors is determined by the Board, with the assistance of independent advice concerning comparable organisations and appointments. The non-executive Directors do not take part in discussions on their remuneration. Neither the non-executive Chairman nor the other non-executive Directors received any pension from the Group, nor did they participate in any of the bonus schemes.

The non-executive Chairman and Directors have interests in share options as disclosed on page 22.

Remuneration of executive Directors

The main aim of the Company's executive pay policy is to secure the skills and experience needed to meet its strategic business objectives. Furthermore, the Company aims to align the interests of all employees as closely as possible with the interests of shareholders through share-based incentives.

The Company's Remuneration Committee decides the remuneration policy that applies to executive Directors. In setting the policy it considers a number of factors including:

(a) The basic salaries and benefits available to executive Directors of comparable companies.

(b) The need to attract and retain Directors of an appropriate calibre.

(c) The need to ensure executive Directors' commitment to the continued success of the Group by means of incentive schemes.

The Company's remuneration policy is to:

(a) Have regard to the Directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality.

(b) Link individual remuneration packages to the Group's long term performance through the award of share options and incentive schemes.

(c) Provide post retirement benefits through defined contribution pension schemes.

(d) Provide employment related benefits including the provision of a company car (or car allowance), fuel, medical and life insurance and insurance relating to the Directors' duties.

Salaries

The Remuneration Committee meets at least once a year in order to consider and set the annual salaries for executive Directors, having regard to the needs of the Company, individual responsibilities, personal performance and independently compiled salary survey information.

Pensions (audited)

The executive Directors are members of defined contribution pension schemes, the assets of which are held independently of the Company. The amounts contributed by the Company for the year ended 31 March 2010 were £22,000 (2009: £21,000). The Company does not provide any other post-retirement benefits to the Directors.

Contracts of service

The executive Directors have contracts of service that can be terminated by the Company with the following notice periods:

Peter Wilkinson	12 months
Andrew Kaberry	6 months
Richard James	12 months
Bryn Sage	12 months

With the exception of the contract with Richard James, if the Company terminates the contract by notice but other than on giving full notice, the contracts of service provide for the payment of a fixed amount equal to the salary and other contractual benefits for the unexpired portion of the appointment or entitlement to notice, as the case may be.

Non-executive Directorships

The Remuneration Committee believes that the Group can benefit from executive Directors accepting appointments as non-executive Directors of other companies. The Director concerned may retain any fees related to such employment.

Remuneration report continued

Directors' emoluments (audited)

The remuneration of the Directors of the Company was as follows:

	2010 Salary £'000	Bonus £'000	Benefits in kind £'000	Pension contributions £'000	Total £'000	2009 Total £'000
Executive Directors						
Peter Wilkinson	212	–	42	3	**257**	258
Bryn Sage	130	37	17	7	**191**	196
Andrew Kaberry	150	–	31	12	**193**	193
Richard James	150	–	17	–	**167**	167
	642	**37**	**107**	**22**	**808**	**814**

	Fees £'000	Bonus £'000	Benefits in kind £'000	Pension contributions £'000	Total £'000	Total £'000
Non-executive Directors						
The Rt. Hon. Lord Parkinson	50	–	–	–	**50**	50
Joe McNally	30	–	–	–	**30**	30
Charles Scott	30	–	–	–	**30**	30
	110	**–**	**–**	**–**	**110**	**110**
Total	**752**	**37**	**107**	**22**	**918**	**924**

Benefits in kind include the provision of a company car (or car allowance), fuel, medical, life insurance and insurance relating to the Directors' duties.

Directors' interests

Interests in shares

The interests of the Directors in the shares issued and fully paid of the Company as at 31 March were:

	2010 Number	**2010** Percentage of shares held	2009 Number	2009 Percentage of shares held
The Rt. Hon. Lord Parkinson	221,885	0.2%	–	–
Peter Wilkinson	78,403,998	56.2%	78,403,998	56.5%
Andrew Kaberry	7,725,961	5.5%	7,725,961	5.6%
Richard James	800,000	0.6%	800,000	0.6%
Bryn Sage	1,241,969	0.9%	1,241,969	0.9%
	88,393,813	**63.4%**	**88,171,928**	**63.6%**

Apart from the interests disclosed above and the interests in share options disclosed on page 22, none of the other Directors of the Company at 31 March 2010 held interests at any time in the year in the share capital of the Company or other Group companies. Directors' interests in shares include 3,638,368 issued ordinary shares under the InTechnology Equity Participation Plan.

There have been no other changes in Directors' shareholdings since 31 March 2010.

Remuneration report continued

Interests in share options (audited)

The following share schemes were in place at the year end:

- Options granted directly by InTechnology plc at varying dates and prices

Further details are provided in notes 19 and 20 to the financial statements.

Set out below are details of share options that have been granted to Directors:

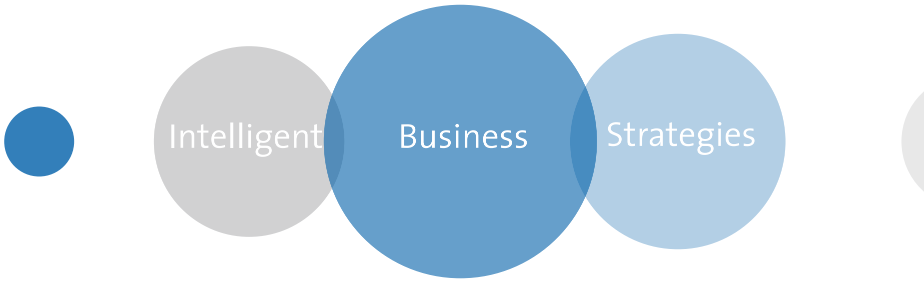
Non-executive Directors	No. of share options 2010	No. of share options 2009	Exercise price pence	Earliest exercise date	Expiry date
The Rt. Hon. Lord Parkinson	–	221,885	1.8	07/01/03	07/01/10
The Rt. Hon. Lord Parkinson	203,178	203,178	17.0	06/05/11	06/05/18
Joe McNally	50,000	50,000	17.0	06/05/11	06/05/18
Charles Scott	50,000	50,000	17.0	06/05/11	06/05/18

The price of the Company's shares at 31 March 2010 was 10.0p and the range during the year then ended was 10.0p to 15.0p.

Joe McNally
Non-executive Director
7 June 2010

Independent auditors' report to the members of InTechnology plc

for the year ended 31 March 2010



We have audited the group and parent company financial statements (the "financial statements") of InTechnology plc for the year ended 31 March 2010 which comprise the Consolidated statement of comprehensive income, the Group and Parent Company Statements of changes in shareholders' equity, the Group and Parent Company Balance sheets, the Group and Parent Company Cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 16 and 17, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Sections 495 and 496 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements.

Independent auditors' report to the members of InTechnology plc continued

for the year ended 31 March 2010

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2010 and of the group's loss and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Ian Morrison
(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Leeds
7 June 2010

Consolidated statement of comprehensive income

for the year ended 31 March 2010

	Note	2010 £'000	2009 £'000
Revenue	3	**39,336**	44,760
Cost of sales		**(14,250)**	(17,200)
Gross profit		**25,086**	**27,560**
Net operating expenses before depreciation and amortisation		**(21,453)**	(22,661)
Depreciation of property, plant & equipment		**(3,080)**	(2,984)
Amortisation of intangible assets		**(213)**	(280)
Net operating expenses		**(24,746)**	(25,925)
Other operating income		**221**	229
Group operating profit		**561**	**1,864**
Finance income	5	**134**	418
Finance costs	5	**(64)**	(72)
Share of post tax loss of associates		**(1,396)**	(1,598)
(Loss)/profit before taxation		**(765)**	**612**
Taxation	6	**(6)**	(357)
(Loss)/profit for the year	3	**(771)**	**255**
Other comprehensive income:			
Currency translation differences		**208**	(814)
Total comprehensive loss for the period		**(563)**	**(559)**

Earnings per share (pence) – Total Group			
Basic	9	**(0.55)**	0.19
Diluted	9	**(0.55)**	0.19

Statements of changes in shareholders' equity

for the year ended 31 March 2010

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Group						
As at 1 April 2008	1,318	52,717	480	1,157	8,567	**64,239**
Employee share options:						
– value of employee services	–	–	–	148	–	**148**
– deferred tax charge on employee services	–	–	–	(119)	–	**(119)**
Issue of deferred payment shares	69	1,104	–	–	–	**1,173**
Cancelled share options	–	–	–	(1,088)	1,088	**–**
Share of exchange losses of associate	–	–	–	–	(814)	**(814)**
Net profit for the year	–	–	–	–	255	**255**
As at 31 March 2009	**1,387**	**53,821**	**480**	**98**	**9,096**	**64,882**
Employee share options:						
– value of employee services	–	–	–	83	–	**83**
– deferred tax charge on employee services	–	–	–	(8)	–	**(8)**
– proceeds from shares issued	2	2	–	–	–	**4**
Issue of deferred payment shares	7	91	–	–	–	**98**
Share of exchange gain of associate	–	–	–	–	208	**208**
Net loss for the year	–	–	–	–	(771)	**(771)**
As at 31 March 2010	**1,396**	**53,914**	**480**	**173**	**8,533**	**64,496**

	Share capital £'000	Share premium £'000	Capital redemption reserve £'000	Share option reserve £'000	Retained earnings £'000	Total £'000
Company						
As at 1 April 2008	1,318	52,717	480	1,157	3,831	**59,503**
Employee share options:						
– value of employee services	–	–	–	148	–	**148**
– deferred tax charge on employee services	–	–	–	(119)	–	**(119)**
Issue of deferred payment shares	69	1,104	–	–	–	**1,173**
Cancelled share options	–	–	–	(1,088)	1,088	**–**
Net profit for the year	–	–	–	–	1,997	**1,997**
As at 31 March 2009	**1,387**	**53,821**	**480**	**98**	**6,916**	**62,702**
Employee share options:						
– value of employee services	–	–	–	83	–	**83**
– deferred tax charge on employee services	–	–	–	(8)	–	**(8)**
– proceeds from shares issued	2	2	–	–	–	**4**
Issue of deferred payment shares	7	91	–	–	–	**98**
Net profit for the year	–	–	–	–	720	**720**
As at 31 March 2010	**1,396**	**53,914**	**480**	**173**	**7,636**	**63,599**

Balance sheets

as at 31 March 2010

	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Assets					
Non-current assets					
Goodwill	10	**38,997**	38,997	**35,747**	35,747
Intangible assets	10	**–**	213	**–**	–
Property, plant & equipment	11	**6,213**	7,382	**6,213**	7,382
Investment in subsidiary and associate undertakings	13	**2,552**	1,664	**8,369**	6,419
Deferred tax assets	7	**1,763**	1,790	**1,202**	1,229
Available-for-sale financial assets	14	**–**	90	**–**	90
Trade and other receivables	16	**–**	–	**6,516**	6,718
		49,525	50,136	**58,047**	57,585
Current assets					
Inventories	15	**1,574**	121	**1,574**	121
Trade and other receivables	16	**8,882**	10,968	**8,882**	10,456
Cash and cash equivalents		**12,598**	13,185	**12,598**	13,108
		23,054	24,274	**23,054**	23,685
Liabilities					
Current liabilities					
Trade and other payables	17	**(5,431)**	(6,100)	**(5,431)**	(5,721)
Borrowings	18	**(685)**	(906)	**(685)**	(906)
Current tax liabilities		**(210)**	(110)	**(210)**	(110)
Net current assets		**16,728**	17,158	**16,728**	16,948
Non-current liabilities					
Trade and other payables	17	**–**	–	**(9,419)**	(9,419)
Borrowings	18	**(1,757)**	(2,412)	**(1,757)**	(2,412)
Net assets		**64,496**	**64,882**	**63,599**	**62,702**
Shareholders' equity					
Ordinary shares	19	**1,396**	1,387	**1,396**	1,387
Share premium	19	**53,914**	53,821	**53,914**	53,821
Capital redemption reserve		**480**	480	**480**	480
Share option reserve		**173**	98	**173**	98
Retained earnings		**8,533**	9,096	**7,636**	6,916
Total shareholders' equity		**64,496**	**64,882**	**63,599**	**62,702**

The financial statements on pages 25 to 59 were approved by the Board of Directors on 7 June 2010 and were signed on its behalf by:

Andrew Kaberry

Finance Director

Cash flow statements

for the year ended 31 March 2010

	Note	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Cash flows from operating activities					
Cash generated from operations	21	**3,749**	4,694	**3,826**	4,694
Interest received		**119**	418	**119**	418
Interest paid		**(30)**	(12)	**(30)**	(12)
Interest element of finance lease payments		**(34)**	(60)	**(34)**	(60)
Tax paid		**(13)**	(461)	**(13)**	(461)
Net cash from operating activities		**3,791**	4,579	**3,868**	4,579
Cash flows from investing activities					
Proceeds from sale of property, plant & equipment		**56**	23	**56**	23
Proceeds from the closure of discontinued activities		**69**	–	**69**	–
Purchase of property, plant & equipment		**(2,193)**	(3,955)	**(2,193)**	(3,955)
Investment in subsidiary and associate undertakings		**(1,510)**	–	**(1,510)**	–
Net cash (used in) investing activities		**(3,578)**	(3,932)	**(3,578)**	(3,932)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		**4**	–	**4**	–
(Decrease)/increase in borrowings		**(600)**	2,950	**(600)**	2,950
Capital element of finance lease payments		**(276)**	(520)	**(276)**	(520)
Net cash (outflow)/inflow from financing		**(872)**	2,430	**(872)**	2,430
Net (decrease)/increase in cash and cash equivalents in the year		**(659)**	3,077	**(582)**	3,077
Cash and cash equivalents at beginning of year		**13,185**	10,085	**13,108**	10,019
Exchange gains on cash and cash equivalents		**72**	23	**72**	12
Cash and cash equivalents at end of year		**12,598**	13,185	**12,598**	13,108

Notes to the financial statements

for the year ended 31 March 2010

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.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, except for share based payments which are measured at value, in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union and IFRIC interpretations. The standards used are those published by the International Accounting Standards Board ("IASB") and endorsed by the EU at the time of preparing these statements (June 2010). A summary of the more important accounting policies is set out below.

Accounting estimates and judgements

The Group's critical accounting policies under IFRSs have been set by management with the approval of the Audit Committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Under IFRSs an estimate or judgement may be considered critical if it involves matters that are highly uncertain, or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period. The critical judgements required when preparing the Group's accounts are as follows:

Carrying value of Goodwill – The Group tests annually whether goodwill has suffered any impairment and the Group's goodwill value has been supported by detailed value-in-use calculations relating to the recoverable amounts of the underlying cash generating units. These calculations require the use of estimates. However, as recoverable amounts exceed carrying values, there is no impairment within a range of reasonable assumptions.

New IFRS standards, amendments and interpretations effective in 2010

The IASB and IFRIC have issued additional standards which are effective for this accounting period. The following standards and interpretations have been adopted by the Group:

(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. These financial statements have been prepared under the revised disclosure requirements.

(ii) IFRS 8 'Operating segments' – IFRS 8 replaces IAS 14, 'Segment reporting' and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group adopted IFRS 8 from 1 April 2009. These financial statements have been prepared under the revised disclosure requirements. However, this has not resulted in a change to the reported segments, which remain as Managed Data Services and Managed Voice Services.

(iii) IFRS 2 (amendment), 'Share-based payment' – The amendment to the standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. The Group has adopted IFRS 2 (amendment) from 1 April 2009, the amendment does not have a material impact on the Group's financial statements.

(iv) IFRS 7 (amendment), 'Financial instruments: disclosures' – The amendment requires enhanced disclosures about fair value measurements and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. The Group applied IFRS 7 (amendment) from 1 April 2009 and it does not have a material impact on the Group's financial statements.

(v) IAS 23 (amendment), 'Borrowing costs' – The amendment to the standard requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. The Group applied IAS 23 (amendment) from 1 April 2009, but the standard is currently not applicable to the Group as there are no qualifying assets.

New IFRS standards and interpretations not applied

The IASB and IFRIC have issued additional standards and interpretations which are effective for periods starting after the date of these financial statements. The following standards and interpretations have yet to be adopted by the Group:

(i) IAS 27 (revised), 'Consolidated and separate financial statements' (effective from 1 July 2009) – The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 April 2010. This is currently not expected to have a material impact on the Group's financial statements.

(ii) IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009) – The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 April 2010.

(iii) IAS 38 (amendment), 'Intangible assets' – The amendment is part of the IASB's annual improvements project published in April 2009 and the Group will apply IAS 38 (amendment) from 1 April 2010. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible asset if each asset has a similar useful economic life. The amendment will not result in a material impact on the Group's financial statements.

(iv) IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations', (and consequential amendment to IFRS 1, 'First-time adoption of IFRS') (effective from 1 July 2009) – The amendment is part of the IASB's annual improvements project published in April 2009. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRS. The Group will apply the IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 April 2010.

(v) IAS 1 (amendment), 'Presentation of financial statements' – The amendment is part of the IASB's annual improvements project published in April 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group will apply IAS 1 (amendment) from 1 April 2010. It is not expected to have a material impact on the Group's financial statements.

Notes to the financial statements continued
for the year ended 31 March 2010

(vi) IFRS 2 (amendment), 'Group cash-settled share-based payment transactions' (effective from 1 January 2010) – In addition to incorporating IFRIC 8, 'Scope of IFRS 2', and IFRIC 11 'IFRS 2 – Group and treasury share transactions', the amendments expand the guidance in IFRIC 11 to address the classification of group arrangements that were not covered by that interpretation. The new guidance is not expected to have a material impact on the Group's financial statements.

(vii) IFRIC 17, 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009) – The interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. IFRS 5 has also been amended to require assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group will apply IFRIC 17 from 1 April 2010. It is not expected to have a material impact on the Group's financial statements.

2.2 Group accounts

Subsidiaries
Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the Group's share of identifiable net assets acquired is recorded as goodwill.

Associates
Associated undertakings are those companies in which the Group has a beneficial interest of between 20% and 50% in the equity capital and where the Group exercises significant influence over commercial and financial policy decisions. The consolidated statement of comprehensive income includes the Group's share of post-acquisition profits after tax and the Group's share of other recognised gains and losses, and the balance sheet includes the Group's share of the net assets of associated undertakings.

2.3 Intangible assets

Goodwill
On the acquisition of a business, fair values are attributed to the net assets acquired. Goodwill arises where the fair value of the consideration given for a business exceeds such net assets. Goodwill arising on acquisitions is capitalised and subject to impairment review, both annually and when there are indications that the carrying value may not be recoverable. Goodwill is allocated to cash generating units for the purpose of this impairment testing.

Acquired in a business combination
The Group recognises intangible assets acquired as part of business combinations at fair value at the date of acquisition. The determination of these fair values is based upon management's judgement and includes assumptions on the timing and amount of future incremental cash flows generated by the assets and the selection of an appropriate cost of capital. Furthermore, management must estimate the expected useful lives of intangible assets and charge amortisation on these assets accordingly. The useful lives are estimated to be 3 years for EEscape Holdings Limited, 7 years for Mobile Tornado Group plc and 3 years for Live-PA Limited.

Research and development
Research expenditure, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is charged to income in the year in which it is incurred. Internal development expenditure, whereby research findings are applied to a plan for the production of new or substantially improved products or processes, is charged to income in the

year in which it is incurred unless it meets the recognition criteria of IAS 38 'Intangible Assets'. Measurement and other uncertainties generally mean that such criteria are not met. Where, however, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch. Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off immediately to income.

Computer software

Acquired computer software licences covering a period of greater than one year are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives of three years.

2.4 Revenue recognition

Sales of services and goods

Revenue comprises the fair value for the sale of services and goods, excludes inter-company sales and value-added taxes and represents net invoice value less estimated rebates, returns and settlement discounts. Service revenue is recognised over the period to which the service relates. Unrecognised service revenue and associated costs of sale are included as deferred income and deferred cost respectively in the balance sheet.

The Group only recognises revenue on the sale of equipment when the goods are received by the customer and when there are no unfulfilled obligations that affect the customer's final acceptance of the equipment.

Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

2.5 Segmental reporting

A business segment is a group of assets and operations engaged in providing products and services that are subject to risks or returns that are different from those of other segments. Operating segments presented in the financial statements are consistent with the internal reporting provided to the Group's Chief Operating Decision Makers, which have been identified as the Group's Executive Operating Board.

2.6 Employee benefits

Pension obligations

The Group operates a defined contribution pension scheme for employees and directors. The assets of the scheme are held separately from those of the Group. The annual contributions payable are charged to the profit and loss account on an accruals basis. The Group provides no other post-retirement benefits to its employees and directors.

2.7 Share based payments

The fair value of employee share option plans is calculated using the Black-Scholes model. In accordance with IFRS 2 'Share-based Payment' the resulting cost is charged to the income statement over the vesting period of the options. The value of the charge is adjusted to reflect expected and actual levels of options vesting as the Group does not use market-based performance criteria.

2.8 Currency translations

Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in sterling, which is the Company's functional and presentation currency.

Transactions and balances

Assets and liabilities are translated at the exchange rates ruling at the end of the financial period. Exchange profits or losses on trading transactions are included in the Group income statement except when deferred in equity as qualifying cash flow hedges and qualifying net investment hedges, which, along with other exchange differences arising from non-trading items are dealt with through reserves.

Notes to the financial statements continued

for the year ended 31 March 2010

Group companies

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

2.9 Taxation

The charge for taxation is based on the profits for the year and takes into account taxation deferred because of temporary differences between the treatment of certain items for taxation and for accounting purposes. Temporary differences arise from the inclusion of profits and losses in the accounts in different periods from which they are recognised in tax assessments and primarily arise as a result of the difference between tax allowances on property, plant & equipment and the corresponding depreciation charge. Full provision is made for the tax effects of these differences using tax rates substantively enacted at the balance sheet date. No provision is made for unremitted earnings of foreign subsidiaries where there is no commitment to remit such earnings. Similarly, no provision is made for temporary differences relating to investments in subsidiaries since realisation of such differences can be controlled and is not probable in the foreseeable future. Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.10 Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities such as liabilities and costs arising from a fundamental restructuring of the Group's operations. Such items are disclosed separately within the financial statements.

2.11 Property, plant & equipment

Property, plant & equipment is stated at historical cost less depreciation, with the exception of assets acquired as part of a business combination which are recorded at fair value. The Group's policy is to write off the difference between the cost of all property, plant & equipment, except freehold land, and their residual value on a straight line basis over their estimated useful lives. Reviews are made annually of the estimated remaining lives and residual values of individual productive assets, taking account of commercial and technological obsolescence as well as normal wear and tear, and adjustments are made where appropriate. Under this policy it becomes impractical to calculate average asset lives exactly. However, the total lives range from approximately 5 to 50 years for buildings and leasehold improvements, and 2 to 10 years for fixtures and equipment. All individual assets are reviewed for impairment when there are indications that the carrying value may not be recoverable. By far the bulk of the Group's 'plant and equipment' asset class relates to the value of plant and equipment at the Group's data centres, consequently the Group does not seek to analyse out of this class other items such as motor vehicles.

2.12 Impairment of non-financial assets

The Group assesses at each year end whether an asset may be impaired. If any evidence exists of impairment, the estimated recoverable amount is compared to the carrying value of the asset and an impairment loss is recognised where appropriate. Recoverable amount is the higher of an asset's fair value less costs to sell and value in use. In addition to this, goodwill is tested for impairment at least annually.

2.13 Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale.

2.14 Leases

Assets acquired under finance leases are included in the balance sheet under property, plant & equipment at an amount reflecting the fair value of the asset and are depreciated over the shorter of the lease term and their estimated useful lives. The capital element of future lease rentals is included in creditors. Finance charges are allocated to the income statement each year in proportion to the capital element outstanding. The cost of operating leases is charged to the income statement as incurred.

2.15 Financial risk factors

The Group's activities expose it to a variety of financial risks: currency risk, interest-rate risk, liquidity risk and credit risk. The Group's overall risk management strategy is approved by the Board and implemented and reviewed by the Executive Operating Board. Detailed financial risk management is then delegated to the Group Finance department which has a specific policy to manage financial risk. Regular reports are received to enable prompt identification of financial risks so that appropriate action may be taken.

Currency risk

The Group purchases internationally but has minimal exposure to currency risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in foreign operations. The Group uses foreign currency bank balances to manage its foreign exchange risk arising from future commercial transactions, recognised assets and liabilities. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk.

For 2010, had the Group's basket of reporting currencies been 10% weaker/stronger against Sterling than the actual rates experienced, post-tax profit for the year would have been £0.3m (2009: £0.5m) lower/higher than reported and equity would have been £nil (2009: £0.2m) lower/higher.

Interest rate risk

The Group has both interest bearing assets and liabilities.

Had interest rates moved by 10 basis points, post tax profits would have moved by £11,000 (2009: £9,000).

Liquidity risk

The Group actively maintains a mixture of long-term and short-term committed facilities designed to ensure the Group has sufficient funds available for operations and planned investments.

On a regular basis, management monitors forecasts of the Group's cash flows against both internal targets and those targets imposed by external lenders. As shown in note 18, the Group has substantial committed, unused facilities and the directors are confident this situation will remain the case for the foreseeable future.

Credit risk

The Group has no significant concentrations of credit risk. It has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history. Cash transactions are limited to high-credit quality financial institutions.

2.16 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, as well as maintaining an optimal capital structure to reduce overall cost of capital.

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for the year ended 31 March 2010

In order to maintain this optimal structure, the Group may adjust the amount of dividends paid, issue new shares, return capital to shareholders or dispose of assets to reduce net debt.

2.17 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable amount on a first in first out basis. Net realisable amount is the estimated selling price in the ordinary course of business less any applicable variable selling costs. Provision is made for obsolete, slow moving and defective inventory where appropriate. Profits arising on intra Group sales are eliminated in so far as the product remains in Group inventory at the year end.

2.19 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost, using the effective interest method, less impairment losses.

2.20 Trade and other payables

Trade and other payables are initially recognised at fair value and subsequently measured at amortised cost using the effective interest method.

2.21 Cash and cash equivalents

Cash and cash equivalents comprises cash balances and short term deposits. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statement.

2.22 Investments

Investments in quoted securities are stated at fair value, being the appropriate quoted market value, with movements in the fair value passing through the income statement. Investments in unquoted securities are carried at fair value unless such value cannot be reliably measured, in which case the investments are carried at cost. Investments are subject to impairment testing at each balance sheet date or earlier upon indication of impairment.

2.23 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are classified as either held-for-trading or available-for-sale. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale financial assets, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. The fair values of quoted financial assets are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

3 Segmental analysis

At 31 March 2010 the Group continued to be organised into two main business segments: MDS (data services) and MVS (voice services). These are the operating segments for which management information is presented to the Group's Executive Operating Board, which is deemed to be the Group's Chief Operating Decision Maker.

The Group's Executive Operating Board monitors the operating results of the operating segments separately for the purposes of resource allocation and assessing performance. Segment performance is evaluated based on operating profit or loss which is measured in a manner consistent with that of the consolidated financial statements. Finance costs, finance income and income taxes are managed on a group basis.

EEscape Holdings Limited and its subsidiaries, voice businesses, were acquired in January 2007 and in June 2007 the businesses were hived up to InTechnology plc and became the MVS division. Following the hive up certain support services were merged including the trade debtor and creditor accounting ledgers. For this reason, a measure of segment assets and liabilities for operating segments is not provided to the Group's Chief Operating Decision Maker and are therefore not disclosed under IFRS 8.

	MDS		MVS		Group	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000	**2010 £'000**	2009 £'000
Income statement						
Revenue	**31,244**	36,629	**8,092**	8,131	**39,336**	44,760
Expenses	**(27,806)**	(30,954)	**(10,894)**	(11,743)	**(38,700)**	(42,697)
Share option charge					**(83)**	(148)
Amortisation of intangible assets					**(213)**	(280)
Operating profit/(loss) before other income	**3,438**	5,675	**(2,802)**	(3,612)	**340**	1,635
Other income	**221**	229	**–**	–	**221**	229
Group operating profit/(loss)	**3,659**	5,904	**(2,802)**	(3,612)	**561**	1,864
Net finance income					**70**	346
Share of post tax loss of associates					**(1,396)**	(1,598)
(Loss)/profit before taxation					**(765)**	612
Taxation					**(6)**	(357)
(Loss)/profit for the year					**(771)**	255

The group only operates in the United Kingdom.

No single external customer represents more than 7.5% of the total revenue of the Group.

Notes to the financial statements continued

for the year ended 31 March 2010

4 (Loss)/profit for the year

	2010 £'000	2009 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging /(crediting):		
Staff costs (note 22)	**10,030**	10,880
Depreciation of owned property, plant & equipment (note 11)	**2,865**	2,736
Depreciation of leased property, plant & equipment (note 11)	**215**	248
Amortisation of intangible assets (note 10)	**213**	280
Other operating lease rentals	**2,544**	2,431
Foreign exchange gains	**(228)**	(107)
Loss/(profit) on disposal of property, plant & equipment	**248**	(21)

Auditor remuneration

During the year the Group obtained the following services from the Group's auditor at costs as detailed below:

	2010 £'000	2009 £'000
Fees payable to the Company's auditor for the audit of parent company and consolidated accounts	**60**	65
Non-audit services:		
Fees payable to the Company's auditor and its associates for other services:		
Tax services	**42**	45
Other services	**–**	8
	102	**118**

5 Net financial expenses

	2010 £'000	2009 £'000
Group		
Interest expense:		
– bank loans and overdrafts	**(26)**	(3)
– finance leases	**(34)**	(60)
– other interest	**(4)**	(9)
Finance costs	**(64)**	(72)
Finance income:		
– bank interest receivable	**134**	418
Finance income	**134**	418
Net finance income	**70**	**346**

6 Tax

	2010 £'000	2009 £'000
(a) Analysis of charge for the year		
United Kingdom current tax		
Current tax on income for the period	**530**	924
Adjustment in respect of prior periods	**(417)**	(942)
Total current tax	**113**	(18)
Deferred tax (credit)/charge	**(107)**	375
Total charge for the year	**6**	**357**
(b) Tax on items charged to equity		
Deferred tax charge on employee share schemes	**(8)**	(119)
Total tax on items charged to equity	**(8)**	**(119)**
(c) Factors affecting the tax charge for the year		
Profit before tax and share of post tax loss of associates	**631**	2,210
At standard rate of corporation tax of 28% (2009: 28%)	**177**	619
Effects of:		
Adjustments to tax in respect of prior periods	**(417)**	(942)
Expenses not deductible for tax purposes (includes goodwill amortisation)	**170**	180
Movement on prior years deferred tax balances	**76**	500
Total charge for the year	**6**	**357**

At 31 March 2010, the Group had accumulated tax losses of £14,939,243 (2009: £14,939,243) which should be available for offset against future trading profits of certain Group operations. No deferred tax asset has been recognised in respect of these losses as their recoverability is uncertain.

Notes to the financial statements continued

for the year ended 31 March 2010

7 Deferred tax

	2010 £'000	2009 £'000
The deferred tax balances included in these accounts are attributable to the following:		
Deferred tax assets		
Excess of depreciation over capital allowances	**1,759**	1,918
Provisions	**238**	98
Employee share schemes	**–**	8
	1,997	**2,024**
Deferred tax liabilities		
Intangible assets	**234**	234
	234	**234**

	2010 £'000	2009 £'000
The movement on deferred tax balances during the year is summarised as follows:		
Deferred tax credited/(charged) through income statement	**107**	(375)
Deferred tax charged directly to equity	**(8)**	(119)
Acquisitions	**(126)**	–
	(27)	(494)
Net balance brought forward	**1,790**	2,284
Net balance carried forward	**1,763**	**1,790**

	2010 £'000	2009 £'000
Deferred tax credited/(charged) through the income statement relates to the following:		
Excess of depreciation over capital allowances	**(159)**	(590)
Provisions	**140**	98
Intangible assets	**126**	117
	107	**(375)**

Deferred tax is calculated in full on temporary differences under the liability method at a rate of 28% (2009: 28%) in the United Kingdom.

Deferred tax assets have been recognised in all cases where such assets arise, as it is probable the assets will be recovered.

All movements on deferred tax balances have been recognised in income with the exception of the charges shown in note 6, which have been recognised directly in equity.

8 Profit of the holding company

As permitted by section 408 of the Companies Act 2006, the profit and loss account of the Company is not presented in these financial statements. The parent Company's profit for the year ended 31 March 2010 was £720,000 (2009: £1,997,000).

9 Earnings per share

	2010 Earnings £'000	2010 Weighted average number of shares '000	2010 Per share amount pence	2009 Earnings £'000	2009 Weighted average number of shares '000	2009 Per share amount pence
Basic EPS	**(771)**	**139,355**	**(0.55)**	255	136,649	0.19
Effect of dilutive share options		**176**			620	
Diluted EPS	**(771)**	**139,531**	**(0.55)**	255	137,269	0.19

	2010 Earnings £'000	2010 Weighted average number of shares '000	2010 Per share amount pence	2009 Earnings £'000	2009 Weighted average number of shares '000	2009 Per share amount pence
Basic EPS	**(771)**	**139,355**	**(0.55)**	255	136,649	0.19
Share based payments	**75**		**0.05**	29		0.02
Amortisation of intangible assets	**153**		**0.11**	202		0.15
Share of post tax loss of associates	**1,396**		**1.00**	1,598		1.17
Adjusted basic EPS	**853**	**139,355**	**0.61**	**2,084**	**136,649**	**1.53**
Diluted EPS	**(771)**	**139,531**	**(0.55)**	255	137,269	0.19
Share based payments	**75**		**0.05**	29		0.02
Amortisation of intangible assets	**153**		**0.11**	202		0.15
Share of post tax loss of associates	**1,396**		**1.00**	1,598		1.16
Adjusted diluted EPS	**853**	**139,531**	**0.61**	**2,084**	**137,269**	**1.52**

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 above to give a better indication of the Group's underlying performance. These are stated net of tax.

Notes to the financial statements continued

for the year ended 31 March 2010

10 Intangible assets

	Goodwill £'000	Trade name & relationships £'000	Software £'000	Total £'000
Group				
At 1 April 2008				
Cost	38,997	501	335	39,833
Accumulated amortisation and impairment	–	(206)	(137)	(343)
Net book amount	**38,997**	**295**	**198**	**39,490**
Year ended 31 March 2009				
Opening net book amount	38,997	295	198	39,490
Amortisation charge	–	(168)	(112)	(280)
Closing net book amount	**38,997**	**127**	**86**	**39,210**
At 1 April 2009				
Cost	38,997	501	335	39,833
Accumulated amortisation and impairment	–	(374)	(249)	(623)
Net book amount	**38,997**	**127**	**86**	**39,210**
Year ended 31 March 2010				
Opening net book amount	38,997	127	86	39,210
Amortisation charge	–	(127)	(86)	(213)
Closing net book amount	**38,997**	**–**	**–**	**38,997**

10 Intangible assets continued

	Goodwill £'000	Trade name & relationships £'000	Software £'000	Total £'000
Company				
At 1 April 2008				
Cost and net book amount	**35,747**	**–**	**–**	**35,747**
Year ended 31 March 2009				
Opening net book amount	35,747	–	–	35,747
Closing net book amount	**35,747**	**–**	**–**	**35,747**
At 1 April 2009				
Cost and net book amount	**35,747**	**–**	**–**	**35,747**
Year ended 31 March 2010				
Opening net book amount	35,747	–	–	35,747
Closing net book amount	**35,747**	**–**	**–**	**35,747**

Goodwill arose on the Group's acquisition of the trading assets of VData Limited in 2000 and EEscape Holdings Limited in 2007.

Goodwill is tested at each year end for impairment with reference to the Group's recoverable amount compared to the Group's carrying value including goodwill. The recoverable amount is based on value in use calculations using pre-tax discounted cash flow projections based on the Group's strategic plan for the first five years and a growth rate thereafter of 2%.

The key assumptions underpinning the strategic plan employed in the value in use calculation are that revenue and operating profit will grow and that the gross and operating margins will remain broadly constant. Actual growth rates in the next 5 years would need to be significantly lower than the strategic plan for goodwill to be impaired.

The cash flows have been discounted using the Group's weighted average cost of capital, which for these purposes has been calculated to be approximately 9.2% before tax (2009: 10.3%).

Notes to the financial statements continued

for the year ended 31 March 2010

11 Property, plant & equipment

	Leasehold improvements £'000	Office fixtures & fittings £'000	Vehicles & computer equipment £'000	Total £'000
Group and Company				
Cost				
At 1 April 2008	3,352	434	19,078	22,864
Additions	1,574	34	2,347	3,955
Disposals	–	–	(517)	(517)
At 31 March 2009	**4,926**	**468**	**20,908**	**26,302**
At 1 April 2009	4,926	468	20,908	26,302
Additions	97	1	2,095	2,193
Disposals	–	–	(12,909)	(12,909)
At 31 March 2010	**5,023**	**469**	**10,094**	**15,586**
Depreciation				
At 1 April 2008	1,099	303	15,017	16,419
Charge for the year	243	60	2,681	2,984
Disposals	–	–	(483)	(483)
At 31 March 2009	**1,342**	**363**	**17,215**	**18,920**
At 1 April 2009	1,342	363	17,215	18,920
Charge for the year	473	53	2,554	3,080
Disposals	–	–	(12,627)	(12,627)
At 31 March 2010	**1,815**	**416**	**7,142**	**9,373**
Net book amount at 31 March 2010	**3,208**	**53**	**2,952**	**6,213**
Net book amount at 31 March 2009	3,584	105	3,693	7,382

The net book amount of Group and Company property, plant & equipment includes an amount of £43,000 (2009: £384,000) in respect of assets held under finance leases.

12 Future commitments

At 31 March 2010, the directors had authorised capital expenditure of £nil (2009: £nil).

At 31 March 2010 the Group's future minimum operating lease commitments were due as follows:

	Land & buildings		Other assets	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Within one year	2,566	2,737	42	77
From one to five years	5,439	7,153	10	27
After five years	3,116	3,981	–	–
	11,121	**13,871**	**52**	**104**

The Group leases various buildings and vehicles under non-cancellable operating lease arrangements. The leases have various terms typical of lease arrangements for the particular class of asset.

Notes to the financial statements continued

for the year ended 31 March 2010

13 Investments in subsidiaries and associates

	Group 2010 £'000	Group 2009 £'000	Company 2010 £'000	Company 2009 £'000
Shares in group undertakings				
At 1 April	**–**	–	**6,419**	6,419
Additions in the year				
Associate: Live-PA Limited	**–**	–	**450**	–
Associate: Mobile Tornado Group plc	**–**	–	**1,500**	–
At 31 March	**–**	**–**	**8,369**	**6,419**
Interests in associates				
At 1 April				
– Net liabilities	**(5,890)**	(3,616)	**–**	–
– Goodwill and intangible assets	**7,890**	7,890	**–**	–
Additions				
– Net assets	**1,500**	–	**–**	–
– Goodwill and intangible assets	**576**	–	**–**	–
Share of losses suffered	**(952)**	(2,274)	**–**	–
At 31 March				
– Net liabilities	**(5,342)**	(5,890)	**–**	–
– Goodwill and intangible assets at cost	**8,466**	7,890	**–**	–
	3,124	**2,000**	**–**	**–**
Accumulated amortisation and impairment				
At 1 April	**(336)**	(198)	**–**	–
Charge for the year	**(236)**	(138)	**–**	–
At 31 March	**(572)**	**(336)**	**–**	**–**
Net book amount at 31 March				
– Net liabilities	**(5,342)**	(5,890)	**–**	–
– Goodwill and intangible assets	**7,894**	7,554	**–**	–
Total investments	**2,552**	**1,664**	**8,369**	**6,419**

13 Investments in subsidiaries and associates continued

Investments in Group undertakings are stated at cost. As permitted by section 615 of the Companies Act 2006, where the relief afforded under sections 612 and 613 of the Companies Act 2006 applies, cost is the aggregate of the nominal value of the relevant number of the Company's shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings. The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A list of principal subsidiary undertakings and associates are given below.

Details of the principal investments at 31 March 2010 in which the Group or Company holds more than 20% of the nominal value of ordinary share capital are as follows:

Subsidiary undertakings	Country of incorporation or registration	Nature of business	Year end	Group proportion held	Company proportion held
Live-PA Limited	England	Software consultancy	31 December	42.9%	42.9%
Mobile Tornado Group plc	England	Telecoms	31 December	49.8%	49.8%
EEscape Holdings Limited	England	Dormant	31 March	100%	100%
Evoxus Limited	England	Dormant	31 March	100%	–
Call-Link Communications Limited	England	Dormant	31 March	100%	–
Allasso Limited	England	Dormant	31 March	100%	100%
HOLF Technologies Limited	England	Dormant	31 March	100%	100%
VData Limited	England	Dormant	31 March	100%	100%
Integrated Technology (Europe) Limited	England	Dormant	31 March	100%	–

Notes to the financial statements continued

for the year ended 31 March 2010

14 Available-for-sale financial assets

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Unlisted securities				
Equity securities – UK	**–**	90	**–**	90
	–	**90**	**–**	**90**

All available-for-sale financial assets are denominated in sterling.

The Group establishes the fair value of unlisted securities by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

The available-for-sale financial assets are neither past due nor impaired.

15 Inventories

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Finished goods	**1,574**	121	**1,574**	121

The cost of inventory recognised as an expense in 'operating expenses' amounted to £1,424,000 (2009: £1,596,000).

16 Trade and other receivables

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Trade receivables	**3,361**	5,700	**3,361**	5,550
Less: provision for impairment of trade receivables	**(128)**	(461)	**(128)**	(311)
Trade receivables – net	**3,233**	5,239	**3,233**	5,239
Other receivables	**1,277**	1,192	**1,277**	1,192
Prepayments and accrued income	**4,372**	4,092	**4,372**	4,025
Deferred cost of sales	**–**	445	**–**	–
Amounts owed by Group undertakings	**–**	–	**6,516**	6,718
	8,882	10,968	**15,398**	17,174
Less non-current portion: amounts owed by Group undertakings	**–**	–	**(6,516)**	(6,718)
Current portion	**8,882**	10,968	**8,882**	10,456

Amounts owed by Group undertakings are unsecured and have no fixed repayment date.

Notes to the financial statements continued
for the year ended 31 March 2010

16 Trade and other receivables continued

The ageing of the Group's year end overdue receivables is as follows:

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
Impaired				
Less than 3 months	**65**	114	**65**	114
3 to 6 months	**83**	128	**83**	128
Over 6 months	**–**	232	**–**	82
	148	474	**148**	324
Not impaired				
Less than 3 months	**3,170**	5,159	**3,170**	5,159
3 to 6 months	**43**	50	**43**	50
Over 6 months	**–**	17	**–**	17
	3,213	5,226	**3,213**	5,226

The individually impaired receivables relate to customers in unexpectedly difficult economic circumstances. The overdue receivables against which no provision has been made relate to a number of customers for whom there is no recent history of default or any other indication that settlement will not be forthcoming.

The carrying amounts of the Group's receivables are all denominated in sterling.

The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The Group does not hold any collateral as security.

Movement on the Group's provision for impairment of trade receivables are as follows:

	Group		Company	
	2010 £'000	2009 £'000	**2010 £'000**	2009 £'000
At 1 April	**461**	312	**311**	183
(Release)/charge to the income statement	**(255)**	174	**(105)**	153
Receivables written off during the year as uncollectible	**(78)**	(25)	**(78)**	(25)
	128	461	**128**	311

Amounts charged to the income statement are included within cost of sales. The other classes of receivables do not contain impaired assets.

17 Trade and other payables

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Trade payables	**1,520**	1,157	**1,520**	1,069
Other creditors	**25**	40	**25**	40
Accruals	**2,954**	3,453	**2,954**	3,645
Deferred income	**301**	1,029	**301**	529
Other taxation and social security	**631**	421	**631**	438
Amounts owed to Group undertakings	**–**	–	**9,419**	9,419
	5,431	6,100	**14,850**	15,140
Less non-current portion: amounts owed to Group undertakings	**–**	–	**(9,419)**	(9,419)
Current portion	**5,431**	6,100	**5,431**	5,721

Amounts owed to Group undertakings are unsecured and have no fixed repayment date.

Notes to the financial statements continued

for the year ended 31 March 2010

18 Borrowings, other financial liabilities and other financial assets

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Current				
Bank borrowings	**600**	600	**600**	600
Finance leases	**85**	306	**85**	306
	685	906	**685**	906
Non-current				
Bank borrowings	**1,750**	2,350	**1,750**	2,350
Finance leases	**7**	62	**7**	62
	1,757	2,412	**1,757**	2,412
Total borrowings	**2,442**	3,318	**2,442**	3,318

Bank borrowings	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
In one year or less	**626**	626	**626**	626
Between one and two years	**1,251**	1,251	**1,251**	1,251
Between two and five years	**573**	1,199	**573**	1,199
	2,450	3,076	**2,450**	3,076

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Finance leases				
In one year or less	**91**	332	**91**	332
Between one and two years	**7**	68	**7**	68
	98	400	**98**	400

There is no significant difference between the minimum lease payments at the balance sheet date and their present value.

The main financial risks faced by the Group include interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks.

The Group's financial instruments comprise cash, liquid resources and various items, such as debtors and creditors that arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The year end position reflects these policies and there have been no changes in policies or risks since the year end.

18 Borrowings, other financial liabilities and other financial assets continued

Financial asset returns are maximised by ongoing review of the Group's cash flow requirements. Any funds surplus to short-term working capital requirements are placed on interest bearing deposit.

Liquidity risk is further managed by agreeing separate borrowing facilities for any additional working capital and investment requirements. In accordance with this policy, the Group has negotiated a 5 year term loan of £3,000,000 and a 3 year revolving credit facility of £2,100,000 (2009: £2,100,000), of which £2,350,000 of the term loan (2009: £2,950,000) was used as at 31 March 2010.

Short term trade debtors and creditors have been excluded from all the following disclosures with the exception of the currency exposure analysis.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group comprise cash of £12,598,000 (2009: £13,185,000) as follows:

	Floating rate	
	2010 £'000	2009 £'000
Currency		
Sterling	12,255	13,097
US dollar	337	3
Euro	6	85
	12,598	**13,185**

The sterling, US dollar and euro financial assets relate to cash at bank and bear interest based on GBP Base Rate. There are no fixed rate financial assets (2009: £nil).

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group is as follows:

	Sterling	
	2010 £'000	2009 £'000
Floating rate other borrowings	2,350	2,950
Fixed rate finance leases	92	368
Total	**2,442**	**3,318**
Weighted average fixed interest rate	4.74%	9.95%
Weighted average period for which rate is fixed	1.0 years	0.9 years
Weighted average period to maturity on which no interest is paid	–	–

Financial liabilities include secured finance leases.

Notes to the financial statements continued

for the year ended 31 March 2010

18 Borrowings, other financial liabilities and other financial assets continued

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn committed facilities available as at 31 March, in respect of which all conditions have been met at that date, were as follows:

	2010 £'000	2009 £'000
Expiring within one year	2,100	2,100

Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than by a forced or liquidation sale, and excludes accrued interest. The fair values of financial assets and liabilities as at 31 March 2010 approximate to the book value at those dates based on comparison with similar instruments available from alternative providers.

Currency exposure

The Group seeks to mitigate the effects of the currency exposures arising from its net investments overseas by borrowing as far as possible in the same currencies as the operating currencies of its main operating units. Gains and losses arising on net investments overseas and the financial instruments used to hedge the currency exposures are recognised in the Statement of changes in shareholders' equity.

The table below shows the extent to which Group companies have monetary assets and liabilities in currencies other than their local currency. Foreign exchange differences on translation of earnings are taken to the profit and loss account of the Group.

	2010 £'000	2009 £'000
Functional currency of operation: Sterling		
US dollar assets/(liabilities) (net)	335	(1,629)
Euro (liabilities)/assets (net)	(2)	8
	333	(1,621)
Functional currency of operation: Euro		
US dollar liabilities (net)	–	(89)
	–	(89)

Hedges

The Group does not operate any hedging instruments.

19 Share capital and share premium

	Number of shares '000	Share capital £'000	Share premium £'000	Total £'000
Group and Company				
At 1 April 2008	131,828	1,318	52,717	**54,035**
Employee share options:				
Issue of deferred payment shares	6,900	69	1,104	**1,173**
As at 31 March 2009	**138,728**	**1,387**	**53,821**	**55,208**
Employee share options:				
– proceeds from shares issued	222	2	2	**4**
Issue of deferred payment shares	648	7	91	**98**
As at 31 March 2010	**139,598**	**1,396**	**53,914**	**55,310**

The total authorised number of ordinary shares is 252 million (2009: 252 million) with a par value of 1p per share (2009: 1p per share), and 48 million deferred shares (2009: 48 million shares) with a par value of 1p per share (2009: 1p per share). All issued shares except those relating to deferred payment shares are fully paid.

Potential issues of ordinary shares

Certain employees hold options to subscribe for shares in the Company at prices ranging from 17p to 279.0p under the share option schemes.

The number of shares subject to options, the periods in which they were granted and the periods in which they may be exercised are as follows:

Name of scheme	No. of shares 2010	No. of shares 2009	Exercise price pence	Earliest exercise date	Expiry date
VData scheme	–	221,885	1.8	07/01/03	07/01/10
InTechnology scheme	500,000	500,000	65.0	11/06/05	11/06/12
InTechnology scheme	500,000	500,000	279.0	01/05/04	01/05/11
InTechnology scheme	400,000	400,000	37.0	12/07/09	12/07/16
Unapproved InTechnology scheme	303,178	303,178	17.0	06/05/11	06/05/18
Approved CSOP Scheme	2,586,866	2,586,866	17.0	19/06/11	19/06/18
	4,290,044	**4,511,929**			

Further details of the share option schemes in operation are given under the heading 'Interests in share options' in the Remuneration report on pages 21 and 22.

Notes to the financial statements continued

for the year ended 31 March 2010

20 Share based payments

Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Options granted will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculations are as follows:

Grant date	12/07/2006	06/05/2008	19/06/2008
Share price at grant date (pence)	37.0	17.0	17.0
Exercise price (pence)	37.0	17.0	17.0
Number of employees	1	3	59
Shares under option	400,000	303,178	2,586,866
Vesting period (years)	3	3	3
Expected volatility	34%	17%	19%
Option life (years)	10	10	10
Expected life (years)	5	5	5
Risk-free rate	5.37%	5.47%	5.47%
Expected dividends expressed as a dividend yield	0.00%	0.00%	0.00%
Fair value per option (pence)	0.19	0.05	0.05

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of option movements over the year to 31 March 2010 is shown below:

	2010		2009	
	Number ’000	**Weighted average exercise price pence**	Number ’000	Weighted average exercise price pence
Outstanding at 1 April	4,512	52.4	9,605	51.3
Granted	–	–	2,890	17.0
Forfeited	–	–	(7,983)	38.3
Exercised	(222)	1.8	–	–
Outstanding at 31 March	4,290	55.0	4,512	52.4
Exercisable at 31 March	1,400	133.4	1,222	141.1

No options were granted during the year. The weighted average fair value of options granted in 2009 was 0.05p per option.

20 Share based payments continued

	2010				2009			
Range of exercise prices pence	**Weighted average exercise price pence**	**Number of shares '000**	**Weighted average remaining life: Expected**	**Weighted average remaining life: Contractual**	Weighted average exercise price pence	Number of shares '000	Weighted average remaining life: Expected	Weighted average remaining life: Contractual
0.0-50.0	19.4	3,290	5.4	10.4	18.3	3,512	6.0	10.7
50.0-100.0	65.0	500	–	2.0	65.0	500	–	3.0
100.0-150.0	–	–	–	–	–	–	–	–
150.0-200.0	–	–	–	–	–	–	–	–
200.0-250.0	–	–	–	–	–	–	–	–
250.0-300.0	279.0	500	–	1.0	279.0	500	–	2.0
300.0-350.0	–	–	–	–	–	–	–	–

The weighted average share price during the period for options exercised over the year was 1.8p (2009: no options were exercised). The total charge for the year relating to employee share based payment plans was £83,000 (2009: £148,000), all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £75,000 (2009: £29,000).

21 Cash generated from operations

	Group 2010 £'000	Group 2009 £'000	**Company 2010 £'000**	Company 2009 £'000
Operating profit	**561**	1,864	**782**	2,125
Adjustments for:				
Depreciation	**3,080**	2,984	**3,080**	2,984
(Loss)/profit on disposal of property, plant & equipment	**248**	(21)	**248**	(21)
Loss on disposal of discontinued operations	**11**	–	**3**	–
Amortisation of intangibles	**213**	280	**–**	–
Exchange movements	**(234)**	(81)	**(226)**	(70)
Share option non cash charge	**83**	148	**83**	148
Changes in working capital				
Increase in inventories	**(1,453)**	(16)	**(1,453)**	(16)
Decrease in trade and other receivables	**1,833**	739	**1,523**	811
Decrease in trade and other payables	**(593)**	(1,203)	**(214)**	(1,267)
Cash generated from operations	**3,749**	4,694	**3,826**	4,694

Notes to the financial statements continued

for the year ended 31 March 2010

22 Employee information

Group employment costs including executive Directors were:

	Group		Company	
	2010	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Wages and salaries	**8,723**	9,539	**8,723**	9,539
Social security costs	**1,029**	1,101	**1,029**	1,101
Pension costs	**203**	211	**203**	211
Cost of employee share schemes (note 20)	**75**	29	**75**	29
	10,030	**10,880**	**10,030**	**10,880**

	Group		Company	
Average employee numbers	**2010**	2009	**2010**	2009
	Number	Number	**Number**	Number
Sales	**37**	43	**37**	43
Technical	**45**	35	**45**	35
Operations	**76**	83	**76**	83
Administration	**47**	58	**47**	58
	205	**219**	**205**	**219**

As required by the Companies Act 2006, the figures disclosed above are weighted averages based on the number of employees at each month end.

At 31 March 2010 the Group had 199 (2009: 210) employees in total.

	Group		Company	
Key management compensation including directors	**2010**	2009	**2010**	2009
	£'000	£'000	**£'000**	£'000
Short term employee benefits	**1,967**	2,502	**1,967**	2,502
Post employment benefits	**58**	69	**58**	69
Share based payments	**4**	4	**4**	4
	2,029	**2,575**	**2,029**	**2,575**

23 Directors' remuneration

Detailed information concerning directors' remuneration, interests and options is shown in the parts of the directors' Remuneration report subject to audit on pages 18 to 22 which form part of the Annual Report and Financial Statements.

24 Related party transactions

Group

Peter Wilkinson is a shareholder in BSkyB Limited. InTechnology plc sold services totalling £154,000 (2009: £250,000) to BSkyB Limited in the year. As at 31 March 2010 InTechnology plc was owed £2,000 (2009: £86,000) by BSkyB Limited.

Peter Wilkinson, Richard James and Andrew Kaberry are shareholders in Mobile Tornado Group plc, an AIM listed company in which InTechnology plc owns 49.8 per cent of the issued ordinary share capital and all the issued cumulative convertible redeemable non-voting preference shares. Peter Wilkinson is non-executive Chairman and Richard James is a Director and Company Secretary of Mobile Tornado Group plc. InTechnology plc sold services totalling £120,000 (2009: £10,000) to Mobile Tornado Group plc in the year. As at 31 March 2010 InTechnology plc was owed £64,000 (2009: £8,000) by Mobile Tornado Group plc.

At 31 March 2010, InTechnology plc owned 42.9 per cent of the issued ordinary share capital of Live-PA Limited which is incorporated in the United Kingdom. InTechnology plc sold services totalling £1,000 (2009: £nil) to Live-PA Limited in the year. As at 31 March 2010 InTechnology plc was owed £1,000 (2009: £nil) by Live-PA Limited.

All transactions with related parties were carried out on an arm's length basis.

Company

There were no related party transactions carried out during the year.

25 Ultimate controlling party

The Directors consider Peter Wilkinson to be the ultimate controlling party by virtue of his shareholding in the Company.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting (the "**Meeting**") of InTechnology plc (the "**Company**") will be held at Central House, Beckwith Knowle, Otley Road, Harrogate HG3 1UG on Wednesday 14 July 2010 at 3pm to transact the following business:

Ordinary business

1 To receive and adopt the report of the Directors of the Company ("**Directors**"), the report of the independent auditors of the Company and the financial statements of the Company for the year ended 31 March 2010.

2 To re-appoint The Rt. Hon. Lord Parkinson as a Director, who retires by rotation in accordance with Article 92 of the Articles of Association of the Company ("**Article 92**") and who, being eligible, offers himself for re-appointment as a Director.

3 To re-appoint Andrew Kaberry as a Director, who retires by rotation in accordance with Article 92 and who, being eligible, offers himself for re-appointment as a Director.

4 To re-appoint Richard James as a Director, who retires by rotation in accordance with Article 92 and who, being eligible, offers himself for re-appointment as a Director.

5 To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.

Special business

To consider and, if thought fit, pass the following resolutions, with resolution 6 being proposed as an ordinary resolution and resolution 7 being proposed as a special resolution:

6 That, in substitution for all subsisting authorities to the extent unused, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 ("**CA 2006**") to exercise all the powers of the Company to allot and grant equity securities (within the meaning of section 560 of the CA 2006) up to an aggregate nominal amount of £465,324, provided that such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution 6, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or granted after such expiry and, notwithstanding such expiry, the Directors may allot or grant equity securities in pursuance of any such offer or agreement.

7 That, subject to the passing of Resolution 6, in substitution for all subsisting authorities to the extent unused, the Directors be and they are hereby empowered to allot equity securities (within the meaning of section 560 of the CA 2006) for cash or otherwise pursuant to the authority given by Resolution 6 and/or to allot equity securities where such allotment constitutes an allotment of securities by way of section 560(2)(b) of the CA 2006, as if section 561 of the CA 2006 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

a) in connection with an offer of such securities by way of rights issue or other issues in favour of holders of Ordinary Shares in the Company where the equity securities respectively attributed to the interests of all such holders are proportionate (as nearly as may be practical) to their respective holdings of Ordinary Shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever); and

b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £69,799;

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution 7, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offer or agreement.

Dated 7 June 2010

By order of the Board

Richard James

Director and Company Secretary

For and on behalf of InTechnology plc

Central House
Beckwith Knowle
Otley Road
Harrogate
HG3 1UG

Notes to the Notice of Annual General Meeting

Entitlement to attend and vote

1 Only those members registered on the Company's register of members at:

- 6pm on 12 July 2010; or,
- if this Meeting is adjourned, at 6pm on the day two days prior to the adjourned meeting,

shall be entitled to attend and vote at the Meeting.

Appointment of proxies

2 As a member of the Company, you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at the Meeting and you should have received a proxy form with this notice of meeting. You can only appoint a proxy using the procedures set out in these notes and the notes to the proxy form.

3 A proxy does not need to be a member of the Company but must attend the Meeting to represent you. Details of how to appoint the Chairman of the Meeting or another person as your proxy using the proxy form are set out in the notes to the proxy form.

4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

5 If you do not give your proxy an indication of how to vote on any resolution, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the Meeting.

Appointment of proxy using hard copy proxy form

6 The notes to the proxy form explain how to direct your proxy how to vote on each resolution or withhold their vote.

To appoint a proxy using the proxy form, the form must be:

- completed and signed;
- sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- received by Capita Registrars by no later than 6pm on 12 July 2010.

In the case of a member which is a company, the proxy form must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

Any power of attorney or any other authority under which the proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

Appointment of proxy by joint members

7 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

Changing proxy instructions

8 To change your proxy instructions simply submit a new proxy appointment using the methods set out above. Note that the cut-off time for receipt of proxy appointments (see above) also apply in relation to amended instructions; any amended proxy appointment received after the relevant cut-off time will be disregarded.

Where you have appointed a proxy using the hard-copy proxy form and would like to change the instructions using another hard-copy proxy form, please contact Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

Notice of Annual General Meeting continued

Termination of proxy appointments

9 In order to revoke a proxy instruction you will need to inform Capita Registrars by sending a signed hard copy notice clearly stating your intention to revoke your proxy appointment to Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU. In the case of a member which is a company, the revocation notice must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company. Any power of attorney or any other authority under which the revocation notice is signed (or a duly certified copy of such power or authority) must be included with the revocation notice.

The revocation notice must be received by Capita Registrars by no later than 6pm on 12 July 2010.

If you attempt to revoke your proxy appointment but the revocation is received after the time specified then, subject to the paragraph directly below, your proxy appointment will remain valid.

Appointment of a proxy does not preclude you from attending the Meeting and voting in person. If you have appointed a proxy and attend the Meeting in person, your proxy appointment will automatically be terminated.

Communication

10 Except as provided above, members who wish to communicate with the Company in relation to the Meeting should write to the Company Secretary, InTechnology plc, Central House, Beckwith Knowle, Otley Road, Harrogate HG3 1UG.

No other methods of communication will be accepted.

Form of proxy for InTechnology plc

(incorporated and registered in England and Wales under number 03916586) (the "**Company**")

For use by holders of ordinary shares of 1p each in the Company at the Annual General Meeting of the Company to be held at Central House, Beckwith Knowle, Otley Road, Harrogate HG3 1UG (the "**AGM**"). **Please read the Notice of AGM and the notes to this proxy form.**

I/We	(please insert name of the Shareholder(s) in BLOCK CAPITALS)
of:	(please insert full postal address of the Shareholder(s) in BLOCK CAPITALS)

being Shareholder(s) entitled to attend, speak and vote at meetings of shareholders of the Company, hereby appoint the Chairman of the AGM or (see note 3):

as my/our proxy to attend, speak and vote on my/our behalf at the AGM of the Company to be held on Wednesday 14 July 2010 at 3pm and at any adjournment of the meeting.

I/We direct my/our proxy to vote on the following resolutions as I/we have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or abstain from voting at his or her discretion and I/we authorise my/our proxy to vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is properly put before the meeting.

RESOLUTIONS	For	Against	Vote Witheld
ORDINARY BUSINESS			
1. Receipt and adoption of Directors' report and financial statements			
2. Re-appointment of The Rt. Hon. Lord Parkinson			
3. Re-appointment of Andrew Kaberry			
4. Re-appointment of Richard James			
5. Re-appointment of PricewaterhouseCoopers LLP as auditors of the Company and Directors' authority to fix their remuneration			
SPECIAL BUSINESS			
6. Ordinary resolution to authorise Directors to allot relevant securities			
7. Special resolution to disapply statutory pre-emption provisions			

Dated	
Signed	

Notes to the proxy form

1 As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the Notice of AGM.

2 Submission of a proxy form does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.

3 A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.

4 You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.

5 To direct your proxy how to vote on the resolutions, mark the appropriate box with an 'X'. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.

6 To appoint a proxy using this form, the form must be:
- completed and signed;
- sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- received by Capita Registrars by no later than 6pm on 12 July 2010.

7 In the case of a member which is a company, this form of proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.

8 Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.

9 In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).

10 If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.

11 For details of how to change your proxy instructions or revoke your proxy appointment see the notes to the Notice of AGM.

THIRD FOLD AND TUCK IN

Business Reply
Licence Number
RSBH-UXKS-LRBC

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PXS
34 Beckenham Road
Beckenham
Kent
BR3 4TU

FIRST FOLD

SECOND FOLD

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

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
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

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
33 Wellington Street
Leeds
LS1 4JP

Solicitors:
Hammonds LLP
2 Park Lane
Leeds
LS3 1ES

Company registration number:
3916586

Internet address:
www.intechnology.com

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
Bishopsgate
London
EC3A 6DG

Reading Office
Commensus House
3-5 Worton Drive
Reading
Berkshire
RG2 0TG
Tel +44 (0) 870 777 7778
Fax +44 (0) 870 777 7779

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