

Annual Report and Financial Statements 2005



Unifying IT infrastructure

InTechnology

Contents

Highlights	1
Chairman's introduction	2
Chief Executive Officer's report	3
Financial review	6
Technology review	9
Management team	13
Directors' report	15
Corporate governance	19
Remuneration report	22
Independent auditors' report	26
Consolidated profit and loss account	27
Consolidated statement of total recognised gains and losses	28
Reconciliation of movements in Group shareholders' funds	29
Balance sheets	30
Consolidated cash flow statement	31
Accounting policies	32
Notes to the financial statements	34
Notice of Annual General Meeting	58
Form of proxy for InTechnology plc	60
Corporate information	62

Highlights

Financial highlights

Total turnover increased 28% to £283.5m (2004 restated*: £221.9m)

- Specialist Distribution turnover up 26% to £261.4m (2004 restated: £207.4m)
- Managed Services turnover up 52% to £22.1m (2004: £14.5m)

Gross profit increased 31% to £52.9m (2004 restated: £40.5m)

EBITA increased to £4.4m (2004 restated: £1.4m)

Group operating loss reduced to £0.3m (2004 restated: £3.0m)

Cash at bank and in hand of £10.5m (2004: £16.4m) and net debt increased to £22.2m (2004: £10.4m) to fund growth of working capital, particularly in Continental Europe

Operational highlights

Specialist Distribution division:

- All areas enjoyed good revenue growth, despite difficult trading conditions
- Particularly strong performance in Security solutions
- Turnover in Continental Europe up 73%
- Network products division started during the year

Managed Services division:

- Monthly operating profit (before amortisation of goodwill) achieved in the second half year
- New long-term contracts signed with Jarvis Rail plc, Balfour Beatty, T Mobile, Wanadoo and London Business School
- 60% of customers now taking two or more services (of the 10 managed services now offered by InTechnology)
- Partnership signed with IBM to sell VBAK service through IBM's UK sales network

* See Note 2 to the financial statements

InTechnology Group Turnover



Chairman's introduction

In the year ended 31 March 2005 InTechnology has made clear and sustained progress across all parts of the group. Most significantly we reduced operating losses (before amortisation of goodwill) within our Managed Services division to £2.0m (2004: £7.8m) achieving the breakthrough into monthly operating profit (before amortisation of goodwill) during the second half of the financial year. Managed Services division operating losses were reduced to £4.3m (2004: £10.0m). Revenues in the Specialist Distribution division increased by 26% to £261.4m (2004 restated: £207.4m).

Through investment in recent years, InTechnology has developed a range of managed services which allow organisations to free up valuable management time by outsourcing specific areas of IT infrastructure. This division now has a portfolio of 10 services, from data backup and IP telephony to hosting and other network services, and is a fundamental part of our long-term competitive strategy.

Despite difficult trading conditions in the IT market, our distribution business has enjoyed revenue growth in each of its geographic territories. Distribution agreements with new vendors and extensions to existing contracts have contributed to this growth, with particularly excellent results coming from sales of security solutions in the UK and Continental Europe.

In the final quarter of the year, we began the distribution of network products, thus providing a natural link between storage and security and completing our IT infrastructure offering.

InTechnology's corporate objectives remain consistent and clear – to offer a complete range of products, solutions and services to meet the IT challenges organisations face in today's network-based computing environment. We also remain committed to selling through the IT channel of resellers, consultants and systems integrators.

Our strategy is serving us well and has put the business in a strong position to meet the challenges of the IT market in the year ahead.

Finally, the energy, technical ability and enthusiasm of our people never fails to impress me and I would like to thank all our staff, as well as our vendor and reseller partners, for their contributions to InTechnology in the last year.

Lord Parkinson

Chairman

29 June 2005

The Rt. Hon Lord Parkinson



Chief Executive Officer's report

Overview

We are very pleased with the progress made by the Group this year, characterised in particular by significant revenue growth across our Specialist Distribution business and, latterly, by reaching monthly operating profit (before amortisation of goodwill) in our Managed Services division.

In a challenging trading environment, we have seen our operating profit (before amortisation of goodwill) increase to £4.4m (2004 restated: £1.4m). Group operating loss was reduced to £0.3m (2004 restated: £3.0m). We have aggressive plans for future revenue growth and increased profitability and we have already restructured our sales team, brought on board new vendors and, with the intellectual property in the business, developed our own service technologies to support this objective. We are confident that our strategy remains sound and that we are on track to meet market expectations of sustainable profit before tax.

Managed Services

Our managed services portfolio allows organisations to outsource specific areas of IT infrastructure to free up valuable staff resource, improve service levels, reduce operational cost and deliver the flexibility to scale the service according to business requirements.

The Managed Services division has required significant investment in the five years since commencement, culminating this year in an increase in sales revenue of 52% to £22.1m (2004: £14.5m). In addition, the division has

moved into monthly operating profit (before amortisation of goodwill) in the second half of the year. This positive contribution is a key factor in the significant reduction in Group operating loss this year.

During the year, we have seen many new long-term contracts from blue-chip and public sector organisations including Jarvis Rail plc, Balfour Beatty, T-Mobile, Wanadoo and London Business School. This new business, together with our existing customer base, means we have grown our recurring revenue stream to £23.2m (2004: £18.0m).

We are also delighted that 60% (2004: 58%) of our customers take 2 or more of our range of 10 managed services. We expect to build on this trend with new services launched during the last year and further services to be launched in the new fiscal year. These include:

- IP Voice Connect™: an IP telephony service for business
- A new version of our successful VBAK® data backup and recovery service aimed at the SME market
- Data replication services for Network Appliance and EMC products

Another major development is an exciting partnership with IBM Business Continuity & Recovery Services, which will see our VBAK® service sold to IBM customers through their UK sales network. We are already an IBM Premier Business Partner for hardware and software distribution and I expect this extension of our long-standing relationship to make a major contribution to sales revenue next year.



Peter Wilkinson

Specialist Distribution

Despite a difficult trading environment throughout the IT market, in particular pressure on margins from vendors and customers, our Specialist Distribution division has increased sales by:

- 16% in the UK
- 73% in Continental Europe

Gross margins have, however, been squeezed as pressures from vendors and customers have intensified.

We have seen much success this year in the Distribution market, including:

- A strong performance in sales of Network Appliance solutions in the year - we expect to see the growth continue
- Becoming Europe's leading distributor of CheckPoint
- Extending our storage agreement with Sun Microsystems to Channel Development Partner for the entire product range including storage, enterprise servers and mobile computing
- Becoming recognised as one of the leading distributors for Nokia secure mobile connectivity solutions in Europe, the Middle East and Africa ('EMEA')

Following our acquisition of the specialist security distributor Allasso on 31 July 2003, we have now completed the integration of all its operations across Continental Europe, maximising the efficiency of the business with centralised logistics, consistent processes and a single management information system. These internal changes are combined with a focus on developing customer relationships on a pan-European basis with large resellers.

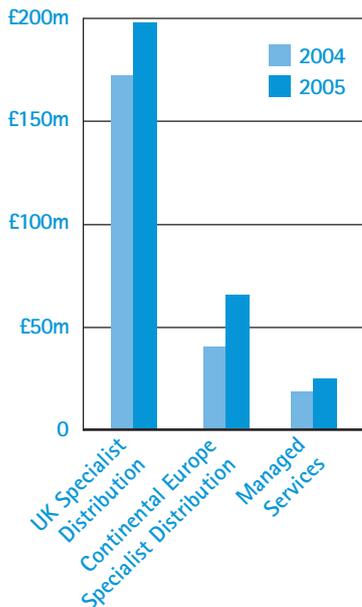
We are particularly pleased that our security expertise was recognised by Microsoft in Q4 when they chose InTechnology to help them move into the European IT security market. In a new partnership agreement with Microsoft and Network Engines, we will be distributing Microsoft ISA server software on the Network Engines platform in a 12-month exclusive agreement throughout the UK and Continental Europe.

Also, with corporate networks struggling to cope with exponential increases in network traffic, we began distribution of network solutions in H1 to exploit this expanding market. Our experience in running our own national ethernet network in the UK ('LANnet') means we can leverage our existing skills to deliver data networking, WAN/LAN, VPN, ethernet switching and wireless networks. To date, we have signed distribution agreements to sell Nortel and Juniper network products across the UK and Continental Europe.

Finally, in June 2004, we acquired the trade and assets of NetConnect Training from NetConnect Limited for cash consideration of £900,000 and contingent consideration to a maximum of £100,000. The business is fully integrated into the Group and operates under the InTechnology name. As a result, we are the UK's leading provider of authorised storage, security and internet training, and the world's largest CheckPoint, Nokia and Clearswift authorised training provider.



Turnover by Division



Trading and operating performance

We achieved encouraging revenue growth across all divisions, with Group turnover increasing to £283.5m this year (2004 restated: £221.9m)

- £198.2m (2004 restated: £170.8m) for the UK specialist distribution division
- £63.2m (2004: £36.6m) for the Continental Europe specialist distribution division
- £22.1m (2004: £14.5m) for the Managed Services division

However, against a background of gross margin erosion across the industry, our UK storage margins fell by 0.9% and security solutions margins by 2.4% year-on-year. In the European market, we experienced a 2.5% drop in margins but nonetheless won increased market share.

Meeting customer expectations

In the first half of the year, we carried out a full review of our customers' requirements and have now implemented changes to our organisational structure in order to meet these needs and maximise our sales opportunities.

Customer sales focus on the following:

- Developing the resellers' market opportunities from the full InTechnology range of products, solutions and services.
- Maximising margins by reducing the cost of sale
- Accelerating the speed at which the sale is closed by the reseller

In support of customer sales, we have Vendor teams to maintain our speciality and expertise around our core competencies in Storage, Data Management, Security and Networks.

A sea change in the marketplace

We are experiencing a sea change in the IT sales channel in relation to the market for services; traditional reseller business models which relied solely on sales of hardware to established end user customers, are no longer sustainable. End users increasingly want to outsource parts of their IT infrastructure to save cost and enable them to focus on their own core IT objectives. As a result, we are experiencing strong interest from major channel reseller partners in our managed services portfolio and see this as further confirmation that our strategy is sound.

Outlook

We are optimistic about prospects for our business in the year ahead. We are confident that sales volumes can increase to counter the pressures on gross margin within our Specialist Distribution division.

The strong performance of these established businesses, together with increased recurring revenue streams and exciting initiatives in our Managed Services division, give me confidence in our prospects for future growth and profitability.

Peter Wilkinson

Chief Executive Officer

29 June 2005

Financial review

The table below compares this year's results against prior year and provides a useful summary of the results by profit centre:

	Turnover			EBITA (i)			Group operating profit / (loss)		
	2005	2004	+ / (-)	2005	2004	+ / (-)	2005	2004	+ / (-)
	(Restated (iv))	(Restated (iv))		(Restated (iv))	(Restated (iv))		(Restated (iv))	(Restated (iv))	
	£m	£m	£m	£m	£m	£m	£m	£m	£m
UK Specialist Distribution (ii)	198.2	170.8	27.4	6.0	8.3	(2.3)	3.8	6.3	(2.5)
European Specialist Distribution (ii)	63.2	36.6	26.6	0.4	0.9	(0.5)	0.2	0.8	(0.6)
Total Specialist Distribution	261.4	207.4	54.0	6.4	9.2	(2.8)	4.0	7.1	(3.1)
Managed Services	22.1	14.5	7.6	(2.0)	(7.7)	5.7	(4.3)	(10.0)	5.7
				4.4	1.5	2.9	(0.3)	(2.9)	2.6
Costs of German subsidiary (iii)				-	(0.1)	0.1	-	(0.1)	0.1
Group	283.5	221.9	61.6	4.4	1.4	3.0	(0.3)	(3.0)	2.7

Notes:

- (i) EBITA comprises earnings before interest, taxation and amortisation of goodwill.
- (ii) Distribution includes the Allasso European security software distribution business acquired on 31 July 2003 and therefore the 2004 comparatives include its trading for 8 months of the year.
- (iii) In 2004 a provision of £0.1m was made in respect of property lease commitments in relation to the closure of the Group's German subsidiary.
- (iv) The 2004 results have been restated to reflect the revised revenue recognition accounting policy, see note 2 to the financial statements.

UK Specialist Distribution

Turnover growth was the result of the full year effect of the Allasso acquisition, together with strong sales in both storage and security products. Sales growth was also driven by partnerships with new vendors such as Network Appliance and fresh initiatives with existing vendors.

In common with other IT distributors, increased margin pressure particularly from vendors contributed to a reduction in divisional EBITA, a trend witnessed throughout the marketplace.

In the second half year, the integration of storage and security businesses was completed to provide one UK distribution sales force. The new sales structure is enabling us to give the maximum priority to customer satisfaction and offer our full range of storage, security and network products and services through 1 focal point.

European Specialist Distribution

Our European Specialist Distribution business experienced significant revenue growth, particularly in France and Spain. As in the UK, market pressures led to a reduction in gross margins and hence we failed to see the revenue gains feed through to increased divisional EBITA.

We remain committed to expanding these subsidiaries further by continuing to increase the portfolio of security and other network-centric products we offer.

Managed Services

Turnover increased by 52% to £22.1m (2004: £14.5m) with a resultant increase in gross margin. Tight control of operating costs enabled us to see the improved margins feed through to the bottom line with EBITA losses significantly reduced to £2.0m (2004: £7.8m). Indeed, in the second half year the division achieved the key milestone of monthly EBITA breakeven. Operating losses were reduced to £4.3m (2004: £10.0m).

Goodwill

In accordance with FRS 11, we evaluated the carrying value of the goodwill that arose following the acquisition of the Allasso group of companies on 31 July 2003. The value in use has been derived from discounted cash flow projections that cover the 4 years from 1 April 2005. After this 4-year period, the projections use a long-term growth rate. Our confidence in the long-term success of both our Specialist

Distribution division and Managed Services division indicate that no impairment write down is necessary this year.

Further to the acquisition of the Allasso group of companies, based on current projections we now estimate that an additional €2,300,000 (£1,582,000 assuming an exchange rate of £1 to €1.454) of conditional consideration will become payable by 31 July 2005 (see note 8 to the financial statements).

Acquisition

On 18 June 2004, the Group acquired the trade and assets of NetConnect Training from NetConnect Limited for cash consideration of £900,000 and contingent consideration to a maximum of £100,000 (see note 20). The acquired business has now been fully absorbed into the UK Specialist Distribution business, to which it contributed turnover of £1,260,000, operating profit of £267,000 and operating cash inflow of £159,000 during the year.

Revenue recognition

During the year we completed a comprehensive review of our accounting policy for revenue recognition in light of the guidance provided by Application Note G, an amendment to FRS 5. The review identified instances where sales of equipment had been recognised before we had fulfilled all of our contractual obligations to the customer. As a result, we have amended our procedures such that we now only recognise 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. Previously, revenue was recognised on shipment of equipment to the customer. This has resulted in a prior year adjustment with 2004 comparatives restated accordingly (see note 2 to the Financial Statements).

Cash flow and liquidity

The Group had a net cash outflow from operating activities of £2.0m (2004: £3.5m inflow). This was largely as a result of an increase in working capital requirements as we grew turnover in our European subsidiaries and funded unusually high stock levels with a major storage vendor.

Cash at bank and in hand at the year-end was £10.5m (2003: £16.4m). However, funding of working capital to support European growth together with continuing capital expenditure in our Managed Services division contributed to an increase in net debt to £22.2m (2004: £10.4m).

Taxation

The tax charge of £0.1m (2004 restated: £0.8m) on the loss on ordinary activities before taxation of £2.5m (2004 restated: £4.1m) arises largely because goodwill amortisation is not a taxable deduction. The year's tax charge has also been reduced by £0.9m (2004: £nil) due to the recognition of deferred tax assets, largely in respect of accelerated capital allowances (see note 16 to the financial statements). A full reconciliation of the tax charge is provided in note 5 to the financial statements.

Financial instruments

The Group's policy is that no trading in financial instruments is undertaken. The Group's financial instruments comprise borrowings, cash and liquid resources and various items that arise directly from its operations. The main risks arising from these are interest rate risk, liquidity risk, and foreign currency risk as the Group trades in euro and US dollars. The remaining IBM loan of € 4,167,000 (£2,866,000 assuming an exchange rate of £1 to € 1.454) as explained in note 15 to the financial statements continues to act as a hedge against the euro exposure arising from our investment in Allasso Europe.

Current trading

InTechnology's distribution marketplace faces continued margin pressure and foreign exchange volatility from fluctuations of the US dollar to euro and sterling.

Having achieved an operating profit before interest, tax and amortisation of goodwill on a monthly basis in our Managed Services division our challenge is to continue to grow this business through further contract wins and enhanced recurring revenue streams which now stand at £23.2m per annum (2004: £18.0m), by offering new services. I am confident our renewed customer focus, new distributor agreements and ever expanding portfolio of products and services will improve both revenue and operating profits in our distribution divisions both in the UK and in Europe.

Andrew Kaberry

Finance Director

29 June 2005



Andrew Kaberry

Technology review



The past year has seen a continued focus on the introduction of new products and services which offer genuine solutions to real business IT issues especially in the key growth areas of Business Continuity, Network security, Voice over IP, Information Lifecycle Management and IP convergence.

Organisations of all sizes are facing rapid increases in their data volumes and especially spiralling email volumes. In addition, new regulations require that data must be kept securely and made available over longer periods into the future and effective Information Lifecycle management is now mandatory.

The ever-present threat of IT system failure or malicious attack has meant that the need for data security and business continuity technology is stronger than ever. IT departments are under pressure to responsibly address these business requirements as well as improving standards of performance and reducing cost.

At the same time, convergence of data storage, data security and networking technologies offers major opportunities for dramatic improvements and cost savings in IT infrastructure deployment and we are now seeing strong evidence of a widespread shift towards Voice over IP based telephony.

Our Managed Services have been extended in scope and range, our core business in data storage has been augmented with new vendor technologies, new security and software solutions have been introduced and a network products business has been launched to complete our range of offerings for today's networked business environment.

With this substantially enhanced portfolio, InTechnology is strongly positioned to service these exciting growth market opportunities.

Managed Services

InTechnology's Managed Services enable businesses to effectively outsource key but non-core business IT functions on a 'pay as you go' basis.

Our automated back up ('VBAK') and data replication services assure the integrity and security of business critical data and deliver business continuity benefits. The quality of the technology has been recognised with our appointment as IBM's first "Data Retention Centre of Competence" in EMEA. As partners in IBM's Total Recovery Services framework and their adoption of VBAK into the IBM Business Continuity portfolio, InTechnology is now able to market VBAK in association with one of the world's leading providers of Business continuity services.

VBAK remains one of our core services and has attracted many high-profile customers in the past year, including distinguished public sector organisations such as King's College, Birkbeck College and London Business School in the University of London.

Our advanced Data Centre technology for secure data storage services has also been recognised in a partnership with EMC Centera for replication and storage of data such as x-rays, voice archives, electronic documents and email archives.

Convergence of network technologies means that customers who currently subscribe to our increasingly competitive VPN, Internet access and Broadband connectivity services have upgraded to other Managed Services and 60% of these customers now take at least two services from us, a trend we confidently expect to develop further with the introduction of new layered IP services.

New services

We have three new additions to our Managed Services portfolio – our IP Voice Connect™ service, a unique pay per usage Information Lifecycle Management solution and a VBAK variant for small and medium sized businesses.

The IP Voice Connect™ service enables organisations to implement reliable IP telephony at significantly reduced telecommunication costs and with unparalleled user functionality. It is a hosted, managed service which is layered over InTechnology's ethernet network. Customers have the opportunity to converge their voice and data networks into one high-performance, scalable and cost-effective network.

As organisations grapple with the allied problems of growing data volumes and compliance with data regulations, InTechnology has developed the first commercial pay as you go model for Information Lifecycle Management, providing a world-class policy engine and a flexible set of storage options depending on the importance of the data and likely access requirements.

We have extended the reach of the VBAK managed backup service, incorporating new technology that makes it suitable for the typical data volumes and budgets of small and medium size businesses.

Effective data management

As our customers seek new ways of managing their growing data volumes effectively, we have provided new technologies to support them. Our core data storage distribution business has grown strongly, with notable development in our partnership with Sun Microsystems. In the past year, our partnership with Network Appliance has proved very successful, with growth in sales from zero to £15 million marking the ready adoption in the market of this advanced and specialised technology, providing centralised storage flexibly for open network environments.





Software

Working in close partnership with IBM Software, VERITAS, HP OpenView and KVS (now part of VERITAS), we have provided a range of new standalone and integrated software solutions to help customers improve efficiency and extract maximum value from their data.

Success in our software business has been underpinned by technical expertise in consultancy, sales and training support – for example, InTechnology was presented with the award for UK VERITAS Top Enterprise Master Reseller for the fourth consecutive year by growing the licence revenue for VERITAS software by 82% over 2003.

Security

Continued strong demand for our security technology has reflected customer focus on IT security with requirements for reliable anti-virus, intrusion detection and firewall solutions.

New solutions have been introduced to the European security market, through partnerships with leading IT security vendors. An exclusive new pan-European distribution partnership with Network Engines and Microsoft® will bring innovative security appliances into the European markets in which we trade. Network Engines NS Series is a family of security appliances powered by Microsoft Internet Security and Acceleration Server 2004 ('ISA'). Specifically designed to defend Microsoft server assets, these appliances provide customers with the best available perimeter and application firewall protection for critical Microsoft products and services, including Microsoft Exchange Server, Internet Information Services ('IIS') and SharePoint® Portal Server.

Increasing demands from customers for wireless technology have led to our new partnership with security specialists Ironport to distribute the complete Ironport range of email infrastructure products and services, including world-class email security and messaging gateway appliances.



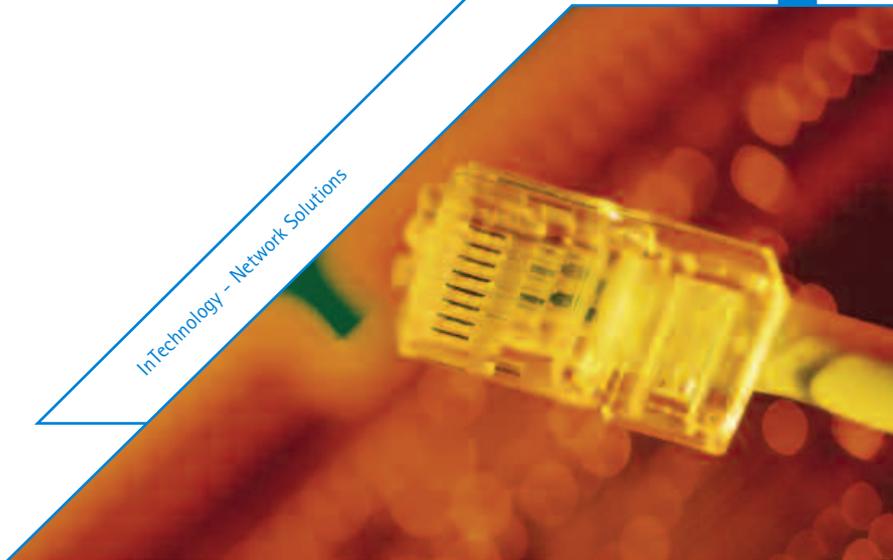
InTechnology - Software Consultancy

Network products

As businesses increasingly adopt IT networks to support their IT infrastructure, we have launched a Network Solutions division, developing and selling secure networking solutions across Europe. Nortel and Juniper are our partners in the new division, adding high-speed data networking, Ethernet switches and security products to our portfolio.

Our current portfolio demonstrates our capability to understand, design and deliver networking solutions - the new division will draw on networking expertise from both our Security and Managed Services Divisions.

The introduction of InTechnology Network Solutions completes our proposition and will ensure our Partners are able to address the continuing convergence of Network, Security, Voice and Storage infrastructures as end-users increasingly look to buy a complete solution from a single source.



InTechnology - Network Solutions

Management team

Non-Executive Directors



The Rt. Hon Lord Parkinson,
President (Chairman effective
21 April 2005) and Senior non-
Executive Director, aged 73

Lord Parkinson was appointed to the board in July 2000 as a non-Executive Director and is a member of both the Audit and Remuneration Committees of the Group. 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 was a Partner in Westwake Price (City Chartered Accountants) for 10 years and is currently Chairman and Director of a number of companies including Jarvis Group Limited, Huntswood plc and Le Carbone UK Group of Companies.



Joe McNally,
non-Executive Director, aged 62

Joe McNally was appointed to the Board in December 2000 as a non-Executive Director. He founded Compaq UK and Ireland in 1984 and was latterly appointed Chairman, before retiring in August 2001. Previously he was Chief Executive of FMC Harris plc.



Charles Scott,
non-Executive Director, aged 56

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 non-Executive Director of a number of other companies including Media Group plc.

Executive Directors



Peter Wilkinson,
Chairman (Chief Executive Officer
effective 21 April 2005), aged 51

Peter Wilkinson founded STORM in 1983 and VData in 1998 and both these businesses were sold to InTechnology plc in 2000 (in which he retains a 56% shareholding). Peter was appointed to the board of InTechnology in July 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 the Dixons Group plc.

In 2002, he formed Digital Interactive Television Group Limited ('DITG') which was subsequently sold to YooMedia plc in December 2004. Additionally, Peter holds an 18% stake in Mobile Tornado Limited.



Andrew Kaberry,
Finance Director, aged 58

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



Steve Pearce,
Chief Operating Officer and Business Development Director, aged 46

Steve Pearce was Divisional Sales Director for VData and was previously Divisional Sales Director for Planet Online Limited and STORM. He has previous experience with a number of companies in the technology sector including Digital Equipment Corporation Limited, Data General UK Limited and Radius Software Limited.



Bryn Sage,
Sales Director, aged 39

Bryn Sage has spent his career in the data storage arena beginning as an Apprentice Engineer in Systime Computers in 1981. In 1986, he joined STORM as an Engineer and progressed through the company to the position of Sales Director in 1994.



Richard James,
Company Secretary, aged 44

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 in September 2000 as a Director and Company Secretary.



John Swingewood,
Chief Technical Officer, aged 50

John Swingewood joined the Board in May 2001 as a Director and Chief Technical Officer. He was previously Director of New Media at BskyB plc and has also held positions at BT plc as Director of Internet and Multimedia and General Manager of Broadcast TV Business.

Directors' report

The Directors present their annual report and audited financial statements of the Company and the Group for the year ended 31 March 2005.

Principal activities

InTechnology is a specialist advanced data technology Group providing services and products via channel partners for data storage and deployment, data management, protection and security through its wide-area private network infrastructure.

Review of the business and future developments

Details of the past year's performance and the outlook for the current financial year are provided in the Chairman's introduction, the Chief Executive Officer's report and Financial review on pages 2 to 8.

Results and dividends

The Directors are unable to recommend the payment of a dividend in respect of the year ended 31 March 2005 (2004: £nil). The Company currently intends to reinvest future earnings to finance the growth of the business.

The loss sustained for the financial year of £2,575,000 (2004 restated: £4,889,000) will be deducted from reserves.

Charitable and political donations

The contributions made by the Group during the year for charitable purposes totalled £16,000 (2004: £6,000), comprising children's charities £13,000 (2004: £6,000), muscular dystrophy charities £2,000 (2004: £nil) and cancer relief charities £1,000 (2004: £nil). The Group made no political contributions (2004: £nil).

Directors

The Directors of the Company during the year ended 31 March 2005, together with brief biographies, are shown on pages 13 and 14, with the exception of Charles Cameron who resigned as a director on 21 April 2005.

Re-election of Directors

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

All Directors must be re-elected at intervals of not more than three years in accordance with the provisions of the Combined Code of Corporate Governance.

Directors' remuneration and interests

The Remuneration report is set out on pages 22 to 25. 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 19 to 21.

Details of related party transactions involving Directors of the Company are given in note 27 to the financial statements.

Substantial shareholdings

At 29 June 2005, the Company had received notification that the following are interested in more than 3 per cent of the issued ordinary share capital of the Company:

	Percentage of shares held
Peter Wilkinson	55.6%
Jon Wood	7.5%
Artemis Investment Management Limited	7.0%
Andrew Kaberry	5.2%
Canada Life	4.1%

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 and Group are going concerns. 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 in 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 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 provision of training and career development and promotion, where appropriate.

Share schemes

Share ownership is at the heart of 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 note 18 to the financial statements. All permanent employees are eligible to join the schemes.

Research and development

The Group continues to undertake research and development of new products with the objective of increasing future profitability. The cost to the Group is charged to the profit and loss account as incurred.

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 2005 average creditor days for the Group and Company were 31 days (2004: 38 days) and 33 days (2004: 37 days) respectively.

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.

Annual General Meeting

The next AGM of the Company will be held on 9 August 2005. Details of the business to be proposed at the AGM are contained within the Notice of Meeting, which is set out on pages 58 and 59.

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

29 June 2005



Corporate governance

InTechnology plc is an AIM listed company and is not therefore required to comply with the Principles of Good Governance and Code of Best Practice, the 'FRC Combined Code on Corporate Governance' issued in 2003. 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, (including those set out in Section 1 of the Combined Code), in a sensible and pragmatic manner.

Peter Wilkinson, as majority shareholder in the Company, has signed an agreement stating that he will not seek to influence the Board by reason of his shareholding.

Board of Directors

The Board of Directors consists of nine 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 Group 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 Group's expense. The Board programme is designed so that Directors have regular opportunity to

consider the Group's strategy, policies, budgets, progress reports and financial position and to arrive at a balanced assessment of the Group's position and prospects.

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 Group's corporate governance policies and for assisting the Board in facilitating compliance by the Company with its legal obligations.

The Board has appointed two standing committees, which are as follows:

The Audit Committee

Comprises the 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.

The Remuneration Committee

Comprises the two non-Executive Directors and the non-Executive Chairman 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 share options granted.

Relations with shareholders

The Company seeks to ensure that all shareholders are kept informed about the Company and its activities. A comprehensive annual report and accounts and an interim report are sent to shareholders and there is frequent dialogue with institutional investors, including presentations following the preliminary and interim announcements.

The Annual General Meeting is a forum for shareholders' participation with the opportunity to meet and question Board members including the non-Executive Chairman and the Chairmen of the Board committees.

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 Board as a whole has continued to review the effectiveness of the Company's systems of internal control annually.

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 monthly Board meetings. Where lapses in internal control are detected, these are rectified.
- c. The Company's cash flow is also monitored monthly compared to forecast.
- d. The Board authorises capital expenditure where this is significant.

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.

Statement of Directors' responsibilities

Company law requires the Directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the Company and the Group as at the end of the financial year and of the profit or loss of the Group for that year.

The Directors confirm that suitable accounting policies have been used and applied consistently as explained on pages 32 and 33 under the heading 'Accounting policies' with the exception of the change in accounting policy relating to income recognition on pages 32 and 33. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2005, that applicable accounting policies have been followed and that the financial statements have been prepared on the going concern basis.

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 1985. 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 maintenance and integrity of the InTechnology website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Richard James
Company Secretary
29 June 2005

Remuneration report

As an AIM listed company InTechnology plc is not required to comply with Schedule 7A of the Companies Act 1985. The following disclosures are made voluntarily. 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 or other benefits 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 25.

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 (based on salaries excluding bonuses) for the year ended 31 March 2005 were £60,000 (2004: £57,000). 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
Steve Pearce	6 months
Bryn Sage	6 months
John Swingewood	12 months

With the exception of the contracts with Richard James and John Swingewood, 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.

Directors' emoluments (audited)

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

	Salary	Bonus	2005 Benefits in kind £'000	Pension contributions £'000	Total £'000	2004 Total £'000
Executive Directors						
Peter Wilkinson	212	-	36	2	250	252
John Swingewood	162	-	1	8	171	221
Charles Cameron	187	-	4	25	216	214
Bryn Sage	110	76	15	5	206	201
Andrew Kaberry	150	-	27	12	189	190
Richard James	162	12	5	-	179	166
Steve Pearce	150	20	22	8	200	157
	1,133	108	110	60	1,411	1,401
	Fees	Bonus	Benefits in kind £'000	Pension contributions £'000	Total £'000	Total £'000
Non-Executive Directors						
The Rt. Hon. Lord Parkinson	50	-	-	-	50	49
Joe McNally	30	-	-	-	30	25
Charles Scott	30	-	-	-	30	25
	110	-	-	-	110	99
Total	1,243	108	110	60	1,521	1,500

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

Directors' interests

Interests in shares

The interests of the Directors in the shares of the Company as at 31 March were:

	2005		2004	
	Number	Percentage of shares held	Number	Percentage of shares held
Peter Wilkinson	78,403,998	55.6%	78,403,998	56.6%
Andrew Kaberry	7,379,562	5.2%	9,879,562	7.1%
Steve Pearce	3,939,781	2.8%	4,939,781	3.6%
John Swingewood	1,000,000	0.7%	1,000,000	0.7%
	90,723,341	64.3%	94,223,341	68.0%

Apart from the interests disclosed above and the interests in share options disclosed below, none of the other Directors of the Company at 31 March 2005 held interests at any time in the year in the share capital of the Company or other Group companies.

There have been no other changes in Directors' shareholdings since 31 March 2005.

Interests in share options (audited)

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

Rolled over HOLF granted 23/12/99 at 43.3 pence per share

Rolled over VData granted 7/01/00 at 1.8 pence per share

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

Further details are provided in note 18.

Set out below are details of share options that have been granted to Executive and non-Executive Directors:

Executive Directors	No. of share options 2005	No. of share options 2004	Exercise price (p)	Earliest exercise date	Expiry date
Richard James	400,000	400,000	150.0	01/09/03	01/04/11
Richard James	400,000	400,000	52.0	04/07/05	04/07/12
Andrew Kaberry	1,596,399	1,596,399	43.3	23/12/02	23/12/09
Bryn Sage	798,200	798,200	43.3	23/12/02	23/12/09
Bryn Sage	443,769	443,769	1.8	07/01/03	07/01/10
John Swingewood	500,000	500,000	279.0	01/05/04	01/05/11
John Swingewood	500,000	500,000	65.0	11/06/05	11/06/12
Charles Cameron	750,000	750,000	52.0	04/07/05	04/07/12
Non-Executive Directors					
Lord Parkinson	221,885	221,885	1.8	07/01/03	07/01/10
Lord Parkinson	203,178	203,178	43.3	23/12/02	23/12/09
Joe McNally	50,000	50,000	337.5	01/11/03	01/11/10
Charles Scott	50,000	50,000	327.5	02/01/04	02/01/11

No share options have been granted or exercised nor have lapsed in the year.

No Directors have been granted or exercised share options since 31 March 2005.

The market price of the Company's shares at 31 March 2005 was 49.4p (2004: 82.0p) and the range during the year then ended was 94.8p to 48.0p.

Joe McNally

Non-Executive Director

29 June 2005

Independent auditors' report to the members of InTechnology plc

For the year ended 31 March 2005

We have audited the financial statements which comprise the consolidated profit and loss account, consolidated statement of total recognised gains and losses, reconciliation of movements in Group shareholders' funds, balance sheets, consolidated cash flow statement, accounting policies and the related notes.

Respective responsibilities of Directors and auditors

The Directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of Directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, 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.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the

Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

We read the other information contained in the Annual Report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Chairman's introduction, Chief Executive Officer's report, the Financial review, the Technology review, the Management Team, the Directors' Report, the Corporate Governance report and the Remuneration report.

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered

necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2005 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
*Chartered Accountants and
Registered Auditors*

Leeds

29 June 2005

Consolidated profit and loss account

For the year ended 31 March 2005

	Note	2005 £'000	2004 (Restated) £'000
Turnover			
Continuing operations		282,262	221,868
Acquisition		1,260	-
	1, 2	283,522	221,868
Cost of sales		(230,579)	(181,331)
Gross profit	2	52,943	40,537
Net operating expenses before depreciation and amortisation of goodwill			
Net operating expenses before depreciation and amortisation of goodwill		(42,204)	(33,524)
Depreciation		(6,388)	(5,640)
Amortisation of goodwill		(4,635)	(4,403)
Net operating expenses		(53,227)	(43,567)
Group operating (loss) / profit			
Continuing operations		(551)	(3,030)
Acquisition		267	-
Group operating loss	1	(284)	(3,030)
Net interest payable	3	(2,181)	(1,050)
Loss on ordinary activities before taxation	4	(2,465)	(4,080)
Tax on loss on ordinary activities	2, 5	(110)	(809)
Loss sustained for the financial year	2, 19	(2,575)	(4,889)
EBITA			
EBITA		4,351	1,373
Loss per share (pence)			
Basic and diluted	7	(1.84)	(3.54)
Adjusted earnings / (loss) per share (pence)			
Basic and diluted	7	1.48	(0.35)

EBITA comprises earnings before interest, taxation and amortisation of goodwill.

There is no difference between the loss on ordinary activities before taxation and the loss sustained for the financial year and their historical cost equivalents.

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2005

	Note	2005 £'000	2004 (Restated) £'000
Loss sustained for the financial year		(2,575)	(4,889)
Unrealised gain on revaluation of land & buildings	9	1,754	-
Exchange gain / (loss) on translation of overseas subsidiaries	19	172	(301)
Exchange (loss) / gain on translation of hedging loan	19	(172)	301
Total recognised gains and losses relating to the year		(821)	(4,889)
Prior year adjustment	2	(753)	-
Total recognised gains and losses since last annual report		(1,574)	(4,889)

Reconciliation of movements in Group shareholders' funds

For the year ended 31 March 2005

	Note	2005 £'000	2004 (Restated) £'000
Loss sustained for the financial year		(2,575)	(4,889)
Unrealised gain on revaluation of land & buildings	9	1,754	-
Proceeds of ordinary share capital issued	18	27	3
Premium on ordinary share capital issued	18	248	29
Exchange gain / (loss) on translation of overseas subsidiaries	19	172	(301)
Exchange (loss) / gain on translation of hedging loan	19	(172)	301
Net change in shareholders' funds		(546)	(4,857)
Opening shareholders' funds	2, 19	92,023	96,880
Closing shareholders' funds	19	91,477	92,023

Balance sheets

As at 31 March 2005

	Note	Group		Company	
		2005 £'000	2004 (Restated) £'000	2005 £'000	2004 (Restated) £'000
Fixed assets					
Intangible assets	8	74,813	76,910	70,568	73,085
Tangible assets	9	14,773	13,443	13,795	12,848
Investments in subsidiary undertakings	10	-	-	19,180	18,354
		89,586	90,353	103,543	104,287
Current assets					
Stocks	11	13,179	10,811	12,597	10,383
Debtors - due after more than one year	12	-	-	1,455	1,455
- due within one year	12	105,399	91,265	82,286	72,770
		105,399	91,265	83,741	74,225
Cash at bank and in hand		10,488	16,379	9,473	14,962
		129,066	118,455	105,811	99,570
Creditors - amounts falling due within one year	13	(118,174)	(98,395)	(100,166)	(84,948)
Net current assets		10,892	20,060	5,645	14,622
Total assets less current liabilities		100,478	110,413	109,188	118,909
Creditors - amounts falling due after more than one year	14	(9,001)	(18,246)	(17,511)	(26,729)
Provisions for liabilities and charges	17	-	(144)	-	(144)
Net assets	1	91,477	92,023	91,677	92,036
Capital and reserves					
Called up share capital - equity	18 & 19	1,411	1,384	1,411	1,384
- non-equity	18 & 19	480	480	480	480
Share premium account	19	188,668	188,420	188,668	188,420
Revaluation reserve	19	1,754	-	1,754	-
Profit and loss account	19	(100,836)	(98,261)	(100,636)	(98,248)
Shareholders' funds (including non-equity interests)	19	91,477	92,023	91,677	92,036
Shareholders' funds comprise:					
Equity interests		89,237	89,783	89,437	89,796
Non-equity interests		2,240	2,240	2,240	2,240
		91,477	92,023	91,677	92,036

The financial statements on pages 27 to 57 were approved by the Board of Directors on 29 June 2005 and were signed on its behalf by:

Andrew Kaberry
Finance Director

Consolidated cash flow statement

For the year ended 31 March 2005

	Note	2005 £'000	2004 £'000
Net cash (outflow) / inflow from operating activities	21	(2,000)	3,485
Returns on investments and servicing of finance			
Interest received		160	324
Interest element of finance lease payments		(282)	(220)
Interest paid		(2,033)	(1,104)
Debt issue costs		-	(300)
Net cash outflow from returns on investments and servicing of finance		(2,155)	(1,300)
Taxation paid		(1,135)	(1,305)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(6,106)	(4,010)
Sale of tangible fixed assets		1,542	349
Net cash outflow from capital expenditure and financial investment		(4,564)	(3,661)
Acquisitions			
Purchase of subsidiary undertakings (including costs)	20	(980)	(18,578)
Net cash at bank acquired with purchase of subsidiary undertakings	20	-	2,731
Net cash outflow for acquisitions		(980)	(15,847)
Net cash outflow before financing		(10,834)	(18,628)
Financing			
Issue of ordinary share capital		275	32
Net increase in borrowings		6,615	18,090
Capital element of finance lease payments		(1,991)	(1,173)
Net cash inflow from financing		4,899	16,949
Decrease in cash in the year	22 & 23	(5,935)	(1,679)

Accounting policies

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the main accounting policies which have been applied consistently (except in respect of revenue recognition, see below for further details) is set out as follows:

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention modified to include the revaluation of certain fixed assets.

Basis of consolidation

The consolidated profit and loss account and balance sheet include the financial statements of the company and its subsidiary undertakings up to 31 March. The results of subsidiaries acquired are included in the consolidated profit and loss account from the date on which control passes. Intra-group sales and profits are eliminated fully on consolidation.

On acquisition of a subsidiary, its assets and liabilities that exist at the date of acquisition are recorded at their fair values. All gains and losses that arise after the group has gained control of the subsidiary are included in the post acquisition profit and loss account.

Goodwill

Goodwill arising on consolidation represents the excess of the fair value of the consideration paid over the fair value of the identifiable net assets acquired and is amortised through the profit and loss account over its useful economic life. The Directors have assessed the estimated useful economic life of goodwill at 20 years from date of acquisition based on the strengths of the underlying businesses and projected future market growth. The Directors review the level of goodwill for impairment at the end of the first full financial year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost with the exception of freehold land & buildings (which are held at valuation), together with any incidental expenses of acquisition.

Depreciation is calculated so as to write-off the cost of tangible fixed assets less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used for this purpose are:

Freehold buildings	2%
Leasehold improvements	20%
Office fixtures and fittings	10% to 50%
Vehicles and computer equipment	20% to 50%

Freehold land is not depreciated.

Surpluses arising on the revaluation of tangible fixed assets are credited to a revaluation reserve. On subsequent disposal of a revaluated asset, the revaluation surplus relating to this asset is transferred to the profit and loss account reserve.

The Directors review tangible fixed assets for impairment if events or changes in circumstances indicate that the carrying value may not be recoverable.

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

Stocks

Stocks are stated at the lower of cost and net realisable value. Provisions are made for obsolete, slow-moving and defective items where appropriate.

Revenue recognition

Previously the Group recognised revenue on the outright sale of equipment and software on invoice at the time of despatch. In the light of guidance provided by Application Note G, an amendment to FRS 5, the Group has amended its accounting policy. The Group now only recognises revenue on the sale of equipment when the goods are received by the

Accounting policies (continued)

customer and when there are no unfulfilled obligations that affect the customer's final acceptance of the equipment. The adoption of this revised accounting policy has resulted in a prior year adjustment, further details of which are provided in note 2.

Service revenues are recognised over the period to which the service relates.

Unrecognised service revenue and associated cost of sale is included as deferred income and deferred cost respectively in the balance sheet.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to sterling at the exchange rates ruling at the balance sheet date.

The results of overseas subsidiary undertakings are translated at the average exchange rate for the year. The assets and liabilities of such undertakings are translated at year end exchange rates. Any resulting exchange differences are taken to reserves and are reported in the statement of total recognised gains and losses. Exchange differences arising on borrowings in foreign currency financing overseas investments are taken to reserves to the extent they offset exchange differences in the investment.

All other exchange differences are taken to the profit and loss account.

Lease agreements

Finance lease arrangements, which transfer to the Group substantially all the benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in fixed assets and the capital element of the finance leases is shown as obligations under finance leases. The finance lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged to the profit and loss account in proportion to the reducing capital element outstanding. Assets held under finance leases are depreciated over the shorter of the lease term and the useful lives of equivalent owned assets.

Costs in respect of operating leases are charged to the profit and loss account on a straight line basis over the term of the lease.

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between profits computed for taxation purposes and profits stated in the financial statements to the extent that there is an obligation to pay more tax or right to pay less tax, in the future as a result of the reversal of those timing differences. Deferred tax is not provided where a timing difference arises from the revaluation of fixed assets for which there is no binding agreement to sell.

Deferred tax assets are recognised to the extent that they are considered more likely than not to be recoverable in the foreseeable future. Deferred tax assets and liabilities are not discounted.

Research and development

Research and development expenditure is written off to the profit and loss account as incurred.

Pension costs

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

Share schemes

The Group grants share options to employees and directors on a discretionary basis. The scheme is 'unapproved' and all employees have agreed in writing to accept liability for any National Insurance contributions that become due on exercise of options.

Debt issue costs

Debt issue costs are capitalised and offset against the loans to which they relate. The costs are amortised over the term of the loan.

Notes to the financial statements

For the year ended 31 March 2005

1 Segmental information

	Turnover by destination		Turnover by source		Group operating (loss) / profit by source	
	2005	2004 (Restated)	2005	2004 (Restated)	2005	2004 (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Geographical analysis						
United Kingdom	217,761	184,093	220,339	185,294	(403)	(3,787)
Continental Europe	64,970	37,174	63,183	36,574	119	757
North America	207	293	-	-	-	-
Africa	68	176	-	-	-	-
Rest of the World	516	132	-	-	-	-
Total	283,522	221,868	283,522	221,868	(284)	(3,030)

	Turnover		Group operating profit / (loss)			
	2005	2004 (Restated)	Before goodwill amortisation		After goodwill amortisation	
			2005	2004 (Restated)	2005	2004 (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Business analysis						
Specialist Distribution	261,449	207,374	6,321	9,131	3,967	7,015
Managed Services	22,073	14,494	(1,970)	(7,758)	(4,251)	(10,045)
Total	283,522	221,868	4,351	1,373	(284)	(3,030)

Net assets	Including goodwill		Excluding goodwill	
	2005	2004 (Restated)	2005	2004 (Restated)
	£'000	£'000	£'000	£'000
Geographical analysis				
United Kingdom	78,586	79,797	9,031	7,752
Continental Europe	12,891	12,226	7,633	7,361
Group Total	91,477	92,023	16,664	15,113

Business analysis				
Specialist Distribution	55,926	38,479	16,067	(1,196)
Managed Services	25,063	37,165	(9,891)	(70)
	80,989	75,644	6,176	(1,266)
Cash	10,488	16,379	10,488	16,379
Group Total	91,477	92,023	16,664	15,113

Notes to the financial statements (continued)

1 Segmental information (continued)

The acquisition of the trade and assets of NetConnect Training (included in the above tables) contributed £1,260,000 of turnover, £305,000 of operating profit before goodwill amortisation and £267,000 of operating profit after goodwill amortisation to the Specialist Distribution division in the period following completion of the acquisition on 18 June 2004. The net operating cash inflows have not been disclosed since they were not significant.

The segmental analysis above excludes net interest payable of £2,181,000 (2004: £1,050,000) which is not analysed by business segment.

2 Prior year adjustment

During the year, the Group has completed a comprehensive review of its accounting policy for revenue recognition in light of the guidance provided by Application Note G, an amendment to FRS 5. The review identified instances where sales of equipment have been recognised before the Group has fulfilled all of its contractual obligations to the customer. As a result, the Group has amended its procedures such that it now 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. Previously, revenue was recognised on shipment of equipment to the customer.

The cumulative effect of the changes relating to previous years has been recognised in the results as a prior year adjustment and comparative figures have been restated in accordance with the revised accounting policy. The effects of the changes on turnover, cost of sales, gross margin and the tax charge for the year ended 31 March 2004 are summarised as follows:

	Turnover	Cost of sales	Gross margin	Tax charge
	£'000	£'000	£'000	£'000
Year ended 31 March 2004				
As previously stated	223,509	(182,706)	40,803	(889)
Restated	221,868	(181,331)	40,537	(809)

The net effect of the change in policy in the year ended 31 March 2004 is to reduce turnover by £1,641,000, reduce gross margin by £266,000, reduce the tax charged on loss on ordinary activities by £80,000 and increase the loss sustained for the financial year by £186,000.

The net effect of the change in policy in the year ended 31 March 2005 is to increase turnover by £3,823,000, increase gross margin by £535,000, increase the tax charged on loss on ordinary activities by £160,700 and reduce the loss sustained for the financial year by £374,300.

The cumulative effect of implementing the revised policy is to reduce Group reserves at 31 March 2004 by £753,000, summarised as follows:

	Trade debtors	Trade creditors - amounts falling due within 1 year	Net assets
	£'000	£'000	£'000
Year ended 31 March 2004			
As previously stated	83,273	(89,650)	92,776
Restated	90,942	(98,072)	92,023
Difference	(7,669)	8,422	753

3 Net interest payable

	2005 £'000	2004 £'000
Interest payable on bank loans and overdrafts	(42)	(9)
Interest payable on other loans	(1,942)	(1,095)
Amortisation of debt issue costs	(75)	(50)
Interest payable on finance leases	(282)	(220)
	<u>(2,341)</u>	<u>(1,374)</u>
Bank interest receivable	160	324
Net interest payable	(2,181)	(1,050)

4 Loss on ordinary activities before taxation

	2005 £'000	2004 £'000
Loss on ordinary activities before taxation is stated after charging / (crediting):		
Staff costs (note 25)	24,471	20,301
Depreciation of owned tangible fixed assets	4,302	4,098
Depreciation of leased tangible fixed assets	2,086	1,542
Amortisation of goodwill	4,635	4,403
Other operating lease rentals	3,823	2,722
Auditors' remuneration - audit	175	150
Auditors' remuneration - further assurance services	-	10
Auditors' remunerations - tax compliance	48	21
Net exchange gain / (loss) on foreign currency borrowings	14	(14)
Profit on disposal of tangible fixed assets	(262)	(87)

Auditors' remuneration includes £49,000 (2004: £53,000) in respect of audit services, £nil in respect of further assurance services (2004: £10,000) and £22,000 (2004: £21,000) in respect of tax compliance services provided to the Company.

Notes to the financial statements (continued)

5 Tax on loss on ordinary activities

	2005	2004 (Restated)
	£'000	£'000
Tax charge comprises:		
United Kingdom corporation tax at 30% (2004: 30%)		
Current	(952)	(632)
Prior year adjustment (note 2)	-	80
Over provision in respect of prior years	265	198
UK current tax	(687)	(354)
Overseas current tax	(337)	(430)
Overseas over provision in respect of prior years	19	-
Total current tax	(1,005)	(784)
Deferred tax current year (note 16)	256	(25)
Deferred tax in respect of prior years (note 16)	639	-
	(110)	(809)

The tax charge is higher (2004: higher) than the standard rate of corporation tax in the UK. The differences are explained as follows:

	2005	2004 (Restated)
	£'000	£'000
Loss on ordinary activities before taxation	(2,465)	(4,080)
At standard rate of corporation tax of 30% (2004: 30%)	(740)	(1,224)
Effects of:		
Amortisation of goodwill	1,391	1,321
Expenses not deductible for tax purposes	171	366
Adjustment to tax charge in respect of previous periods	(284)	(198)
Capital allowances for year lower than depreciation	255	161
Overseas tax rates / losses not used	100	251
Other timing differences	112	107
	1,005	784

At 31 March 2005, the Company had accumulated tax losses of £2,973,000 (2004: £2,973,000) which are available for offset against future trading profits of certain Group operations, subject to agreement with the relevant tax authorities.

6 Loss of the holding company

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented in these financial statements. The parent Company's loss for the year ended 31 March 2005 was £2,388,000 (2004 restated: £5,150,000).

7 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £2,575,000 (2004 restated: £4,889,000) by the weighted average number of ordinary shares in issue during the year of 139,575,879 (2004: 138,245,916).

The adjusted basic loss per share has been calculated to provide a better understanding of the underlying performance of the Group as follows:

	2005		2004	
	Basic and diluted		Basic and diluted	
	(Loss) / earnings	(Loss) / earnings per share	(Loss) / earnings (Restated)	(Loss) / earnings per share (Restated)
	£'000	pence	£'000	pence
Loss attributable to ordinary shareholders	(2,575)	(1.84)	(4,889)	(3.54)
Amortisation of goodwill	4,635	3.32	4,403	3.19
Adjusted basic earnings / (loss) per share	2,060	1.48	(486)	(0.35)

The loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 14 "Earnings per share".

Notes to the financial statements (continued)

8 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 April 2004	172,257
Additions (note 20)	956
Increase in estimated contingent consideration (i)	1,582
At 31 March 2005	174,795
Amortisation	
At 1 April 2004	95,347
Charge for the year	4,635
At 31 March 2005	99,982
Net book amount at 31 March 2005	74,813
Net book amount at 31 March 2004	76,910
Company	Goodwill £'000
Cost	
At 1 April 2004	166,613
Additions (note 20)	956
Increase in estimated contingent consideration (ii)	949
At 31 March 2005	168,518
Amortisation	
At 1 April 2004	93,528
Charge for the year	4,422
At 31 March 2005	97,950
Net book amount at 31 March 2005	70,568
Net book amount at 31 March 2004	73,085

(i) The increase in contingent consideration is in respect of the acquisition of the Allasso group of companies on 31 July 2003. Based on current trading the Directors estimate that an additional €2,300,000 (£1,582,000 assuming an exchange rate of £1 to €1.454) contingent consideration will become payable by 31 July 2005.

(ii) The increase in contingent consideration is in respect of the acquisition of the Allasso group of companies on 31 July 2003 and subsequent transfer of the trade and net assets of Allasso Limited to InTechnology plc on 1 November 2003. Based on current trading the Directors estimate that an additional €1,380,000 (£949,000 assuming an exchange rate of £1 to €1.454) contingent consideration will become payable by 31 July 2005.

9 Tangible fixed assets

Group	Freehold land & buildings £'000	Leasehold improve- ments £'000	Office fixtures & fittings £'000	Vehicles & computer equipment £'000	Total £'000
Cost or valuation					
At 1 April 2004	3,607	1,600	1,955	22,841	30,003
Acquisitions	-	-	9	38	47
Additions	42	139	539	6,456	7,176
Disposals	(893)	-	(160)	(671)	(1,724)
Gain on revaluation	1,094	-	-	-	1,094
Exchange adjustments	-	-	11	37	48
At 31 March 2005	3,850	1,739	2,354	28,701	36,644
Accumulated depreciation					
At 1 April 2004	501	951	1,422	13,686	16,560
Charge for the year	159	285	302	5,642	6,388
Disposals	-	-	(76)	(368)	(444)
Gain on revaluation	(660)	-	-	-	(660)
Exchange adjustments	-	-	3	24	27
At 31 March 2005	-	1,236	1,651	18,984	21,871
Net book amount at 31 March 2005	3,850	503	703	9,717	14,773
Net book amount at 31 March 2004	3,106	649	533	9,155	13,443

Notes to the financial statements (continued)

9 Tangible fixed assets (continued)

Company	Freehold land & buildings £'000	Leasehold improve- ments £'000	Office fixtures & fittings £'000	Vehicles & computer equipment £'000	Total £'000
Cost or valuation					
At 1 April 2004	3,607	1,600	1,694	21,317	28,218
Acquisitions	-	-	9	38	47
Additions	42	139	23	6,139	6,343
Disposals	(893)	-	-	(434)	(1,327)
Gain on revaluation	1,094	-	-	-	1,094
At 31 March 2005	3,850	1,739	1,726	27,060	34,375
Accumulated depreciation					
At 1 April 2004	501	951	1,305	12,613	15,370
Charge for the year	159	285	253	5,359	6,056
Disposals	-	-	-	(186)	(186)
Gain on revaluation	(660)	-	-	-	(660)
At 31 March 2005	-	1,236	1,558	17,786	20,580
Net book amount at 31 March 2005	3,850	503	168	9,274	13,795
Net book amount at 31 March 2004	3,106	649	389	8,704	12,848

The net book amount of Group and Company tangible fixed assets includes an amount of £2,864,000 (2004: £3,200,000) in respect of assets held under finance leases.

Analysis of net book amount of freehold land & buildings	Group and Company	
	2005 £'000	2004 £'000
Freehold land	1,200	1,233
Freehold buildings	2,650	1,873
	3,850	3,106

The freehold land and buildings occupied by the Company were revalued by external valuers, King Sturge LLP, at 31 March 2005 on the basis of existing use value, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom.

The valuation has been incorporated into the financial statements and the resulting revaluation adjustments have been taken to the revaluation reserve. The revaluation resulted in a surplus of £1,754,000 (note 19).

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

9 Tangible fixed assets (continued)

The assets that have been revalued comprise the following land and buildings:

	Freehold land £'000	Group and Company Freehold buildings £'000	Total £'000
Net book value at 31 March 2005	1,200	2,650	3,850
Historical cost:			
Cost	339	2,416	2,755
Accumulated depreciation	-	(659)	(659)
Net book value	339	1,757	2,096

10 Investments

	Company £'000
Shares in group undertakings	
At 1 April 2004	18,354
Additions in year:	
Contingent consideration (note 8)	1,582
Exchange gain on translation of investment	193
Transfer to goodwill (note 8)	(949)
At 31 March 2005	19,180

On 1 November 2003 the trade and net assets of Allasso UK Limited were transferred to InTechnology plc at book value, following which the net investment held by InTechnology in Allasso UK Limited was £10,800,000. As the trade of Allasso UK Limited was transferred to InTechnology, the value of the investment held was only supported by the net assets and future cash flows of Allasso UK Limited's trading subsidiaries, Allasso GmbH and Allasso Benelux bv. Since the transfer does not impair the future profitability of the Company £949,000 (2004: £8,000,000) has been transferred from investments to goodwill in the InTechnology company balance sheet. This represents the additional conditional consideration that the directors now estimate will become payable (note 8).

Investments in Group undertakings are stated at cost.

Notes to the financial statements (continued)

10 Investments (continued)

Details of the principal investments at 31 March 2005 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	Group proportion held	Company proportion held
Allasso SAS	France	Sale of computer security products and ancillary services	100%	100%
Allasso GmbH	Germany	Sale of computer security products and ancillary services	100%	-
Allasso Iberia SAU	Spain	Sale of computer security products and ancillary services	100%	-
Allasso Italia Srl	Italy	Sale of computer security products and ancillary services	100%	-
Allasso Benelux bv	The Netherlands	Sale of computer security products and ancillary services	100%	-
Allasso AG	Switzerland	Sale of computer security products and ancillary services	100%	100%
Allasso Limited	England	Dormant	100%	100%
HOLF Technologies Limited	England	Dormant	100%	100%
VData Limited	England	Dormant	100%	100%
Integrated Technology (Europe) Limited	England	Dormant	100%	100%

11 Stocks

	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Goods for re-sale	13,179	10,811	12,597	10,383

12 Debtors

	Group		Company	
	2005 £'000	2004 (Restated) £'000	2005 £'000	2004 (Restated) £'000
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	-	1,455	1,455
Amounts falling due within one year:				
Trade debtors	62,015	53,625	41,468	39,164
Other debtors	12,420	10,091	11,008	8,880
Deferred tax asset (note 16)	1,105	210	1,105	210
Corporation tax	576	425	155	-
Prepayments and accrued income	5,172	4,600	3,660	4,243
Deferred cost of sales	24,111	22,314	13,233	14,482
Amounts owed by Group undertakings	-	-	11,657	5,791
	105,399	91,265	82,286	72,770
Total	105,399	91,265	83,741	74,225

Amounts owed by Group undertakings are unsecured.

Notes to the financial statements (continued)

13 Creditors – amounts falling due within one year

	Group		Company	
	2005	2004 (Restated)	2005	2004 (Restated)
	£'000	£'000	£'000	£'000
Bank and other borrowings (IBM)	17,246	5,215	17,246	5,215
Loan from Peter Wilkinson	4,930	2,425	4,930	2,425
Obligations under finance leases	1,511	1,901	1,487	1,896
Trade creditors	52,139	48,139	47,163	44,056
Corporation tax	-	-	-	39
Other taxation and social security	5,337	6,227	3,811	5,133
Other creditors	673	469	70	3
Accruals	4,744	6,110	3,343	4,773
Deferred income	29,300	27,909	16,408	17,804
Contingent consideration (note 8)	2,294	-	2,294	-
Amounts owed to Group undertakings	-	-	3,414	3,604
	118,174	98,395	100,166	84,948

Bank and other borrowings comprise loans due within one year which were provided by IBM United Kingdom Financial Services Limited and Peter Wilkinson and are secured by fixed and floating charges over the assets of the Company dated 23 July 2003 and 31 July 2003 respectively.

14 Creditors – amounts falling due after more than one year

	Group		Company	
	2005	2004	2005	2004
	£'000	£'000	£'000	£'000
Bank and other borrowings (IBM)	573	3,354	573	3,354
Loan from Peter Wilkinson	7,395	12,325	7,395	12,325
Obligations under finance leases	1,033	1,564	1,033	1,537
Contingent consideration	-	1,003	-	1,003
Amounts owed to Group undertakings	-	-	8,510	8,510
	9,001	18,246	17,511	26,729

Amounts owed by Group undertakings are unsecured.

14 Creditors – amounts falling due after more than one year (continued)

Bank and other borrowings and finance leases are repayable as follows:

Bank and other borrowings (IBM)	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
In one year or less	17,246	5,215	17,246	5,215
Between one and two years	573	2,236	573	2,236
Between two and five years	-	1,118	-	1,118
	17,819	8,569	17,819	8,569

Loan from Peter Wilkinson	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
In one year or less	5,000	2,500	5,000	2,500
Between one and two years	5,000	5,000	5,000	5,000
Between two and five years	2,500	7,500	2,500	7,500
Unamortised debt issue costs	(175)	(250)	(175)	(250)
	12,325	14,750	12,325	14,750

Finance Leases	Group		Company	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
In one year or less	1,511	1,901	1,487	1,896
Between one and two years	957	1,064	957	1,037
Between two and five years	76	500	76	500
	2,544	3,465	2,520	3,433

15 Financial instruments

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.

Although the Group has net debt of £22,200,000, £12,325,000 has been agreed at a fixed rate of interest of 8% thus reducing the levels of interest rate exposure. Group policy is to continue to monitor financial markets and to repay outstanding loans in line with agreed repayment schedules.

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.

Notes to the financial statements (continued)

15 Financial instruments (continued)

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 sterling invoice discounting facility of £26,728,000 with IBM, of which £14,953,000 was used as at 31 March 2005. This facility is provided on a rolling basis and is subject to 60 days notice by either party.

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 £10,488,000 as follows:

Currency	Floating Rate	
	2005 £'000	2004 £'000
Sterling	8,242	14,749
US dollar	1,337	452
Euro	909	1,178
	10,488	16,379

The sterling, US dollar and euro financial assets relate to cash at bank and bear interest based on GBP LIBOR, US Dollar LIBOR and EURIBOR respectively. There are no fixed rate financial assets (2004: £nil).

Interest rate risk profile of financial liabilities

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

	Sterling		Euro		Total	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Floating rate bank and other borrowings (IBM)	14,953	3,000	2,866	5,569	17,819	8,569
Fixed rate loan from Peter Wilkinson	12,325	14,750	-	-	12,325	14,750
Fixed rate finance leases	2,520	3,433	24	32	2,544	3,465
Deferred shares	480	480	-	-	480	480
Contingent consideration (zero interest)	50	-	2,244	1,003	2,294	1,003
Provisions for liabilities and charges (zero interest)	-	-	-	144	-	144
Total	30,328	21,663	5,134	6,748	35,462	28,411

Weighted average fixed interest rate	8.85%	8.44%	3.37%	4.50%	8.85%	8.44%
Weighted average period for which rate is fixed	2.1 years	3.0 years	2.6 years	0.6 years	2.1 years	3.0 years
Weighted average period to maturity on which no interest is paid	0.3 years	-	0.3 years	0.8 years	0.3 years	0.8 years

15 Financial instruments (continued)

Deferred shares are excluded from the 'weighted average period to maturity on which no interest is paid' calculation as there is no specified maturity date.

Financial liabilities include secured loan arrangements with IBM and Peter Wilkinson and finance leases and are detailed in note 14. The floating rate sterling and Euro loans bear interest by reference to GBP LIBOR and EURIBOR respectively and are repayable as set out in note 14.

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:

	2005 £'000	2004 £'000
Expiring within one year	11,774	4,669

Non-equity shares

A proportion of the Group's share capital is attributable to non-equity interests, in the form of deferred shares of 1p each. The rights and restrictions attaching to the deferred shares are described in note 18 to the financial statements.

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 2005 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 total recognised gains and losses.

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.

	2005 £'000	2004 £'000
Functional currency of operation: Sterling		
US dollar assets (net)	5,199	1,914
Euro assets / (liabilities) (net)	219	(2,232)
	5,418	(318)
Functional currency of operation: Euro		
US dollar liabilities (net)	(12,722)	(6,234)
Sterling assets (net)	8	-
	(12,714)	(6,234)

Hedges

With the exception of the hedging loan explained above the Group does not operate any hedging instruments.

Notes to the financial statements (continued)

16 Deferred tax asset

	Group and Company £'000
At 1 April 2004	210
Credited to the profit and loss account	895
At 31 March 2005	1,105

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws substantively enacted at the balance sheet dates.

The deferred tax asset is included in debtors and is analysed as follows:

Group	Amount recognised		Amount not recognised	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Depreciation in excess of capital allowances	969	-	-	410
Short term timing differences	136	210	-	-
Losses carried forward	-	-	1,021	892
	1,105	210	1,021	1,302

Company	Amount recognised		Amount not recognised	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Depreciation in excess of capital allowances	969	-	-	410
Short term timing differences	136	210	-	-
Losses carried forward	-	-	892	892
	1,105	210	892	1,302

In addition, in the light of medium term forecasts prepared, the Group does not at present consider it more likely than not that suitable taxable profits will be available to offset the losses carried forward, hence no deferred tax asset has been recognised in respect of losses carried forward. In accordance with FRS 19 'Deferred tax', the Directors will continue to assess whether deferred tax assets should be recognised in respect of these items.

No provision has been made for deferred tax on revalued property. The tax on the gains arising would only become payable if the property were sold without rollover relief being available. The tax which would be payable under such circumstances is estimated to be £526,000 (2004: £nil). These assets are expected to be used in the continuing operations of the business and, therefore, no tax is expected to be paid in the foreseeable future.

17 Provisions for liabilities and charges

	Group and Company Lease commitments £'000
At 1 April 2004	144
Utilised in the year	(144)
At 31 March 2005	-

18 Called up share capital

	Company	
	2005 £'000	2004 £'000
Authorised		
252,000,000 Ordinary shares of 1p each	2,520	2,520
48,000,000 Deferred shares of 1p each	480	480
Total	3,000	3,000
	2005 £'000	2004 £'000
Allotted, called up and fully paid		
141,111,944 (2004: 138,414,996) Ordinary shares of 1p each	1,411	1,384
48,000,000 Deferred shares of 1p each	480	480
Total	1,891	1,864

The number of allotted, called up and fully paid shares increased in the year as the Company issued 2,696,948 shares (2004: 313,478 shares) in respect of the exercise of employee share options.

Deferred shares differ to ordinary shares in that they do not entitle the holder to receive any dividend or other distribution; do not entitle the holder to vote at any general meeting of the Company; do entitle the holder on a winding up to repayment of amounts paid only after payment in respect of each Ordinary Share of the capital paid up and a further payment of £10,000 on each Ordinary Share and are treated as non-equity shares.

Notes to the financial statements (continued)

18 Called up share capital (continued)

Share options

Certain employees hold options to subscribe for shares in the Company at prices ranging from 1.8p to 337.5p under the share option schemes.

During the year the Company issued 2,696,948 shares (2004: 313,478 shares) in respect of the exercise of employee share options.

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		Exercise price (p)	Earliest exercise date	Expiry date
	2005	2004			
HOLF scheme	7,078,373	7,712,056	43.3	23/12/02	23/12/09
VData scheme	3,135,917	4,953,576	1.8	07/01/03	07/01/10
InTechnology scheme	1,613,463	1,758,463	50.5	19/07/05	19/07/12
InTechnology scheme	1,150,000	1,150,000	52.0	04/07/05	04/07/12
InTechnology scheme	1,578,000	1,578,000	61.0	01/08/06	01/08/13
InTechnology scheme	517,500	500,000	65.0	15/07/03-11/06/05	15/07/06-11/06/12
InTechnology scheme	600,000	600,000	150.0	01/09/03-09/10/03	01/09/10-09/10/10
InTechnology scheme	304,000	311,000	172.0	15/03/04-20/12/04	15/03/11-20/12/11
InTechnology scheme	570,000	570,000	279.0	15/03/04-01/05/04	15/03/11-01/05/11
InTechnology scheme	50,000	50,000	327.5	02/01/04	02/01/11
InTechnology scheme	50,000	50,000	337.5	01/11/03	01/11/10
	16,647,253	19,233,095			

Further details of the share option schemes in operation are given under the heading 'Interests in share options' in the Remuneration Report on pages 22 to 25.

19 Shareholders' funds

Group	Ordinary share capital £'000	Deferred shares £'000	Share premium account £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 April 2004 as previously reported	1,384	480	188,420	-	(97,508)	92,776
Prior year adjustment (note 2)	-	-	-	-	(753)	(753)
At 1 April 2004 as restated	1,384	480	188,420	-	(98,261)	92,023
Issue of shares to satisfy employee share options	27	-	248	-	-	275
Gain on revaluation	-	-	-	1,754	-	1,754
Loss sustained for the year	-	-	-	-	(2,575)	(2,575)
Exchange adjustments	-	-	-	-	-	-
At 31 March 2005	1,411	480	188,668	1,754	(100,836)	91,477

Company	Ordinary share capital £'000	Deferred shares £'000	Share premium account £'000	Revaluation reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 April 2004 as previously reported	1,384	480	188,420	-	(97,495)	92,789
Prior year adjustment (note 2)	-	-	-	-	(753)	(753)
At 1 April 2004 as restated	1,384	480	188,420	-	(98,248)	92,036
Issue of shares to satisfy employee share options	27	-	248	-	-	275
Gain on revaluation	-	-	-	1,754	-	1,754
Loss sustained for the year	-	-	-	-	(2,388)	(2,388)
Exchange adjustments	-	-	-	-	-	-
At 31 March 2005	1,411	480	188,668	1,754	(100,636)	91,677

Included in net exchange adjustments are exchange losses of £172,000 (2004: £301,000 gain) arising on borrowings denominated in euro designated as hedges of overseas net investments which offset and equal the exchange gain arising from the Group's investment in Allasso Europe.

Notes to the financial statements (continued)

20 Acquisition

On 18 June 2004, the Group acquired the trade and assets of NetConnect Training from NetConnect Limited for cash consideration of £900,000 and contingent consideration to a maximum of £100,000. The contingent consideration is dependent upon the continued employment of key personnel during the 12 month period following completion.

Additional contingent consideration of £50,000 was paid on 22 December 2004. The Directors estimate that further contingent consideration of £50,000 will become payable by 18 June 2005.

The acquisition has been accounted for using acquisition accounting. No fair value adjustments were required and the amounts in the following table represent the book and fair values of the assets and liabilities acquired and the consideration paid:

	Book and fair value to the Group £'000
Tangible fixed assets	47
Debtors	134
Deferred revenue	(107)
Net assets	74
Goodwill arising on acquisition	956
	1,030
Discharged by:	
Cash consideration	900
Contingent consideration	100
Costs associated with the acquisition	30
	1,030

20 Acquisition (continued)

The unaudited results of NetConnect Training for the period 1 April 2004 to 18 June 2004 together with the unaudited results extracted from NetConnect Limited management accounts and in line with NetConnect Limited accounting policies for the year ended 31 March 2004 were as follows:

	Period ended 18 June 2004 (Unaudited) £'000	Year ended 31 March 2004 (Unaudited) £'000
Turnover	284	1,504
Cost of sales	(59)	(467)
Gross profit	225	1,037
Net operating expenses before depreciation	(160)	(683)
Depreciation	(5)	(23)
Net operating expenses	(165)	(706)
Profit for the period	60	331

In the period since acquisition NetConnect contributed a net operating cash inflow of £159,000 and paid £80,000 in taxation.

21 Reconciliation of operating (loss) / profit to net cash (outflow) / inflow from operating activities

	Continuing £'000	2005 acquisition £'000	Total £'000	2004 (Restated) £'000
Operating (loss) / profit	(551)	267	(284)	(3,030)
Depreciation of tangible fixed assets	6,388	-	6,388	5,640
Goodwill amortisation	4,597	38	4,635	4,403
Profit on disposal of tangible fixed assets	(262)	-	(262)	(87)
Exchange movements	14	-	14	(14)
Increase in stocks	(2,368)	-	(2,368)	(46)
Increased in debtors	(12,829)	(72)	(12,901)	(18,999)
Increase / (decrease) in creditors and provisions	2,852	(74)	2,778	15,618
Net cash (outflow) / inflow from operating activities	(2,159)	159	(2,000)	3,485

Notes to the financial statements (continued)

22 Reconciliation of movement in net debt

	2005 £'000	2004 £'000
Decrease in cash in the year	(5,935)	(1,679)
Net cash outflow from decrease in finance leases	1,991	1,173
Net cash inflow from advance of debt	(6,615)	(18,090)
Change in net debt resulting from cash flows	(10,559)	(18,596)
Non-cash changes:		
Exchange movements	(91)	162
Inception of new finance leases	(1,070)	(2,134)
Finance leases on acquisition	-	(48)
Debt issue costs	(75)	250
Movement in net debt in the year	(11,795)	(20,366)
Net (debt) / funds at start of year	(10,405)	9,961
Net debt at end of year	(22,200)	(10,405)

23 Analysis of net debt

	At 1 April 2004 £'000	Cashflow £'000	Exchange movements £'000	Other non-cash changes £'000	At 31 March 2005 £'000
Cash at bank and in hand	16,379	(5,935)	44	-	10,488
Finance leases	(3,465)	1,991	-	(1,070)	(2,544)
Debt due after more than one year	(15,679)	7,738	(27)	-	(7,968)
Debt due within one year	(7,640)	(14,353)	(108)	(75)	(22,176)
Net debt	(10,405)	(10,559)	(91)	(1,145)	(22,200)

24 Directors' emoluments

A detailed analysis of Directors' individual emoluments, together with information on pensions, including that of the highest paid Director, is given in the Remuneration report on page 24.

	2005 £'000	2004 £'000
Aggregate emoluments	1,351	1,344
Company contributions to defined contribution pension schemes	60	57
Sums paid to third parties for directors' services	110	99
	1,521	1,500

During the year, retirement benefits were accruing to seven (2004: seven) Executive Directors under defined contribution pension schemes.

25 Employee information

The average monthly number of persons (including Executive Directors) employed by the Group during the year was:

By category	2005 Number	2004 Number
Sales	202	142
Technical	102	94
Operations	115	82
Administration	91	71
	510	389

Staff costs for the persons above were:

	2005 £'000	2004 £'000
Wages and salaries	20,811	16,690
Social security costs	3,350	3,378
Pension costs	310	233
	24,471	20,301

26 Financial commitments

At 31 March 2005, the Group had annual commitments under non-cancellable operating leases as follows:

	Land & buildings		Other assets	
	2005 £'000	2004 £'000	2005 £'000	2004 £'000
Expiring within one year	305	205	244	222
Expiring within one to two years	265	650	74	231
Expiring within two to five years	1,501	450	173	61
Expiring after five years	1,296	1,660	-	-
	3,367	2,965	491	514

Notes to the financial statements (continued)

27 Related party transactions

The Company has taken advantage of the exemption available under FRS 8 'Related Party Disclosures' from disclosing transactions between the Company and its subsidiary undertakings as these have been eliminated on consolidation of these financial statements.

The acquisition of the Allasso group of companies was part funded by a loan of £15,000,000 made to InTechnology by Peter Wilkinson, the Chief Executive Officer of the Group, repayable over a 4 year period commencing 31 July 2003. The outstanding loan accrues interest at a fixed rate of 8% per annum. Arrangement fees of £300,000 paid to Peter Wilkinson in respect of the loan have been capitalised and will be amortised to the profit and loss account over the period of the loan in accordance with FRS 4. The loan outstanding at 31 March 2005 was £12,500,000 (2004: £15,000,000) and related interested payments in the year were £1,152,000 (2004: £810,000).

Peter Wilkinson is a shareholder in British Sky Broadcasting plc ('BSkyB'). InTechnology has sold services totalling £1,000 (2004: £149,000) to BSKyB in the year. As at 31 March 2005, InTechnology was owed £nil (2004: £29,000) by BSKyB.

Peter Wilkinson is a shareholder in the ultimate parent company of Planetfootball.com Limited, BSKyB. InTechnology has sold services totalling £190,000 (2004: £183,000) to Planetfootball.com Limited in the year. As at 31 March 2005, InTechnology was owed £20,000 (2004: £17,000) by Planetfootball.com Limited.

Peter Wilkinson is a non-Executive Director of, Richard James is a Director of and Peter Wilkinson, Richard James and John Swingewood are shareholders in The New Gadget Shop Limited. InTechnology has sold services totalling £100,000 (2004: £115,000) to The New Gadget Shop Limited in the year. As at 31 March 2005, InTechnology was owed £18,000 (2004: £23,000) by The New Gadget Shop Limited.

Peter Wilkinson was Executive Chairman of, Richard James was a Director of and Peter Wilkinson, Richard James and John Swingewood held beneficial interests in shares in Digital Interactive Television Group Limited until its sale to YooMedia plc on 26 November 2004. InTechnology has sold services totalling £557,000 (2004: £855,000) to Digital Interactive Television Group Limited in the year. As at 31 March 2005, InTechnology was owed £nil (2004: £271,000) by Digital Interactive Television Group Limited.

John Swingewood is Executive Chairman of, Peter Wilkinson is a Director of and Peter Wilkinson and John Swingewood hold beneficial interests in shares in YooMedia plc. InTechnology has sold services totalling £697,000 (2004: £nil) to YooMedia plc in the year. As at 31 March 2005, InTechnology was owed £165,000 (2004: nil) by YooMedia plc.

Peter Wilkinson is a non-Executive Director and shareholder in and John Swingewood is a Director and shareholder in Voicescape plc (formerly Getmedia plc). InTechnology has sold services totalling £1,000 (2004: £25,000) to Voicescape plc in the year. As at 31 March 2005, InTechnology was owed £nil (2004: £2,000) by Voicescape plc.

Richard James is a Director and shareholder in and John Swingewood is a shareholder in Eescape Holdings Ltd. InTechnology has sold services totalling £329,000 (2004: £nil) to and purchased services totalling £59,000 (2004: £nil) from Eescape Holdings Ltd in the year. As at 31 March 2005, InTechnology was owed £86,000 (2004: £nil) by and owed £9,000 (2004: £nil) to Eescape Holdings Ltd.

The Company has maintained a current account at various stages during the year with Andrew Kaberry. The maximum amount owed to the Company under this arrangement was £11,917 (2004: £9,064). This amount was fully repaid during the year and there was no amount outstanding in respect of this loan as at 31 March 2005.

Included within other debtors is an amount of £40,000 (2004: £40,000) owing from Mark Chippendale, a member of the Company's management team.

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

28 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

The Directors hereby give notice that the Company will hold its Annual General Meeting at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA at 11 a.m. on 9 August 2005 (the 'AGM') for the following purposes:

Ordinary business:

Resolution 1 To receive and adopt the report of the Directors, the report of the independent auditors of the Company and the financial statements of the Company for the year ended 31 March 2005.

Resolution 2 To re-appoint Peter Wilkinson as a Director, who retires by rotation in accordance with Article 92 of the Articles of Association and who, being eligible, offers himself for re-appointment as a Director.

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

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

Resolution 5 To re-appoint the Rt. Hon. Lord Parkinson (aged 73) as a Director, who retires by rotation in accordance with Article 92 of the Articles of Association and who, being eligible, offers himself for re-appointment as a Director.

Special business

To consider and, if thought fit, to pass the following Resolutions. The Directors will propose Resolutions 6 and 8 as ordinary resolutions and Resolution 7 as a special resolution.

Resolution 6 That the Directors be and are generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £653,714.27, provided that such authority is for a period expiring 5 years from the date of this Resolution 6, and save that the Company may before such expiry make an offer or agreement which would or might require the Directors to allot relevant securities after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority which this Resolution 6 confers had not expired. The authority which this Resolution 6 confers shall be in substitution to all subsisting authorisations under section 80 of the Act (to the extent unused) which are hereby revoked.

Resolution 7 That, subject to the passing of Resolution 6, the Directors be and are empowered, pursuant to section 95 of the Act, to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority which Resolution 6 confers as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

(a) in connection with or the subject of an offer or invitation, including a rights issue or open or equivalent offer to holders of ordinary shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as near as maybe) to the respective holdings of such 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 of, or the requirements of, any recognised regulatory body or any stock exchange in any territory; and

(b) otherwise than pursuant to subparagraph (a) above, up to an aggregate nominal amount of £69,207.49,

and shall expire 5 years from the date of this Resolution 6, save that the Company may before such expiry make an offer or agreement which would or might require the Directors to allot equity securities after such expiry and the Directors may allot equity securities in pursuance of such offer or agreement as if the power which this Resolution 7 confers had not expired.

Resolution 8 In accordance with Sections 739 and 388(3) of the Act that PricewaterhouseCoopers LLP be re-appointed auditors of the Company and hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that, pursuant with section 390A of the Act, their remuneration be fixed by the Directors.

6 July 2005

By order of the Board

Richard James
Director and Company Secretary
for and on behalf of InTechnology plc

Registered Office:
Nidderdale House
Beckwith Knowle
Otley Road
Harrogate
HG3 1SA

Notice of Annual General Meeting (continued)

Notes:

1. A member of the Company (a 'Shareholder') entitled to attend and vote at the AGM may appoint one or more proxy (or proxies) to attend (and on a poll) vote in his stead. Any person (whether a Shareholder or not) may be appointed to act as a proxy.
2. If a proxy is appointed for use at the AGM, the form of proxy as issued by the Board must be used. This form of proxy is enclosed herewith reply-paid. All forms of proxy, together with the power of attorney or other authority (if any) under which it is executed, or a notarially certified copy of such power or authority, must be deposited at the Company's registrars at the following address by no later than 11.a.m. on 5 August 2005 or any adjournment thereof: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
3. Completion and return of a form of proxy will not preclude a Shareholder from attending and voting at the AGM in person in respect of which the proxy is appointed (or at any adjournment of the AGM) if such Shareholder subsequently decides to do so.
4. The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (2001 S.I. No. 3755), specifies that only those Shareholders registered on the register of members of the Company at 11 a.m. on 8 August 2005 (or, if the AGM is adjourned, in the register of members of the Company 48 hours before the time of any adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares in the Company registered in the name of such Shareholders at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
5. Pursuant to sections 324 and 325 and paragraph 29, Part IV, Schedule 13 to the Act, the register of Directors' interests in the Company and a copy of the service agreements between the Company and its Directors will be available to the public for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice to the time and date of the AGM (including any adjournment thereof) and also on the date and at the place of the AGM from 15 minutes before the AGM to its conclusion.
6. Pursuant to rule 20 of the AIM rules this Notice, the accompanying Form of proxy and the annual audited accounts will be available for inspection, free of charge, at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) for a period of one month from the date of this Notice.
7. Biographical details of the Directors who are proposed for reappointment at the AGM are set out on pages 13 and 14 of the Annual Report and Financial Statements of the Company for the year ending 31 March 2005.

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 (the 'Shareholders') at the annual general meeting of the Company to be held at the Company's registered office at Nidderdale House, Otley Road, Beckwith Knowle, Harrogate, HG3 1SA at 11am on Tuesday 9 August 2005 (the 'AGM'). Please read the Notice of AGM and the notes to this Proxy Form.

I/We*, _____ (please insert the name of the Shareholder(s)* in full in BLOCK CAPITALS)

of _____
 _____ (please insert the full postal address of the Shareholder(s)* in full in BLOCK CAPITALS)

being Shareholder(s)* entitled to attend and vote at meetings of Shareholders, hereby appoint the Chairman of the AGM[†]

as my/our* proxy attend and, on a poll, to vote for me/us* on my/our* behalf at the AGM, and at any adjournment thereof.

[†]If it is desired to appoint some other person to be your proxy: (i) delete 'the Chairman of the AGM'; (ii) initial the alteration; and (iii) insert the full name, title and address of the person you wish to appoint as your proxy IN BLOCK CAPITALS. * Delete as appropriate.

Please indicate with an 'X' in the appropriate space how you wish your proxy to vote on the resolutions set out in the Notice or whether you wish the vote to be withheld. (See note 6).

	For	Against	Vote Withheld
1. Receipt and adoption of Directors' report and financial statements and independent auditors' report.			
2. Re-appointment of Peter Wilkinson.			
3. Re-appointment of Andrew Kaberry.			
4. Re-appointment of Richard James.			
5. Re-appointment of Rt. Hon. Lord Parkinson (aged 73).			
6. Ordinary resolution - That the Directors are authorised to allot relevant securities.			
7. Special resolution - That statutory pre-emption provisions are disapplied and the Directors are authorised to allot relevant securities for cash.			
8. Ordinary resolution - That PricewaterhouseCoopers LLP be reappointed auditors of the Company, to hold office until the conclusion of the next general meeting at which the accounts are laid before the Company and that their remuneration be fixed by the Directors.			

Dated _____ 2005

Signature _____ (see note 4 below) For and on behalf of the above named Shareholder(s)

Notes:

- Who can be a proxy?** Any person (whether a Shareholder or not) may be appointed to act as a proxy.
- Joint Shareholders:** In the case of joint Shareholders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint Shareholders. For this purpose seniority is determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
- Corporate Shareholders:** To be valid in the case of a Shareholder that is a corporation, this proxy form must be executed under that corporate Shareholder's common seal or be signed on its behalf by an attorney or officer duly authorised.
- What is required for the proxy to be effective:** To be effective, this proxy form must be: (a) duly executed; (b) deposited at the Company's registrars at the following address: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU by no later than 11 a.m. on 5 August 2005 or any adjournment thereof; and (c) deposited together, if appropriate, with the power of attorney or other authority (if any) under which it is executed or a notarially certified copy of such power or, where the form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed.
- Alterations:** Any alterations made in or to this proxy form should be initialled by the relevant Shareholder(s).
- Proxy's discretion:** In the absence of any directions your proxy may vote or abstain as the proxy thinks fit. On any motion to amend the resolution, to propose a new resolution, to adjourn the AGM, or on any other motion put to the AGM, the proxy will act at his/her/their discretion. Please note that if the 'Vote Withheld' box is marked with an 'X', the Shareholder will not be counted in the calculation of votes 'For' and 'Against' and the Shareholder will not be taken to have given his/her/their discretion to the proxy on how to vote.

- Multiple proxies:** A Shareholder may appoint more than one proxy to attend. When two or more valid but differing instruments of proxy are delivered in respect of the same share for use at the same meeting and in respect of the same matter, the one which is last validly delivered (regardless of the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which instrument was last validly delivered, none of them shall be treated as valid in respect of that share.
- Shareholder attendance at the AGM:** The completion and return of this proxy form will not prevent you from attending in person and voting at the AGM or at any adjournment thereof should you subsequently decide to do so.
- Record date:** As provided by Regulation 41 of the Uncertificated Securities Regulations 2001, only those members of the Company registered in the register of members of the Company 24 hours before the time set for the AGM (i.e. 11 a.m. on 8 August 2005) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time (or if the AGM is adjourned 48 hours before such adjourned AGM). Changes to entries on the relevant register of members of the Company after that time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
- Register of Directors' interests and Director's service agreements:** Pursuant to sections 324 and 325 and paragraph 29, Part IV, Schedule 13 to the Act, the register of Directors' interests in the Company and a copy of the service agreements between the Company and its Directors will be available to the public for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice to the time and date of the AGM (including any adjournment thereof) and also on the date and at the place of the AGM from 15 minutes before the AGM to its conclusion.
- Inspection of Shareholder documents:** Pursuant to rule 20 of the AIM rules this Form of proxy, the accompanying Notice of the AGM and the annual audited accounts will be available for inspection, free of charge, at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) for a period of one month from the date of the Notice.
- Definitions:** Unless otherwise defined herein, capitalised terms shall have the meaning ascribed to such terms in the notice of annual general meeting sent to Shareholders and enclosed with this document.

Third Fold and Tuck in

BUSINESS REPLY SERVICE
License No. MB122

1



First Fold

Capita Registrars
Proxy Department
PO Box 25
Beckenham
Kent
BR3 4BR

Second Fold



Corporate information

Board of Directors:

The Rt. Hon. Lord Parkinson
Joe McNally
Charles Scott
Peter Wilkinson
Charles Cameron
Richard James
Andrew Kaberry
Steve Pearce
Bryn Sage
John Swingewood

Non-Executive President (Non-Executive Chairman, effective 21 April 2005)
Non-Executive Director
Non-Executive Director
Executive Chairman (Chief Executive Officer, effective 21 April 2005)
Chief Executive Officer (resigned 21 April 2005)
Director & Company Secretary
Finance Director
Chief Operating Officer and Business Development Director
Sales Director
Chief Technical Officer

Registered office:

InTechnology plc
Nidderdale House
Beckwith Knowle
Harrogate
HG3 1SA
Tel +44 (0)1423 850 000
Fax +44 (0)1423 858 855

Registrar and transfer office:

Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Principal bankers:

Barclays Bank plc
Parliament Street
York
YO1 1XD

Nominated adviser and broker:

Panmure Gordon & Co. plc
50 Stratton Street
London
W1J 8LL

Independent auditors:

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Solicitors:

Norton Rose
Kempson House
Camomile Street
London
EC3A 7AN

Company registration number:

3916586

Internet addresses:

www.intechnology.co.uk
www.allasso.com

Corporate information (continued)

Principal offices:

Headquarters

InTechnology plc
Nidderdale House
Beckwith Knowle
Harrogate
HG3 1SA
Tel +44 (0) 1423 850 000
Fax +44 (0) 1423 858 855

Northern Data Centre

InTechnology plc
Central House
Beckwith Knowle
Harrogate
HG3 1UG

Southern Data Centre

InTechnology plc
260-266 Goswell Road
Islington
London
EC1V 7EB

London Office

1 Threadneedle Street
London
EC2R 8AW

InTechnology Security (UK)

Building 1320
Arlington Business Park
Theale
Reading
RG7 4SA
Tel +44 (0) 1189 711 511
Fax +44 (0) 1189 711 522

Allasso S.A.S.

62 bis, Avenue André Morizet
92643 Boulogne-Billancourt cedex
Paris
France
Tel +33 (0) 1 46 84 15 00
Fax +33 (0) 1 46 84 15 01

Allasso GmbH

Orleansstraße 2
81669 München
Germany
Tel +49 (0) 89 450 660 0
Fax +49 (0) 89 450 660 33

Allasso Iberia S.A.U.

Vía de los Poblados, 1
Parque Empresarial Alvento - Edificio
D 6ª planta
28033 Madrid
Spain
Tel +34 (0) 91 787 0600
Fax +34 (0) 91 787 0601

Allasso Italia S.r.l.

Centro Direzionale Ambrosiano
Via dei Missaglia, 97
20142, Milan
Italy
Tel +39 (0) 2 89 39 181
Fax +39 (0) 2 89 30 55 62

Allasso Benelux bv

Geldropseweg 8a
5731 SG Mierlo
The Netherlands
Tel +31 (0) 492 66 82 28
Fax +31 (0) 492 66 82 29

Allasso Portugal

Torres de Lisboa
Rua Tomás da Fonseca Torre G - 1º
1600 - 209 Lisboa
Portugal
Tel +351 (0) 217 230 616
Fax +351 (0) 217 230 666

Allasso AG

Seefeldstrasse 69
8008 Zürich
Switzerland
Tel +41 (0)43 488 36 66
Fax +41 (0)43 488 35 00



Enterprise Software

Training Services

Security Solutions