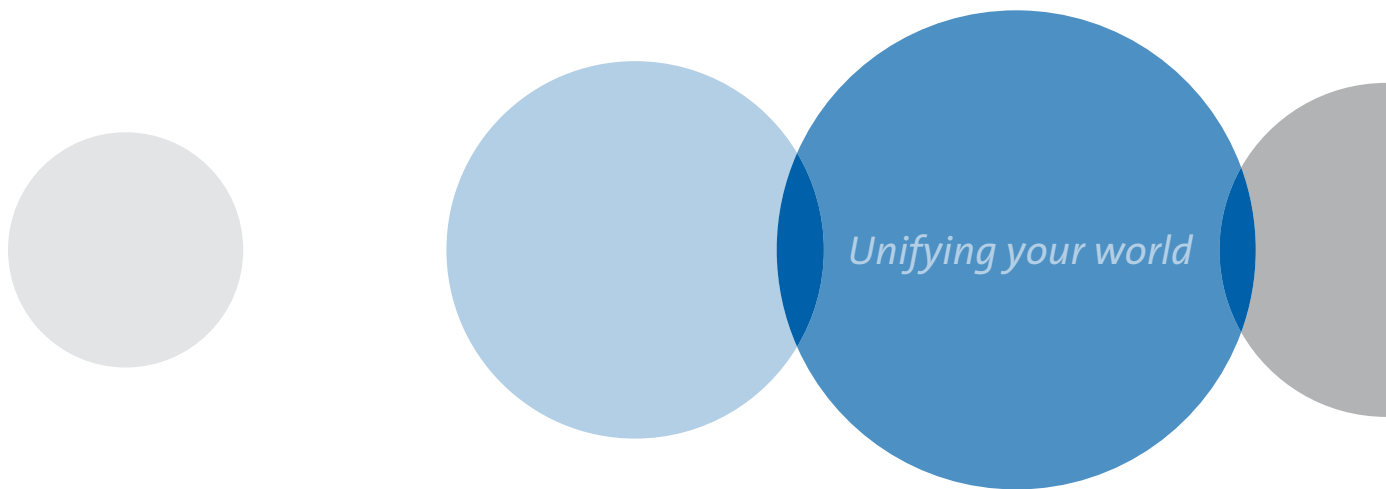


# inTechnology

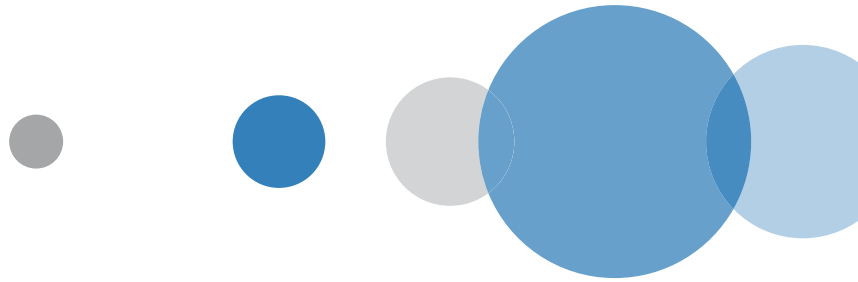
Unaudited interim financial information 2010



*Unifying your world*



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# Chief Executive Officer's report



Intelligent

Business

Strategies

## Overview

We are pleased to announce a good recovery from the second half of last fiscal year. Revenue for the six months to 30 September 2010 was £19.4m and group operating profit was £0.4m. We have budgeted for a twenty five per cent increase in new business contracts this year and are on target at the half year. In addition, contract churn has been significantly reduced by the product pricing review and product enhancements completed last year.

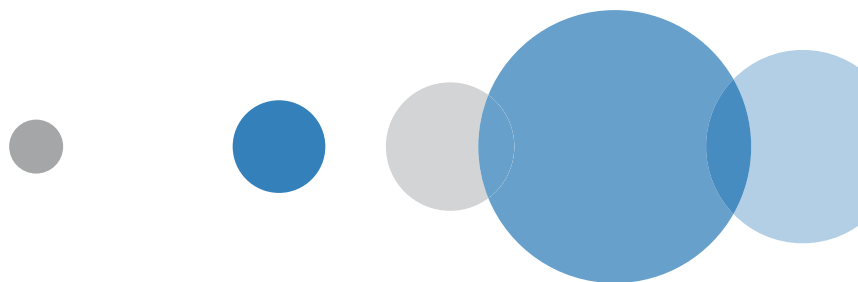
Last fiscal year's results were impacted by a fall in second half revenue to £18.7m from £20.6m in the first half, and Group profit fell from £0.7m in the first half to a loss of £0.1m in the second half. However the Company contracted £28.0m of new business, largely of three years' term, but also lost business as some contracts were not renewed.

Our balance sheet remains strong with net cash and unutilised bank borrowing facilities.

## Trading and operating performance

- Recognised revenue reduced to £19.4m (2009: £20.6m) but increased from the second half of fiscal 2010: £18.7m. We are still implementing new major contracts won in the last two fiscal years.
- Group operating profit reduced to £0.4m (2009: £0.7m) but recovered from the second half of fiscal 2010: £0.1m loss.
- Net operating expenses were £11.9m (2009: £12.5m) reflecting the Board's decision to reduce costs last year, and gross profit margins were constant at 63 per cent.

- Our share of post tax loss of our investment in Mobile Tornado Group plc ("Mobile Tornado") was £0.5m (2009: £0.5m) and our share of post tax loss in Live-PA Limited ("Live-PA") was £0.1m (2009: £0.03m).
- Net cash was £8.5m (2009: £8.3m and £10.2m at 31 March 2010). The reduction in net cash from 31 March 2010 is mainly caused by loans and further investments to the two Associate companies.
- We have unutilised bank facilities available to assist funding our capital expenditure and additional working capital as required.



## Associate companies

### Mobile Tornado

(49.8 per cent owned)

During our first half year under review good progress has been made by Mobile Tornado. The technical issues that bedevilled the project have been identified and resolved, and Mobile Tornado is now completing its initial three products to be commercially fit for purpose. Meanwhile it has reduced its cost base by transferring development from Israel to the UK and recruiting software developers in India to work alongside our existing team.

Sales contracts have been signed in USA, South Africa and within the EC. There is also a healthy pipeline of proposals and trials which gives your Board confidence that Mobile Tornado will achieve operating profits in calendar 2011.

### Live-PA

(45.4 per cent owned)

The voice recording software for Microsoft OCS (2010) platform is currently under beta test trials and we eagerly await feedback.

As I reported to you in June 2010, Live-PA is now developing call recording applications for Broadsoft (the VoIP software platform used by ourselves), Cisco Call Manager and Avaya so that Live-PA has a broad spread of call recording products that reduces the strategic dependence on Microsoft but which all have global markets.

During May 2010 we completed our initial contracted investment of £0.5m in Live-PA.

## Outlook

The actions we took last year to review all our products and to reduce our operating costs have proved to be the right decisions. Our products are competitively priced and help our customers increase productivity and reduce their costs. Our budget this year is for an increase in new business contracts and to substantially reduce contract churn, assisted by competitive pricing and constant product enhancements. At 30 September 2010 we are on target and have a healthy sales pipeline to convert and enable us to meet our budgets for this fiscal year.

Your Board remains confident of achieving a very good return from the investments in Mobile Tornado and Live-PA and our balance sheet remains strong with net cash of £8.5m.

Therefore, despite the national and global economic issues we are plagued with, we remain confident of growing the sales and operating profits of the company over the coming years.

**Peter Wilkinson**

Chief Executive Officer

23 November 2010

# Group statement of comprehensive income

## for the six months ended 30 September 2010

		<b>6 months ended 30 September 2010 (Unaudited) £'000</b>	6 months ended 30 September 2009 (Unaudited) £'000	Year ended 31 March 2010 (Audited) £'000
Revenue	Note	<b>19,420</b>	20,579	39,336
Cost of sales		<b>(7,170)</b>	(7,586)	(14,250)
<b>Gross profit</b>		<b>12,250</b>	12,993	25,086
Net operating expenses before depreciation and amortisation		<b>(10,570)</b>	(10,802)	(21,453)
Depreciation of property, plant and equipment		<b>(1,317)</b>	(1,519)	(3,080)
Amortisation of intangible assets		–	(140)	(213)
Net operating expenses		<b>(11,887)</b>	(12,461)	(24,746)
Other operating income		<b>85</b>	136	221
<b>Group operating profit</b>		<b>448</b>	668	561
Finance income		<b>36</b>	78	134
Finance costs		<b>(20)</b>	(43)	(64)
Share of post tax loss of associates		<b>(594)</b>	(524)	(1,396)
<b>(Loss)/profit before taxation</b>		<b>(130)</b>	179	(765)
Taxation	3	<b>(132)</b>	(417)	(6)
<b>Loss for the period</b>		<b>(262)</b>	(238)	(771)
<b>Other comprehensive income:</b>				
Currency translation differences		<b>5</b>	66	208
<b>Total comprehensive loss for the period</b>		<b>(257)</b>	(172)	(563)
<b>Earnings per share (pence)</b>				
Basic	4	<b>(0.19)</b>	(0.17)	(0.55)
Diluted	4	<b>(0.19)</b>	(0.17)	(0.55)

# Group statement of changes in shareholders' equity

for the six months ended 30 September 2010

	Share capital (Unaudited) £'000	Share premium (Unaudited) £'000	Capital redemption reserve (Unaudited) £'000	Share option reserve (Unaudited) £'000	Retained earnings (Unaudited) £'000	Total (Unaudited) £'000
As at 31 March 2009	1,387	53,821	480	98	9,096	64,882
Employee share options:						
– value of employee services	–	–	–	23	–	23
Issue of deferred payment shares	7	91	–	–	–	98
Share of exchange gains of associate	–	–	–	–	66	66
Net loss for the period	–	–	–	–	(238)	(238)
<b>As at 30 September 2009</b>	<b>1,394</b>	<b>53,912</b>	<b>480</b>	<b>121</b>	<b>8,924</b>	<b>64,831</b>
Employee share options:						
– value of employee services	–	–	–	60	–	60
– deferred tax charge on employee services	–	–	–	(8)	–	(8)
– proceeds from shares issued	2	2	–	–	–	4
Share of exchange gains of associate	–	–	–	–	142	142
Net loss for the period	–	–	–	–	(533)	(533)
<b>As at 31 March 2010</b>	<b>1,396</b>	<b>53,914</b>	<b>480</b>	<b>173</b>	<b>8,533</b>	<b>64,496</b>
Employee share options:						
– value of employee services	–	–	–	20	–	20
Share of exchange gains of associate	–	–	–	–	5	5
Net loss for the period	–	–	–	–	(262)	(262)
<b>As at 30 September 2010</b>	<b>1,396</b>	<b>53,914</b>	<b>480</b>	<b>193</b>	<b>8,276</b>	<b>64,259</b>

# Group balance sheet

as at 30 September 2010

	<b>30 September 2010 (Unaudited) £'000</b>	30 September 2009 (Unaudited) £'000	31 March 2010 (Audited) £'000
<b>Assets</b>			
<b>Non-current assets</b>			
Goodwill	<b>38,997</b>	38,997	38,997
Intangible assets	–	73	–
Property, plant & equipment	<b>6,051</b>	6,780	6,213
Investment in subsidiary and associate undertakings	<b>2,013</b>	2,987	2,552
Deferred tax assets	<b>1,285</b>	1,681	1,763
	<b>48,346</b>	50,518	49,525
<b>Current assets</b>			
Inventories	<b>1,524</b>	2,094	1,574
Trade and other receivables	<b>11,241</b>	10,878	8,882
Current tax assets	<b>225</b>	–	–
Cash and cash equivalents	<b>10,638</b>	11,156	12,598
	<b>23,628</b>	24,128	23,054
<b>Liabilities</b>			
<b>Current liabilities</b>			
Trade and other payables	<b>(5,626)</b>	(6,274)	(5,431)
Borrowings	<b>(639)</b>	(758)	(685)
Current tax liabilities	–	(694)	(210)
<b>Net current assets</b>	<b>17,363</b>	16,402	16,728
<b>Non-current liabilities</b>			
Borrowings	<b>(1,450)</b>	(2,089)	(1,757)
<b>Net assets</b>	<b>64,259</b>	64,831	64,496
<b>Shareholders' equity</b>			
Ordinary shares	<b>1,396</b>	1,394	1,396
Share premium	<b>53,914</b>	53,912	53,914
Capital redemption reserve	<b>480</b>	480	480
Share option reserve	<b>193</b>	121	173
Retained earnings	<b>8,276</b>	8,924	8,533
<b>Total shareholders' equity</b>	<b>64,259</b>	64,831	64,496



# Group cash flow statement

for the six months ended 30 September 2010

	Note	6 months ended 30 September 2010 (Unaudited) £'000	6 months ended 30 September 2009 (Unaudited) £'000	Year ended 31 March 2010 (Audited) £'000
<b>Cash flows from operating activities</b>				
Cash generated from operations	5	(359)	694	3,749
Interest received		24	78	119
Interest paid		(16)	(17)	(30)
Interest element of finance lease payments		(4)	(26)	(34)
Tax (paid)/received		(89)	276	(13)
<b>Net cash (outflow)/inflow from operating activities</b>		<b>(444)</b>	1,005	3,791
<b>Cash flows from investing activities</b>				
Proceeds from sale of property, plant & equipment		17	24	56
Proceeds from the closure of discontinued activities		–	–	69
Purchase of property, plant & equipment		(1,158)	(917)	(2,193)
Investment in subsidiary and associate undertakings		(50)	(1,680)	(1,510)
<b>Net cash (used in) investing activities</b>		<b>(1,191)</b>	(2,573)	(3,578)
<b>Cash flows from financing activities</b>				
Net proceeds from issue of ordinary share capital		–	–	4
Decrease in borrowings		(300)	(300)	(600)
Capital element of finance lease payments		(53)	(171)	(276)
<b>Net cash outflow from financing</b>		<b>(353)</b>	(471)	(872)
<b>Net decrease in cash and cash equivalents in the period</b>		<b>(1,988)</b>	(2,039)	(659)
Cash and cash equivalents at beginning of period		12,598	13,185	13,185
Exchange gains on cash and cash equivalents		28	10	72
<b>Cash and cash equivalents at end of period</b>		<b>10,638</b>	11,156	12,598

# Notes to the interim financial information

## for the six months ended 30 September 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.

The interim financial information does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. Statutory accounts for the year ended 31 March 2010 were approved by the Board of Directors on 7 June 2010 and filed with the Registrar of Companies. The report of the auditors on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain any statement under section 498 of the Companies Act 2006.

The interim financial information has been reviewed, not audited.

### 2 Basis of preparation

The financial information has been prepared under the historical cost convention, except for share based payments which are measured at fair value, in accordance with the accounting policies set out in the annual financial statements which have been published on the Company's website. The interim financial information has not been prepared in accordance with IAS34.

### 3 Taxation

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

#### 4 Earnings per share

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

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

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

	6 months ended 30 September 2010 (Unaudited)			6 months ended 30 September 2009 (Unaudited)			Year ended 31 March 2010 (Audited)		
	Earnings £'000	Weighted average number of shares '000	Per share amount pence	Earnings £'000	Weighted average number of shares '000	Per share amount pence	Earnings £'000	Weighted average number of shares '000	Per share amount pence
<b>Basic EPS</b>	<b>(262)</b>	<b>139,599</b>	<b>(0.19)</b>	(238)	139,246	(0.17)	(771)	139,355	(0.55)
Effect of dilutive share options		–			217			176	
<b>Diluted EPS</b>	<b>(262)</b>	<b>139,599</b>	<b>(0.19)</b>	(238)	139,463	(0.17)	(771)	139,531	(0.55)

	6 months ended 30 September 2010 (Unaudited)			6 months ended 30 September 2009 (Unaudited)			Year ended 31 March 2010 (Audited)		
	Earnings £'000	Weighted average number of shares '000	Per share amount pence	Earnings £'000	Weighted average number of shares '000	Per share amount pence	Earnings £'000	Weighted average number of shares '000	Per share amount pence
<b>Basic EPS</b>	<b>(262)</b>	<b>139,599</b>	<b>(0.19)</b>	(238)	139,246	(0.17)	(771)	139,355	(0.55)
Share based payments	20		0.01	23		0.02	75		0.05
Amortisation of intangible assets	–		–	101		0.07	153		0.11
Share of post tax loss of associates	594		0.43	524		0.38	1,396		1.00
<b>Adjusted basic EPS</b>	<b>352</b>	<b>139,599</b>	<b>0.25</b>	410	139,246	0.30	853	139,355	0.61
<b>Diluted EPS</b>	<b>(262)</b>	<b>139,599</b>	<b>(0.19)</b>	(238)	139,463	(0.17)	(771)	139,531	(0.55)
Share based payments	20		0.01	23		0.02	75		0.05
Amortisation of intangible assets	–		–	101		0.07	153		0.11
Share of post tax loss of associates	594		0.43	524		0.38	1,396		1.00
<b>Adjusted diluted EPS</b>	<b>352</b>	<b>139,599</b>	<b>0.25</b>	410	139,463	0.30	853	139,531	0.61

# Notes to the interim financial information

## continued

### 5 Cash generated from operations

	<b>6 months ended 30 September 2010 (Unaudited) £'000</b>	6 months ended 30 September 2009 (Unaudited) £'000	Year ended 31 March 2010 (Audited) £'000
Operating profit	<b>448</b>	668	561
Adjustments for:			
Depreciation	<b>1,317</b>	1,519	3,080
(Profit)/loss on sale of property, plant & equipment	<b>(17)</b>	(24)	248
Loss on disposal of discontinued operations	–	–	11
Amortisation of intangibles	–	140	213
Exchange movements	<b>(13)</b>	(20)	(234)
Share option non cash charge	<b>20</b>	23	83
Changes in working capital			
Decrease/(increase) in inventories	<b>50</b>	(1,973)	(1,453)
(Increase)/decrease in trade and other receivables	<b>(2,359)</b>	187	1,833
Increase/(decrease) in trade and other payables	<b>195</b>	174	(593)
<b>Cash generated from operations</b>	<b>(359)</b>	694	3,749

### 6 Shareholder information

This interim financial information will be published on the Company's website in November 2010. The maintenance and integrity of the InTechnology plc website is the responsibility of the Directors. Legislation in the UK governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# Corporate information

## Board of Directors:

The Rt. Hon. Lord Parkinson	Non-executive Chairman
Joe McNally	Non-executive Director
Charles Scott	Non-executive Director
Peter Wilkinson	Chief Executive Officer
Richard James	Director & Company Secretary
Andrew Kaberry	Finance Director
Bryn Sage	Chief Operating Officer

## 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](http://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](http://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  
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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  
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Berkshire  
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