

## **InTechnology plc Prelim Statement**

**Year ended 31 March 2014**

Chairman's introduction

The recent year to 31 March 2014 has been one of substantial change to the trading profile of our Company.

Just after we circulated last year's audited results we were approached with an offer to purchase for cash the whole of our Managed Services ("IMS") business. Your Board had been aware of consolidation taking place in the Managed Services sector and that we had to become either a consolidator or be acquired. After lengthy negotiations and due diligence it was considered the better option was to sell the IMS business to Redcentric Plc.

The eventual sale completed on 6 December 2013 and after completion accounts were subsequently agreed the sale proceeds were £64.7 million, giving rise to a profit on disposal of £11.8 million. Your Board took professional advice that no charge to corporation tax arises.

Our financial results are therefore greatly impacted by the above transaction which account for IMS as a discontinued operation up to the sale date.

Our revenues from continuing operations are £0.8m (2013: £0.9m) and we incurred an operating loss of £2.0m (2013: £3.2m loss).

Profit on disposal of "IMS" was £11.8m

Group profit before tax including discontinued operations was £7.8m (2013: £0.3m loss)

Our share of losses after tax of our associate company, Mobile Tornado Group Plc. ("MT") was £1.2m loss (2013: £1.4m loss).

During the year MT strengthened its balance sheet by the issue of new ordinary shares. £4m gross cash was raised from new shareholders and your Company converted £4m debt to equity thus maintaining our 49.9 per cent holding in MT. We also converted further debt into redeemable preference shares and the existing preference shares convertible terms were cancelled but interest increased to 10 per cent per annum.

## InTechnology plc Prelim Statement

Year ended 31 March 2014

Chairman's introduction (continued)

MT gave a public trading update on 23 April 2014 and remains confident of its progress to sustained profits and cash generation. Your Company's executive directors have close management ties with MT and so concur with this confidence.

Net cash at the year-end was £65.6m (2013: £3.3m) and all loans were repaid or sold with IMS.

As you are aware we have announced and paid on 8 April 2014 a special dividend of 37 pence per fully paid Ordinary share. Prior to the year end all vested share options were exercised and calls made to nil paid Ordinary shareholders which resulted in £1.8m cash being received.

Your Company commences this new financial year with sufficient cash to fund the working capital requirements of our remaining subsidiary company ventures in Digital Health and Wi-Fi systems. The Strategic report explains this in more detail.

I wish to thank on your behalf all our staff, long serving and newly joined, whose energy, professional skills and loyalty will greatly assist us with our new ventures. I also wish to thank all IMS staff who left us last December for their efforts in making IMS an attractive well run business. Many of them exercised their options in InTechnology and are now shareholders.

I also thank all our partners in all areas of the business.

The Rt. Hon. Lord Parkinson  
Chairman  
29 August 2014

The Directors' of InTechnology plc present the unaudited preliminary results for the year ended 31<sup>st</sup> March 2014.

The audited annual report and accounts are planned to be mailed to all members by the end of September.

## InTechnology plc Prelim Statement

Year ended 31 March 2014

Strategic report

Overview

Last year's results are dominated by the sale of our Managed Data and Voice Services business ("IMS") on 6 December 2013 for £64.7million cash. This transaction leaves the balance sheet at the year end with £65.5million cash and no debt. We continue trading into the new financial year with the Digital Health business that commenced in 2012, our Call Recording business, Live-PA, and a new UK venture into Wi-Fi solutions and services. The Board declared on 18 March a special dividend of 37pence per ordinary share paid on 8 April 2014 totalling £53.4million leaving sufficient cash to fund the working capital of our recent new ventures whilst they reach operating profits and generate cash. Our associate company, Mobile Tornado Group plc, successfully issued new shares to investors for cash and we converted some of our debt for new equity thus maintaining our 49.9percent holding.

Trading and operating performance

Revenues from continuing operations £0.8m (2013: £0.9m)

Revenues from discontinued operations £28.4m to 6 December (2013: £40.9m for 12 months)

Continuing operations group operating loss £2.0m (2013: £3.2m loss)

Profit on disposal of InTechnology Managed Services Ltd ("IMS") £11.8m

Share of post-tax loss of our Associate, Mobile Tornado Group plc, £1.2m (2013: £1.4m)

Taxation charge £0.01m (2013: £0.04m)

Group profit for the year £7.8m (2013: £0.3m loss)

Cash £65.5m (2013: £8.0m)

Debt £nil (2013: £4.7m)

Key Performance Indicators ("KPIs"): following the sale of IMS the directors shall decide on new KPIs for the Continuing businesses during the new financial year.

Sale of IMS

Last summer we were approached by Redcentric plc. to discuss the sale of IMS. After a few months of negotiations the board unanimously agreed the sale for £64.7m cash on 6 December 2013. The reasons for the sale of IMS, which accounted for over 90 per cent of revenues and all the operating profit and cash generation of the Group, was twofold. First, the managed services sector is undergoing consolidation and we had either to be a consolidator or be acquired. The attraction offered by Redcentric was that their enlarged group would strengthen our IMS business and thus, secondly, safeguard the jobs of the IMS staff, many of whom had been with us for several years.

## InTechnology plc Prelim Statement

Year ended 31 March 2014

Strategic report (continued)

Sale of IMS (continued)

In January 2014 we agreed completion accounts with Redcentric resulting in a final sale consideration of £64.7m. We had sold on the basis of no cash or debt and the cash withheld on sale was slightly higher than anticipated.

Part of the sale process involved the relocation of our remaining staff to Cardale House, an existing nearby leasehold property in Harrogate.

Continuing businesses

Following the sale of IMS we have three continuing businesses, and our investment in Mobile Tornado Group plc.

Digital Health

This trades in the Group through both InTechnology plc. and Inhealthcare Ltd (100 per cent subsidiary) and we bring our core competencies of delivering end to end managed services to Digital Health.

Digital Health commenced trading during 2012 and offers solutions to providers of clinical services in the UK Healthcare Sector. Our solutions are specifically designed to allow patients to self-manage their conditions, whilst still under close, but remote, supervision of their clinicians. Solutions we currently deliver include INR (Stroke) Management, Hyper Tension and Under Nutrition. Research carried out alongside our clinical partners has identified over 100 applications suited to our services.

Crucial and central to delivering our services is the software development to enable clinicians to access patient data. We continue to develop our software which represents a major part of the Digital Health operating costs. Version2 is scheduled for release later in 2014.

By March 2014 Digital Health had contracted with five NHS trusts (hospitals) for pilot trials of some services and with the Department of Health and we are about to commence a trial for multiple services in the Primary Care Services (GP) sector.

InTechnology Wi-Fi Ltd

During November 2013 I invested through my family company in Alvarion, an Israeli based Wi-Fi manufacturer that had entered into Administration. Timing was crucial and there was hardly no time to conduct due diligence or to negotiate terms. However, as part of the acquisition of Alvarion my private family company, HOLF Investments Ltd. acquired the exclusive UK rights to market Alvarion products and services.

InTechnology Wi-Fi Ltd was incorporated on 17 January 2014 and is owned 60 per cent by InTechnology plc. and 40 per cent by HOLF Investments Ltd.

We have identified three niche UK markets for the Alvarion products;

## InTechnology plc Prelim Statement

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Strategic report (continued)

InTechnology Wi-Fi Ltd (continued)

- Sports stadiums - most have no Wi-Fi capability and there is poor cellular service because of the crowds.
- Towns and cities - we believe these to have great potential.
- Events - as with sports stadiums events attracting large crowds have difficulty in providing smart phone usage

We have commenced marketing to these niche markets and to date the response has been very encouraging and our first contract has been negotiated with an events company. An approach to football clubs appears very promising but our proposition will entail a high capital expenditure. Therefore Intechnology shall provide the working capital and HOLF Investments shall fund all capital expenditure.

Live-PA Ltd. ("Live-PA") (76.0 per cent owned since 1 April 2013)

Live-PA has developed call recording software for Microsoft Linc voice software. The product is globally marketed through a partner company but sales are dependent on the adoption of Linc voice products and then for users requiring call recording. Sales remain disappointing and so we have deployed all Live-PA staff into our other businesses thus reducing operating costs to almost nil.

Investment in associate undertakings

Mobile Tornado Group plc. ("MT") (49.9 per cent owned and listed on AIM)

In order to improve the balance sheet of MT, which we have in the past provided working capital by way of loans, it issued 40 million new ordinary shares at 20 pence each. Half were subscribed by new institutional investors for cash raising £4m and Intechnology converted debt for 20million ordinary shares thus retaining our 49.9 per cent holding in MT. In addition we converted further debt into new 10 per cent cumulative redeemable Preference shares and changed the existing preference shares to the same terms. At 31 March 2014 we have £5.7million of preference shares.

Mobile Tornado issued a trading update on 23 April 2014 which states that whilst trading losses are still being incurred the existing sales contracts to major mobile network operators for Push-To-Talk services are still being rolled out, and negotiations are close to fruition with certain countries for its Homeland Security encrypted products.

## InTechnology plc Prelim Statement

Year ended 31 March 2014

Strategic report (continued)

Cash and working capital requirements

Cash at the year-end was £65.6million and there was no debt. As shareholders are aware your board declared on 18 March a special dividend of 37 pence per fully paid ordinary share that was paid on 8 April 2014. Share option holders exercised their options prior to this and also the board made a call on all nil paid ordinary shareholders. This resulted in £1.8million cash received prior to the year end.

After the dividend of £54.3million was paid on 8 April your company has retained sufficient cash to provide working capital to the new ventures of Digital Health and Wi-Fi.

Outlook

It is perhaps easier to comment on our associate, Mobile Tornado, than on fairly new ventures into Digital Health and Wi-Fi. We have been expecting Mobile Tornado to move into sustained profit and cash flow generation for some years. However it does now appear to have contracted sufficient business that once deployed will enable these objectives. In addition its move into Homeland Security markets will hopefully enable a good return on our investment to date.

Now let me turn to the Digital Health and Wi-Fi businesses. Each is in a separate and distinct market, but both have our pedigree of providing an end-to-end managed service that we successfully delivered to the managed data and voice markets that IMS operated in. We believe that we shall deliver good results in these markets.

Peter Wilkinson

Chief Executive Officer

29 August 2014

# InTechnology plc Prelim Statement

Year ended 31 March 2014

## Consolidated statement of comprehensive income

	2014 £'000	2013 Restated £'000
Continuing operations		
Revenue	836	879
Cost of sales	(734)	(365)
Gross profit	102	514
Net operating expenses before depreciation	(5,754)	(3,749)
Depreciation of property, plant and equipment	(110)	(166)
Net operating expenses	(5,864)	(3,915)
Other operating income	3,766	169
Operating loss	(1,996)	(3,232)
Finance income	143	23
Share of post tax loss of associates	(1,246)	(1,430)
Loss on revaluation of equity interest	(118)	-
Loss before taxation	(3,217)	(4,639)
Taxation	71	44
Loss for the year from continuing operations	(3,146)	(4,595)
Discontinued operations		
Profit for the year from discontinued operations	11,047	4,389
Profit/(loss) for the year	7,901	(206)
Other comprehensive income:		
Currency translation differences	11	(7)
Total comprehensive income/(loss) for the year	7,912	(213)
Profit/(loss) attributable to:		
- Owners of the parent	7,976	(213)
- Non-controlling interests	(64)	-
	7,912	(213)
Earnings/(loss) per share (pence)		
Basic	5.48	(0.15)
Diluted	5.48	(0.15)

The prior year profit and loss account has been restated for the discontinued operations.

# InTechnology plc Prelim Statement

Year ended 31 March 2014

## Balance sheets

	Group		Company	
	2014 £'000	2013 £'000	2014 £'000	2013 £'000
<b>Assets</b>				
<b>Non-current assets</b>				
Intangible assets	130	38,997	-	35,747
Property, plant and equipment	264	12,390	264	12,390
Investment in subsidiary and associate undertakings	2,369	-	13,674	8,419
Deferred tax assets	67	1,116	101	371
Trade and other receivables	-	-	7,445	6,873
	2,830	52,503	21,484	63,800
<b>Current assets</b>				
Inventories	464	716	464	716
Trade and other receivables	5,365	16,216	5,976	16,862
Current tax assets	39	-	-	-
Cash and cash equivalents	65,584	7,991	65,521	7,972
	71,452	24,923	71,961	25,550
<b>Liabilities</b>				
<b>Current liabilities</b>				
Trade and other payables	(1,009)	(7,772)	(876)	(7,762)
Borrowings	-	(1,781)	-	(1,781)
Current tax liabilities	-	(78)	(22)	(78)
Net current assets	70,443	15,292	71,063	15,929
<b>Non-current liabilities</b>				
Trade and other payables	-	-	(9,419)	(9,419)
Borrowings	-	(2,917)	-	(2,917)
Net assets	73,273	64,878	83,128	67,393
<b>Shareholders' equity</b>				
Share capital	1,443	1,412	1,443	1,412
Share premium	515	54,040	515	54,040
Capital redemption reserve	-	480	-	480
Share option reserve	202	199	202	199
Retained earnings	71,254	8,747	80,968	11,262
Equity attributable to owners of the Group	73,414	64,878	83,128	67,393
Non-controlling interests	(141)	-	-	-
Total equity	73,273	64,878	83,128	67,393