Annual Report and Accounts 2004

InTechnology

Excellence in IT infrastructure

Contents

Highlights

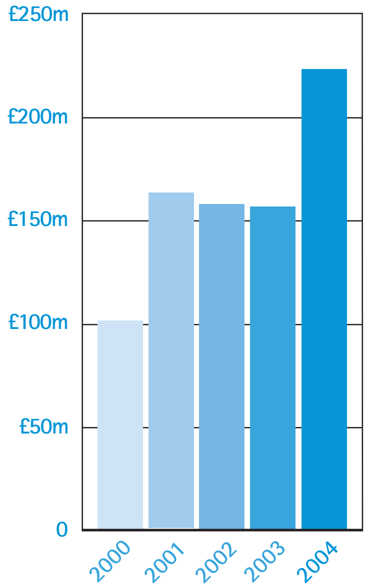
Financial highlights

- Total turnover increased 42% to £223.5m (2003: £156.9m) including £64.4m from Allasso (2003: £nil)
    - Specialist Distribution turnover of £209.0m (2003: £148.7m)
    - Managed Services turnover of £14.5m (2003: £8.2m)
- Gross profit increased 75% to £40.8m (2003: £23.3m)
- Group operating loss was £2.8m (2003: £6.6m)
- EBITDA increased 87% to £7.3m (2003: £3.9m)
- Return to EBITA profitability with profit before interest, tax and amortisation of goodwill of £1.6m (2003: pre exceptional item £1.0m loss, 2003: post exceptional item £2.6m loss)
- Balance sheet has cash reserves of £16.4m (2003: £18.2m) and net debt of £10.4m (2003: £10.0m net funds) predominantly as a result of the acquisition of Allasso.

Operational highlights

- Substantial expansion of the business in terms of products and services offered as well as markets addressed
- Strong performance from Specialist Distribution division:
    - Very strong second half after slow first half
    - Rapid growth in higher margin security, consultancy, maintenance and enterprise software sales, which now represent 31% (2003: 17%) of Specialist Distribution turnover
    - Rapid integration of Allasso into the Group and performing in line with expectations
- Managed Services progressing well:
    - Cumulative contracts at 31 March of over £60m (2003: £40m)
    - Restorable data under management stands at 2.0 petabytes (2003: 0.7 petabytes) and is growing rapidly
    - Volume of contracts being won has accelerated quarter on quarter
    - Excellent renewal rate in Managed Services

InTechnology Group Turnover



Managed Services – InTechnology's secure data centre

President's introduction

The Annual Report and Accounts for the year ended 31 March 2004 reflect a period of significant achievement and importance for InTechnology.

First, the Company has substantially expanded its activities and the territories in which it operates through the acquisition of Allasso. It is now the leading specialist distributor of network storage and security solutions in Europe.

Secondly, InTechnology's Managed Services division has begun to fulfil its early promise and to achieve the results that the Directors have always expected. In the UK, there are now over 200 clients for these services, including many government departments. InTechnology provides an extensive and evolving range of services in a market poised on the verge of substantial expansion.

The financial performance of the Company has been robust throughout, with strong profitability being maintained in Specialist Distribution activities and reduced losses in Managed Services.

The Company's strategy remains unaltered – to provide a range of products and services that are absolutely critical to the effective performance of today's network-centric computing environment, and to do so through a channel of resellers, consultants and system integrators.

This strategy has proven to be highly successful during the last two years and has positioned InTechnology strongly as the IT market recovers. Consequently, I look forward with optimism to what we will achieve in the year ahead.

On behalf of the Company, I would like to thank all our partners and suppliers as well as InTechnology's own skilled and dedicated staff for their commitment and energy throughout the last year.

Lord Parkinson

President

14 June 2004

The financial performance of the Company has been robust throughout, with strong profitability being maintained in Specialist Distribution activities and reduced losses in Managed Services.

Executive Chairman's statement

Overview

I was very pleased with the performance of the Group during the past 12 months as we made significant strides towards our goal of becoming the leading IT infrastructure provider in Europe while also growing our revenues and reducing our losses. Our Managed Services division has also enjoyed an acceleration in the cumulative value of contracts won which at 31 March 2004 was £60m (2003: £40m), generating £18.0m (2003: £10.5m) of recurring revenue per annum once commissioned.

We have significantly altered the mix of business within our Specialist Distribution division this year by both organic growth and acquisition so that higher margin software, consultancy and maintenance sales now represent some 31% (2003: 17%) of our distribution revenues. The acquisition of Allasso on 31 July 2003 has enabled us to extend our specialist distribution model to include IT security products and build a platform for territorial growth in five other western European markets.

Our unique expertise across storage, security and enterprise software combined with our ability to deliver utility-based computing services is beginning to pay real dividends. As computing moves inexorably towards a more networked environment we are finding that our customers are looking increasingly for a one-stop IT infrastructure supplier such as InTechnology. In this current financial year we will be taking steps to significantly increase the levels of cross-selling to our customer base as well as unifying key group functions, which will lead to a much more effective and efficient operation.

Trading and operating performance

There was a very strong sales performance from the Specialist Distribution division in the second half of the year which contrasted with a slow start in the first half. The Allasso software security products division performed in line with expectations and is now fully integrated into InTechnology. Managed Services achieved a strong and consistent level of new contract wins in each half year.

Group turnover was £223.5m during the year (2003: £156.9m) and gross profit improved by 75% to £40.8m (2003: £23.3m). Net operating expenses before depreciation, amortisation of goodwill and exceptional items were £33.5m (2003: £19.3m) with the acquisition of Allasso accounting for £10.5m of the increase. Net operating expenses were £43.6m (2003: £29.8m). Earnings before interest, tax, depreciation, amortisation of goodwill and exceptional items increased to £7.3m (2003: £3.9m). Group operating profit before amortisation of goodwill was £1.6m (2003: £2.6m loss). The Group reported an operating loss of £2.8m (2003: £6.6m loss).

InTechnology's balance sheet remains strong with cash of £16.4m (2003: £18.2m) and net debt after finance leases and term loans of £10.4m (2003: net funds £10.0m) largely as a result of the acquisition of Allasso.

Specialist Distribution division

InTechnology's Specialist Distribution activities embrace three principal areas of expertise: Storage, Security and Enterprise Software. In the UK we are engaged in all three activities; in continental Europe revenues are, for now, almost exclusively derived from security software and appliances.

The slow start to the year experienced by Specialist Distribution was put firmly behind us during the second half of the year when we produced some excellent results, which included a record third quarter. Despite the well-documented commercial and market difficulties experienced by all partners of Sun and HP in the first half of the year we managed to retain our market position, while our IBM business has continued to expand. We were also encouraged by the performance of our Veritas software business and made a promising start in our new UK relationship with Network Appliance. The storage market continues to grow in both volume and complexity and we are confident that we are, as always, well positioned to maximise this opportunity.

We have now fully integrated the UK operation of Allasso into an enlarged UK Specialist Distribution business although maintaining the Allasso brand.

Allasso's continental European footprint presents a foundation on which we can begin to build software, storage, network and managed services sales to the IT channel. In this current financial year we are exploring the opportunity to sell InTechnology's storage software product portfolio through our European offices, as we believe this to be a strong growth area for the business.

In the year UK Specialist Distribution achieved revenues of £172.4m (2003: £148.7m) and maintained operating margins before amortisation of goodwill of 5%. Operating margins after amortisation of goodwill were maintained at 4%. The division earned an operating profit before amortisation of goodwill of £8.5m (2003: £8.1m) and an operating profit of £6.5m (2003: £6.4m). Software, consultancy and maintenance revenues were 30% (2003: 17%) of the division's revenue.

Allasso Europe recorded revenues of £36.6m and an operating profit of £0.8m. There was encouraging revenue growth in southern Europe and we see good potential to exploit our new European footprint.

Managed Services division

Managed Services increased revenues by 77% to £14.5m (2003: £8.2m) with an operating loss before amortisation of goodwill and exceptional items of £7.8m (2003: £9.1m) which reflects our continued ongoing investment in this side of the business and the time delay between winning and commissioning contracts. The Managed Services operating loss was £10.0m (2003: £13.0m).

At 31 March 2004, our annualised recurring revenues were £18.0m (2003: £10.5m) and cumulative contracts won were £60m (2003: £40m). The Board remains confident that following the installation of approximately £65m of cumulative contract wins, this division will achieve EBITA breakeven.

I strongly believe that our technology and methodology has gained significant market awareness and acceptance in both the UK public and private sectors, where we have achieved equal success. The restorable data we now manage in our data centres exceeds 2 petabytes (2003: 0.7 petabytes) and we now take data from over 170 customer sites in the UK. Our network in the UK, LANnet, has been a tremendous success and we now have 168 sites connected to the network taking a variety of services from us. This year we are also very encouraged that 55% of our user base now takes more than one service from us and 10% now take three.

In October of last year we launched our InPartnership programme, through which we have formalised many of our relationships with consultants, integrators and outsourcers which sell our services to their clients. Sales of outsourced services through this channel have proved to be extremely effective as we enable our partners to capture more of their own clients' recurring IT spend without them having to invest in data centres and network infrastructure or work with a competing IT provider. Many more of our traditional channel partners are turning to us for these services which confirms our belief in the unified InTechnology approach to the IT channel.

As computing moves inexorably towards a more networked environment we are finding that our customers are looking increasingly for a one-stop IT infrastructure supplier such as InTechnology.

Executive Chairman's statement cont.

New developments

We have a number of exciting new developments across the Group in the coming year:

InTechnology Appliances

As the world of enterprise computing becomes ever more complex we are developing a range of appliances to solve particular business and legislative issues. Today a computing solution can involve technologies from many different suppliers confusing both end users and even the salesmen. InTechnology Appliances, which we will launch under the MyAppliance brand, aim to remove all this difficulty and simplify the whole process by defining a solution to a specific problem and supplying a turnkey package.

Network products

InTechnology's expertise has been centred on storage and security related products. Later this financial year we look forward to significantly expanding the product range by adding some leading network products.

Additional managed services

We are continuing to develop commercially a number of technologies in the Managed Services division to improve performance, reduce costs and broaden the range of services offered to customers. In the coming months we expect to launch the following:

- An increased capacity VBAK from 2TB to 4TB per system
- InTechnology Voice over IP ('VOIP')
- Archiving/Information Life-cycle Management ('ILM')
- An enhanced data replication offering.

Current trading

The first two months' trading of this financial year have been in line with management expectations and are ahead of the same period last year.

Outlook

As computing moves inexorably towards a more networked environment our customers are increasingly turning to us either for the supply of infrastructure, products, services and expertise or choosing to outsource to us the provision of network, hosting or storage services to improve the overall resilience, compliance or performance of their IT infrastructure.

In order to take advantage of our excellent position as the one-stop IT infrastructure provider to the channel (systems integrators, consultants and resellers) we shall this fiscal year start integrating our UK sales, marketing and professional services divisions into a unified structure. This will allow us to achieve better customer focus with all our products and services and create greater operating efficiencies.

The new products and services outlined above will be launched this year with the main financial benefits arising from 2006 onwards.

We believe that the advent of Network Computing is not only about to happen, it is happening and InTechnology is extremely well placed to capitalise on this opportunity.

Peter Wilkinson

Executive Chairman

14 June 2004

Chief Executive Officer's report

Overview

The year ended 31 March 2004 has seen InTechnology significantly expand its Specialist Distribution activities as well as enjoying continued rapid growth in Managed Services. Overall, we have grown revenues, altered our business mix, reduced losses and brought the Managed Services division to the point when we can now predict when it should return a pre-tax profit to shareholders.

Within our Specialist Distribution division a significant proportion of our revenues are now derived from software products which have the benefit of also generating a level of maintenance and support sales. On 31 July 2003 we acquired Allasso to extend our distribution capability into security software and extend a bridgehead into several European territories. Throughout the year we have signed agreements to distribute additional specialist products from existing suppliers (such as IBM's software products) and added new vendors such as Network Appliance, KVS and FalconStor.

Managed Services now has over 200 clients and over £60m (2003: £40m) in cumulative contracts won. In addition to our core storage services, we have substantially expanded our range of managed services to take advantage of the potential inherent in our nationwide network ring ('LANnet') which acts as a platform over which we can offer VPN, data replication, dial-up and internet services.

Specialist Distribution

Our Specialist Distribution activities now span storage, security and enterprise software. In the UK, we are engaged in all three activities; in continental Europe, revenues are almost exclusively derived from security software and appliances.

The first half of the year was characterised by extremely challenging trading conditions with a particular absence of large projects as companies postponed purchasing decisions and sought to optimise existing assets. We continued to see declines in our Sun volumes and the post merger integration of HP and Compaq presented some technical challenges which hampered shipments. In the second half of the year however we saw a resumption of larger orders and achieved a record performance in the third quarter followed by continued strong momentum into the fourth quarter. In September 2003 we signed with Network Appliance as their exclusive UK distributor and, during the subsequent two quarters have begun to grow these revenues.

Higher margin enterprise software sales have grown rapidly year-on-year. We now offer a substantially broader range of software including not only the leading storage software brands such as Veritas, Tivoli and CA but also some of IBM's enterprise products like Websphere, Lotus and DB2. In January 2004 we launched the distribution of KVS software in the UK and also, in March 2004 we launched the first ever IBM Software Business Partner Innovation Centre in Europe where customers could view examples of how IBM's software portfolio can be utilised.

The acquisition of Allasso has further broadened our specialist distribution offering into network security as well as opening up new territories in which to operate. InTechnology is now Europe's leading supplier of firewall, intrusion detection, authentication and network security products from companies such as Nokia, Check Point, Symantec, NetScreen and Clearswift.

On 31 July 2003 we acquired Allasso to extend our distribution capability into security software and extend a bridgehead into several European territories.

Chief Executive Officer's report cont.

Allasso's operations in France, Germany, Spain, Italy, the Netherlands and latterly Switzerland present a springboard for further territorial growth as well as a framework through which to introduce storage as well as managed services. Since the acquisition of Allasso we have integrated the UK operation into a single UK Specialist Distribution business while retaining the Allasso brand within the security arena. The Allasso team will continue to operate as a dedicated security distributor, with no dilution of focus and with additional Group investment to support growth in their sales and technical resource.

The customer relationships that InTechnology and Allasso have developed over the years have remarkably little overlap and present an attractive opportunity for us to offer our customers a one-stop shop for some of IT's more complex network-centre products in storage, security and software.

Managed Services

The rate at which the Managed Services division has been winning new contracts increased quarter-on-quarter. We have continued to focus our efforts with considerable success in the public sector, financial services and professional services industries. We now manage data and provide offsite back-up or network services for over 200 clients including a number of central and local government departments. We have an NHS Code of Connection and manage the back-up of clinical and patient records.

This year marks the first full year when we have used our nationwide network ring ('LANnet') which has points of presence in 22 UK cities. Using this as a multi-service platform, our clients can now place servers or storage devices in our data centres as if they were an extension of their own offices.

In the third quarter of the financial year we launched our InPartnership Programme through which we have formalised many of our relationships with consultants, integrators and outsourcers that sell our services to their clients. Sales of our managed services through the channel have proved to be extremely effective as we enable our partners to capture more of their clients' recurring IT spend without their needing to invest in their own data centres and network infrastructure or work with a competing IT partner.

The year ahead

In this next fiscal year we have a number of initiatives which we will be launching to introduce additional products to the channel, expand the range of products offered through our continental European offices, improve cross-selling to our customers through more effective sales co-ordination and increase the utilisation of our professional services and support teams across the entire Group.

I am confident that the year ahead will be one of continued growth and progress.

Charles Cameron

Chief Executive Officer

14 June 2004

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)			Operating profit/(loss)		
	2004 £m	2003 £m	+/(-) £m	2004 £m	2003 £m	+/(-) £m	2004 £m	2003 £m	+/(-) £m
UK Specialist Distribution (ii)	172.4	148.7	23.7	8.5	8.1	0.4	6.5	6.4	0.1
European Specialist Distribution (ii)	36.6	-	36.6	0.9	-	0.9	0.8	-	0.8
Total Specialist Distribution	209.0	148.7	60.3	9.4	8.1	1.3	7.3	6.4	0.9
Managed Services	14.5	8.2	6.3	(7.7)	(9.1)	1.4	(10.0)	(11.4)	1.4
				1.7	(1.0)	2.7	(2.7)	(5.0)	2.3
Costs of German subsidiary (iii)				(0.1)	(1.6)	1.5	(0.1)	(1.6)	1.5
Group	223.5	156.9	66.6	1.6	(2.6)	4.2	(2.8)	(6.6)	3.8

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 from Articon-Integralis AG and includes its trading for 8 months of the year.

(iii) An exceptional cost of £1.6m was incurred in 2003 in relation to the closure of the Group's German subsidiary. In 2004, a further provision of £0.1m was made to finalise property lease commitments. This is not shown as an exceptional cost.

UK Specialist Distribution

Strong sales growth in storage software to £30.8m (2003: £19.2m) helped to offset a decline in storage hardware revenue, however, overall turnover in storage products fell by 2.8% to £144.5m (2003: £148.7m).

The trading net assets and goodwill of Allasso UK Limited were hived up on 1 November 2003 to InTechnology plc becoming part of an enlarged UK Specialist Distribution business.

Allasso UK trading was in line with expectations and whilst EBITA trading profits are currently recorded separately, the full rationalisation of support and administrative functions within an enlarged UK Specialist Distribution business means that the revenues and operating profits shown above are for the enlarged division as all operating costs become shared.

European Specialist Distribution

As part of the acquisition of Allasso, InTechnology acquired five trading subsidiaries in Europe: France, Spain, Italy, Germany and the Netherlands with a new subsidiary subsequently being incorporated in Switzerland ('Allasso Europe'). Total trading results for the eight months to 31 March 2004 are shown above. Allasso Europe traded in line with expectations with strong growth experienced in Spain and Italy. We remain committed to expanding these subsidiaries further by the introduction of certain distribution products on a country-by-country basis.

Financial review cont.

Managed Services

Turnover increased by 77% to £14.5m (2003: £8.2m) with a resultant increase in gross margin, but operating costs increased partly from a higher depreciation expense (directly attributable to capital expenditure caused by the installation of new contracts won), and from a full year impact of LANnet costs (our high performance UK wide network commissioned in February 2003).

Goodwill

We have continued to evaluate the carrying value of the Group's goodwill balances by comparing them to their recoverable amounts, represented by their value in use to the Group. The value in use has been derived from discounted cash flow projections that cover the 4 years from 1 April 2004. After this 4-year period, the projections use a long-term growth rate. Our confidence in the long-term success of both Specialist Distribution and Managed Services divisions indicate that no further impairment write down is necessary this year.

Following the acquisition of the Allasso companies from Articon-Integralis AG on 31 July 2003, goodwill arising in the Group consolidated balance sheet increased by £12.3m. Based on current trading we estimate that an additional €1,500,000 (£1,003,000 assuming an exchange rate of £1 to €1.496) of contingent consideration will become payable by 31 July 2005. There is a further maximum contingent consideration of €2,270,000 (£1,517,000 assuming an exchange rate of £1 to €1.496) dependent on future sales to Articon-Integralis AG. The acquisition is fully explained in note 20 to the financial statements.

Goodwill has continued to be amortised over a 20-year period, including that arising from the acquisition of Allasso and this practice will continue during the current financial year. However, the adoption of International Financial Reporting Standards ('IFRS') will cause the goodwill amortisation charge for the 2004/2005 financial year to be reversed in the year ending 31 March 2006 accounts, as IFRS requires goodwill not to be amortised but reviewed annually for impairment.

Cash flow and liquidity

The cash generative nature of our business continues to be evidenced by a net cash inflow from operating activities of £3.5m (2003: £2.4m).

Cash at bank and in hand at the year-end was £16.4m (2003: £18.2m). However, the funding of the acquisition of Allasso was by debt. A secured term loan from Peter Wilkinson, the Executive Chairman of the Group, of £15m was negotiated having a three-year term, a fixed rate of interest of 8% and no premium for early repayment. In addition a secured €10m three-year term loan was negotiated with IBM United Kingdom Financial Services Limited.

Taxation

The tax charge of £0.9m (2003: £0.4m) on the loss on ordinary activities before taxation of £3.8m (2003: £6.7m) largely arises because goodwill amortisation is not a taxable deduction. 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 now trades in euro and US dollars.

The € 10m loan mentioned in 'Cash flow and liquidity' above and explained in note 15 to the financial statements acts as a hedge against the euro exposure arising from our investment in Allasso Europe.

Current trading

The new financial year has commenced well and is in line with expectations. Much attention has been given to improving the operating efficiencies of the Specialist Distribution businesses throughout the Group. However, the major challenge is to achieve a Managed Services operating profit before interest, tax and amortisation of goodwill. We remain confident that following the installation of approximately £65m of Managed Services contracts this will be achieved on a quarterly basis. At 31 March 2004 contracts won were £60m (2003: £40m). Thereafter the elimination of trading losses in this division together with continued profitability in Specialist Distribution will put InTechnology in a strong position to grow profitability and generate cash.

Andrew Kaberry

Finance Director

14 June 2004

The cash generative nature of our business continues to be evidenced by a net cash inflow from operating activities of £3.5m (2003: £2.4m).

Products, services and case studies

InTechnology in action

InTechnology's solutions, products and services are designed to support our clients' vital IT infrastructure and manage their IT data to the highest standards of performance and security.

Organisations are heavily reliant on the effectiveness of their IT infrastructure for successful operations, while rapid increases in data volumes mean that clients value expert help in the secure management and storage of that data.

Growing regulations on standards of data protection and secure data management have strengthened the market for InTechnology, with major businesses and large government departments investing to assure their compliance, improve efficiency and save on costs.

A notable feature of InTechnology's business model is that all products and services are delivered through an established channel of resellers, consultants and system integrators, who work with our technical and sales consultants to find the solution that best matches each client's individual requirements.

IDC estimates that companies spend each year nearly $174 billion on ongoing operations and management of their existing IT infrastructure.

The VBAK service is delivered via a Virtual Service Gateway ('VSG'), securely linking customer site to InTechnology data centre

Managed Services

InTechnology Managed Services offer clients in the public and private sector the opportunity to outsource the management of their core IT infrastructure to assure levels of performance, security and business continuity.

InTechnology has a clear lead in this marketplace through VBAK, an automated data backup and recovery service which has been adopted by organisations of all sizes.

A multi-gigabit network, LANnet (which runs through 22 UK cities), allows us to offer to clients their own secure Virtual Private Network ('VPN'), Voice over IP, low cost internet access, and Managed Firewalls.

Having invested in high-security Data Centres, we also provide a set of Hosting Services for a wide variety of clients, to assure the safety of their data under managed supervision at all times.

Department of Trade and Industry (DTI)

A commitment to excellence in government

As part of their commitment to excellence in the provision of IT infrastructure services to the Department of Trade and Industry (DTI), Fujitsu Services selected VBAK to assure the integrity and security of large quantities of key government data. VBAK's automated data backup and restore has been thoroughly tested by independent security experts and is now being used successfully at all DTI sites in London for daily departmental operations and to ensure business continuity. VBAK was selected as a top of the range service and provides the fast, efficient backup required to support the DTI IS/IT infrastructure.

WS Atkins plc

The backup solution for a billion pound business

With a turnover of £1.2 billion in 2003, internationally respected planning, design and engineering consultancy WS Atkins plc is experiencing rapid growth in data volumes, driven by business success. To provide vital Disaster Recovery for the company's multiple activities and business streams and to provide a seamless service to approximately 8,000 staff in 120 offices around the UK, Atkins is subscribing to the VBAK service for automated data backup. HP and InTechnology worked with Atkins to design a commercial and technical solution that meets its technical, operational and business requirements.

Storage solutions

Representing the world's leading hardware and software vendors, InTechnology's Storage Solutions business is widely acknowledged as a centre of excellence and expertise in the area of data storage and data management, delivering cumulative sales of over € 1.5 billion in data storage solutions to the UK and continental Europe.

InTechnology's consultants help reseller partners and their clients find and implement storage solutions which are right for requirements now and will work effectively into the future as well, providing maximum return on clients' investment.

Software

InTechnology Enterprise Software meets the rapid growth in demand from reseller partners in meeting their customers' business needs. The software team has the expertise, the relationship with key vendors and the broad experience to help partners make the right choice of software for each individual client and achieve solid business benefits.

Software can solve many problems confronting business managers today and InTechnology consultancy's help is vital in identifying the precise requirement and recommending the correct solution.

Security

InTechnology's network security division, Allasso, is Europe's leading distributor of IT Security products, operating in seven European countries and delivering solutions to clients through an established network of reseller partners in each country.

Allasso provides strong technical, sales and consultancy support to its reseller partners in identifying the appropriate solution for each client from its strong portfolio of security products. Other professional services provided for clients include training and post-sales technical support.

Proof of concept - the InTechnology Solutions Centre, London

Management team

Non-Executive Directors

The Rt. Hon Lord Parkinson,
President and
Senior Non-Executive Director (72)

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 the Le Carbone UK Group of Companies.

Joe McNally,
Non-Executive Director (61)

Joe McNally was appointed to the Board in December 2000 as a non-Executive Director and is a member of both the Audit and Remuneration Committees of the Group. 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 (55)

Charles Scott joined the board in April 2001 as a non-Executive Director and is a member of both the Audit and Remuneration Committees of the Group. A chartered accountant he is currently Chairman of William Hill plc and a non-Executive Director of a number of other companies.

Executive Directors

Peter Wilkinson,
Executive Chairman (50)

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 57% shareholding).

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') where he retains a 40% shareholding.

He retains a 23% stake in The New Gadget Shop Limited and an 18% stake in Mobile Tornado Limited.

Charles Cameron,
Chief Executive Officer (42)

Charles Cameron joined the Board in 2002. Before this he was an Executive Director of Goldman Sachs and an adviser to a number of European technology companies. His career spans many years in investment banking, working in New York and Tokyo with Morgan Stanley and in London with Kleinwort Benson assisting companies with their growth through mergers, acquisitions and the use of the capital markets.

Steve Pearce,
Chief Operating Officer and Business Development Director (45)

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.

John Swingewood,
Chief Technical Officer (49)

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.

Andrew Kaberry,
Finance Director (57)

Andrew Kaberry was Finance Director of both STORM and VData and has worked with Peter Wilkinson since 1984. 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.

Richard James,
Company Secretary (43)

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.

Bryn Sage,
Sales Director (38)

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.

Directors' report

The Directors present their annual report and audited financial statements of the Company and the Group for the year ended 31 March 2004.

Principal activities

InTechnology is a specialist advanced data technology company, at the forefront of a major new development in the IT marketplace. The Group provides services and products via channel partners for data storage and deployment, data management and 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 Executive Chairman's statement, the Chief Executive Officer's report and Financial review on pages 3 to 10.

Results and dividends

The Directors are unable to recommend the payment of a dividend in respect of the year ended 31 March 2004 (2003: £nil). The Company currently intends to reinvest future earnings to finance the growth of the business.

The loss sustained for the financial year of £4,703,000 (2003: £7,042,000) will be deducted from reserves

Charitable and political donations

The contributions made by the Group during the year for charitable purposes totalled £6,000 (2003: £16,000). The Group made no political contributions (2003: £nil).

Directors

The Directors of the Company during the year ended 31 March 2004 are shown on pages 13 and 14.

Re-election of Directors

In accordance with the Articles of Association of the Company, one-third of the Directors will retire by rotation. Accordingly, The Rt. Hon. Lord Parkinson, Joe McNally and Charles Scott 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 19 to 21. 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 17 and 18.

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

Substantial shareholdings

At 14 June 2004, 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	56.64%
Artemis Investment Management Limited	8.25%
Jon Wood	7.61%
Andrew Kaberry	7.14%
Canada Life	4.16%
Steve Pearce	3.57%

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 2004 average creditor days for the Group and Company were 38 days (2003: 41 days) and 37 days (2003: 41 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 10 August 2004. Details of the business to be proposed at the AGM are contained within the Notice of Meeting, which is set out on pages 50 and 51.

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

14 June 2004

Corporate governance

For the year ended 31 March 2004:

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 Combined Code') published by the London Stock Exchange in June 1998. 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 ten members, including a non-Executive President and two other non-Executive Directors.

The roles of President, Executive 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 President 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 President 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 President 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 annually review the effectiveness of the Company's systems of internal control.

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 are 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 28 and 29 under the heading 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2004, 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

14 June 2004

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 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 President 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 President and Directors have interests in share options as disclosed on page 21.

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

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 2004 were £57,000 (2003: £51,000). 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
Charles Cameron	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 Charles Cameron, 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

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

	Salary	Bonus	2004 Benefits in kind	Pension contributions	Total	2003 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors						
Peter Wilkinson	212	–	38	2	252	247
John Swingewood	162	50	1	8	221	216
Charles Cameron	187	–	2	25	214	194
Bryn Sage	100	80	16	5	201	183
Andrew Kaberry	150	–	28	12	190	192
Richard James	142	20	4	–	166	166
Steve Pearce	110	20	22	5	157	135
	1,063	170	111	57	1,401	1,333

	Fees	Bonus	Benefits in kind	Pension contributions	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-Executive Directors						
The Rt. Hon. Lord Parkinson	49	–	–	–	49	45
Joe McNally	25	–	–	–	25	20
Charles Scott	25	–	–	–	25	20
	99	–	–	–	99	85
	1,162	**170**	**111**	**57**	**1,500**	**1,418**

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 as at 31 March in the shares of the Company were:

	2004 Number	Percentage of shares held	2003 Number	Percentage of shares held
Peter Wilkinson	78,403,998	56.6%	78,403,998	56.8%
Andrew Kaberry	9,879,562	7.1%	9,879,562	7.2%
Steve Pearce	4,939,781	3.6%	4,939,781	3.6%
John Swingewood	1,000,000	0.7%	1,000,000	0.7%
	94,223,341	**68.0%**	**94,223,341**	**68.3%**

Remuneration report cont.

Charles Cameron has an option over 7,940,400 shares held by Peter Wilkinson at 63.5 pence per share. This option has an earliest exercise date of 1 July 2005 and an expiry date of 1 June 2012.

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 2004 were interested 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 2004.

Interests in share options

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 2004	No. of share options 2003	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 2004.

The market price of the Company's shares at 31 March 2004 was 82.0p (2003: 46.8p) and the range during the year then ended was 38.0p to 101.5p.

Joe McNally

Non-Executive Director

14 June 2004

Independent auditors' report to the members of InTechnology plc

For the year ended 31 March 2004:

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, the statement of 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 United Kingdom 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 Non-Executive President's introduction, Executive Chairman's statement, Chief Executive Officer's report, the Financial review, the Products, Services and Case Studies review, 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 2004 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

14 June 2004

Consolidated profit & loss account

For the year ended 31 March 2004

	Note	2004 £'000	2003 £'000
Turnover			
Continuing operations		159,069	156,899
Acquisition	2	64,440	-
	1	223,509	156,899
Cost of sales	2	(182,706)	(133,642)
Gross profit	**2**	**40,803**	**23,257**
Net operating expenses before depreciation, amortisation of goodwill and exceptional items		(33,524)	(19,314)
Depreciation		(5,640)	(4,885)
Amortisation of goodwill		(4,403)	(3,980)
Exceptional costs of German subsidiary		-	(1,645)
Net operating expenses	2	(43,567)	(29,824)
Group operating (loss)/profit			
Continuing operations		(4,012)	(6,567)
Acquisition	2	1,248	-
Group operating loss	**1**	**(2,764)**	**(6,567)**
Net interest payable	3	(1,050)	(108)
Loss on ordinary activities before taxation	**4**	**(3,814)**	**(6,675)**
Tax on loss on ordinary activities	5	(889)	(367)
Loss sustained for the financial year	**19**	**(4,703)**	**(7,042)**
EBITDA		7,279	3,943
Loss per share (pence)	**7**		
Basic and diluted		(3.40)	(5.10)
Adjusted loss per share (pence)	**7**		
Basic and diluted		(0.22)	(1.03)

EBITDA comprises earnings before interest, taxation, depreciation, amortisation of goodwill and exceptional items.

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 2004

	Note	2004 £'000	2003 £'000
Loss sustained for the financial year		**(4,703)**	**(7,042)**
Exchange loss on translation of overseas subsidiaries	19	(301)	-
Exchange gain on translation of hedging loan	19	301	-
Total recognised losses since last annual report		**(4,703)**	**(7,042)**

Reconciliation of movements in group shareholders' funds

For the year ended 31 March 2004

	Note	2004 £'000	2003 £'000
Loss sustained for the financial year		(4,703)	(7,042)
Proceeds of ordinary share capital issued		3	–
Premium on ordinary share capital issued		29	–
Exchange loss on translation of overseas subsidiaries		(301)	–
Exchange gain on translation of hedging loan		301	–
Net change in shareholders' funds		**(4,671)**	**(7,042)**
Opening shareholders' funds	19	97,447	104,489
Closing shareholders' funds	**19**	**92,776**	**97,447**

Balance sheets

As at 31 March 2004

	Note	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Fixed assets					
Intangible assets	8	76,910	68,964	73,085	69,244
Tangible assets	9	13,443	12,179	12,848	12,179
Investment in subsidiary undertakings	10	-	-	18,354	7,049
		90,353	**81,143**	**104,287**	**88,472**
Current assets					
Stocks	11	10,811	9,225	10,383	9,225
Debtors					
- due after more than one year	12	-	-	1,455	1,455
- due within one year	12	83,273	35,542	65,101	35,542
		83,273	35,542	66,556	36,997
Cash at bank and in hand		16,379	18,155	14,962	18,155
		110,463	62,922	91,901	64,377
Creditors – amounts falling due within one year	13	(89,650)	(45,109)	(76,526)	(45,109)
Net current assets		**20,813**	**17,813**	**15,375**	**19,268**
Total assets less current liabilities		**111,166**	**98,956**	**119,662**	**107,740**
Creditors – amounts falling due after more than one year	14	(18,246)	(1,300)	(26,729)	(9,810)
Provisions for liabilities and charges	**17**	**(144)**	**(209)**	**(144)**	**(209)**
Net assets		**92,776**	**97,447**	**92,789**	**97,721**
Capital and reserves					
Called up share capital - equity	18 & 19	1,384	1,381	1,384	1,381
- non-equity	18 & 19	480	480	480	480
Share premium account	19	188,420	188,391	188,420	188,391
Profit and loss account	19	(97,508)	(92,805)	(97,495)	(92,531)
Shareholders' funds (including non-equity interests)	**19**	**92,776**	**97,447**	**92,789**	**97,721**
Shareholders' funds comprise:					
Equity interests		90,536	95,207	90,549	95,481
Non-equity interests		2,240	2,240	2,240	2,240
		92,776	**97,447**	**92,789**	**97,721**

The financial statements on pages 23 to 49 were approved by the Board of Directors on 14 June 2004 and were signed on its behalf by:

Andrew Kaberry

Finance Director

Consolidated cash flow statement

For the year ended 31 March 2004

	Note	2004 £'000	2003 £'000
Net cash inflow from operating activities	**21**	**3,485**	**2,356**
Returns on investments and servicing of finance			
Interest received		324	451
Interest element of finance lease payments		(220)	(105)
Interest paid		(1,104)	(454)
Debt issue costs		(300)	-
Net cash outflow from returns on investments and servicing of finance		(1,300)	(108)
Taxation paid		**(1,305)**	**(676)**
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(4,010)	(3,911)
Sale of tangible fixed assets		349	187
Net cash outflow from capital expenditure and financial investment		(3,661)	(3,724)
Acquisitions			
Purchase of subsidiary undertakings (including costs)	20	(18,578)	-
Net cash at bank acquired with purchase of subsidiary undertakings	20	2,731	-
Net cash outflow for acquisitions		(15,847)	-
Net cash outflow before financing		(18,628)	(2,152)
Management of liquid resources			
Decrease in short term deposits with financial institutions		-	10,000
Financing			
Issue of ordinary share capital		32	-
Net increase/(decrease) in borrowings		18,090	(2,199)
Capital element of finance lease payments		(1,173)	(813)
Net cash inflow/(outflow) from financing		16,949	(3,012)
(Decrease)/increase in cash in the year	**22 & 23**	**(1,679)**	**4,836**

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, is set out below.

Basis of accounting

The financial statements have been prepared in accordance with the historical cost convention.

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, 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 & fittings	10% to 50%
Vehicles & computer equipment	20% to 50%

Freehold land is not depreciated.

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

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

Revenue is recognised when persuasive evidence of a sales arrangement exists and the right to consideration has been earned in exchange for performance (typically when delivery has occurred or a services has been rendered). The following policies apply to the major categories of revenue transaction:

Products

Revenue on the outright sale of equipment and software is recognised when the product is delivered to the customer and when there are no unfulfilled obligations that affect the customer's final acceptance of the arrangement.

Services

Service revenues, including customer support and maintenance updates, are recognised over the period to which the service relates. The terms of service contracts are typically one year. Unrecognised service revenue and cost of sales are included as deferred income (within creditors due in less than one year) and deferred cost of sales (within debtors) respectively in the balance sheet.

Accounting policies cont.

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 also dealt with through reserves, to the extent they offset exchange adjustments 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 in the future as a result of the reversal of those timing differences.

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 2004

1. Segmental information

	Turnover by destination 2004 £'000	Turnover by destination 2003 £'000	Turnover by source 2004 £'000	Turnover by source 2003 £'000	Operating (loss)/ profit by source 2004 £'000	Operating (loss)/ profit by source 2003 £'000
Geographical analysis						
United Kingdom	185,734	155,089	186,935	156,888	(3,521)	(4,922)
Continental Europe	37,174	1,313	36,574	11	757	(1,645)
North America	293	497	-	-	-	-
Africa	176	-	-	-	-	-
Rest of the World	132	-	-	-	-	-
Total	**223,509**	**156,899**	**223,509**	**156,899**	**(2,764)**	**(6,567)**

	Turnover 2004 £'000	Turnover 2003 £'000	Operating profit/(loss) Before goodwill amortisation and exceptional items 2004 £'000	Operating profit/(loss) Before goodwill amortisation and exceptional items 2003 £'000	Operating profit/(loss) After goodwill amortisation and exceptional items 2004 £'000	Operating profit/(loss) After goodwill amortisation and exceptional items 2003 £'000
Business analysis						
Specialist Distribution	209,015	148,681	9,397	8,148	7,281	6,449
Managed Services	14,494	8,218	(7,758)	(9,090)	(10,045)	(13,016)
Total	**223,509**	**156,899**	**1,639**	**(942)**	**(2,764)**	**(6,567)**

	Including goodwill 2004 £'000	Including goodwill 2003 £'000	Excluding goodwill 2004 £'000	Excluding goodwill 2003 £'000
Net assets				
Geographical analysis				
United Kingdom	80,550	97,447	8,505	28,483
Continental Europe	12,226	-	7,361	-
Group Total	**92,776**	**97,447**	**15,866**	**28,483**
Business analysis				
Specialist Distribution	39,232	33,800	(443)	4,358
Managed Services	37,165	45,492	(70)	5,970
	76,397	79,292	(513)	10,328
Cash	16,379	18,155	16,379	18,155
Group Total	**92,776**	**97,447**	**15,866**	**28,483**

The segmental analysis above excludes net interest payable of £1,050,000 (2003: £108,000) which is not analysed by business segment.

Notes to the financial statements cont.

1. Segmental information continued

The acquisition of the Allasso group of companies contributed the following to the Specialist Distribution division in the 8 month period following completion of the acquisition on 31 July 2003:

	Turnover by destination and source		Operating profit Before goodwill amortisation and exceptional items		Operating profit After goodwill amortisation and exceptional items	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Geographical analysis						
United Kingdom	27,866	-	735	-	491	-
Continental Europe	36,574	-	925	-	757	-
Total	**64,440**	**-**	**1,660**	**-**	**1,248**	**-**

	Including goodwill		Excluding goodwill	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Net assets				
Geographical analysis				
United Kingdom	13,438	-	6,366	-
Continental Europe	12,226	-	7,361	-
Total	**25,664**	**-**	**13,727**	**-**

2. Cost of sales, gross profit and net operating expenses

	2004 Continuing £'000	2004 Acquisitions £'000	2004 Total £'000	2003 Total £'000
Turnover	**159,069**	**64,440**	**223,509**	**156,899**
Cost of sales	(130,837)	(51,869)	(182,706)	(133,642)
Gross profit	**28,232**	**12,571**	**40,803**	**23,257**
Net operating expenses before depreciation, amortisation of goodwill and exceptional items	(23,061)	(10,463)	(33,524)	(19,314)
Depreciation	(5,192)	(448)	(5,640)	(4,885)
Amortisation of goodwill	(3,991)	(412)	(4,403)	(3,980)
Exceptional costs of German subsidiary	-	-	-	(1,645)
Net operating expenses	(32,244)	(11,323)	(43,567)	(29,824)
Group operating loss	**(4,012)**	**1,248**	**(2,764)**	**(6,567)**

Notes to the financial statements cont.

3. Net interest payable

	2004 £'000	2003 £'000
Interest payable on bank loans and overdrafts	(9)	(8)
Interest payable on other loans	(1,095)	(446)
Amortisation of debt issue costs	(50)	-
Interest payable on finance leases	(220)	(105)
	(1,374)	(559)
Bank interest receivable	324	451
Net interest payable	**(1,050)**	**(108)**

4. Loss on ordinary activities before taxation

	2004 £'000	2003 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs (note 25)	20,301	11,008
Depreciation of owned tangible fixed assets	4,098	4,044
Depreciation of leased tangible fixed assets	1,542	841
Amortisation of goodwill	4,403	3,980
Exceptional costs of German subsidiary	-	1,645
Other operating lease rentals	2,722	2,205
Auditors' remuneration - audit	150	50
Auditors' remuneration - further assurance services	10	-
Auditors' remuneration - tax compliance	21	10
Net exchange gain on foreign currency borrowings	(14)	-
Profit on disposal of tangible fixed assets	(87)	(41)

Auditors' remuneration includes £53,000 (2003: £45,000) in respect of audit services, £10,000 in respect of further assurance services and £21,000 (2003: £7,000) in respect of tax compliance services provided to the Company.

In addition, fees of £308,000 payable to the auditors have been capitalised as they relate to further assurance and tax advisory services in respect of the acquisition of the Allasso Group of companies.

Notes to the financial statements cont.

5. Tax on loss on ordinary activities

	2004 £'000	2003 £'000
Tax charge comprises:		
United Kingdom corporation tax at 30% (2003: 30%)		
Current	(632)	(187)
Over/(under) provision in respect of prior years	198	(185)
UK current tax	(434)	(372)
Overseas current tax	(430)	-
Total current tax	(864)	(372)
Deferred tax (note 16)	(25)	5
	(889)	**(367)**

The tax charge on profits before goodwill charges is higher (2003: higher) than the standard rate of corporation tax in the UK. The differences are explained as follows:

	2004 £'000	2003 £'000
Loss on ordinary before taxation	(3,814)	(6,675)
At standard rate of corporation tax of 30% (2003: 30%)	(1,144)	(2,003)
Effects of:		
Amortisation of goodwill	1,321	1,194
Expenses not deductible for tax purposes	366	544
Adjustment to tax charge in respect of previous periods	(198)	185
Capital allowances for year lower than/(in excess of) depreciation	161	(41)
Overseas tax rates/losses not used	251	493
Other timing differences	107	-
	864	**372**

At 31 March 2004, the Company had accumulated tax losses of £2,973,000 which are available for offset against future trading profits of certain Group operations.

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 2004 was £4,964,000 (2003: £9,091,000).

7. Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £4,703,000 (2003: £7,042,000) by the weighted average number of ordinary shares in issue during the year of 138,245,916 (2003: 138,101,518).

Notes to the financial statements cont.

7. Loss per share continued

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

	2004 Basic and diluted (Loss)/ earnings £'000	2004 Basic and diluted (Loss)/ earnings per share pence	2003 Basic and diluted (Loss)/ earnings £'000	2003 Basic and diluted (Loss)/ earnings per share pence
Loss attributable to ordinary shareholders	(4,703)	(3.40)	(7,042)	(5.10)
Amortisation of goodwill	4,403	3.18	3,980	2.88
Exceptional costs of German subsidiary	–	–	1,645	1.19
Adjusted basic loss per share	**(300)**	**(0.22)**	**(1,417)**	**(1.03)**

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".

8. Intangible fixed assets

Group	Goodwill £'000
Cost	
At 1 April 2003	159,908
Additions (note 20)	12,349
At 31 March 2004	**172,257**
Amortisation	
At 1 April 2003	90,944
Charge for the year	4,403
At 31 March 2004	**95,347**
Net book amount at 31 March 2004	**76,910**
Net book amount at 31 March 2003	68,964

Company	Goodwill £'000
Cost	
At 1 April 2003	158,613
Additions (notes 10 and 20)	8,000
At 31 March 2004	**166,613**
Amortisation	
At 1 April 2003	89,369
Charge for the year	4,159
At 31 March 2004	**93,528**
Net book amount at 31 March 2004	**73,085**
Net book amount at 31 March 2003	69,244

Notes to the financial statements cont.

9. Tangible fixed assets

Group	Freehold land & buildings £'000	Leasehold improvements £'000	Office fixtures & fittings £'000	Vehicles & computer equipment £'000	Total £'000
Cost					
At 1 April 2003	3,570	1,579	1,479	16,911	23,539
Acquisitions	–	–	393	1,521	1,914
Additions	37	21	97	5,989	6,144
Disposals	–	–	(6)	(1,526)	(1,532)
Exchange adjustments	–	–	(8)	(54)	(62)
At 31 March 2004	**3,607**	**1,600**	**1,955**	**22,841**	**30,003**
Accumulated depreciation					
At 1 April 2003	325	669	1,003	9,363	11,360
Acquisitions	–	–	103	778	881
Charge for the year	176	282	326	4,857	5,640
Disposals	–	–	(6)	(1,265)	(1,270)
Exchange adjustments	–	–	(4)	(47)	(51)
At 31 March 2004	**501**	**951**	**1,422**	**13,686**	**16,560**
Net book amount at 31 March 2004	**3,106**	**649**	**533**	**9,155**	**13,443**
Net book amount at 31 March 2003	3,245	910	476	7,548	12,179

Company	Freehold land & buildings £'000	Leasehold improvements £'000	Office fixtures & fittings £'000	Vehicles & computer equipment £'000	Total £'000
Cost					
At 1 April 2003	3,570	1,579	1,479	16,688	23,316
Transfer from subsidiary companies (note 10)	–	–	120	449	569
Additions	37	21	96	5,501	5,655
Disposals	–	–	(1)	(1,321)	(1,322)
At 31 March 2004	**3,607**	**1,600**	**1,694**	**21,317**	**28,218**
Accumulated depreciation					
At 1 April 2003	325	669	1,003	9,140	11,137
Charge for the year	176	282	303	4,598	5,359
Disposals	–	–	(1)	(1,125)	(1,126)
At 31 March 2004	**501**	**951**	**1,305**	**12,613**	**15,370**
Net book amount at 31 March 2004	**3,106**	**649**	**389**	**8,704**	**12,848**
Net book amount at 31 March 2003	3,245	910	476	7,548	12,179

Notes to the financial statements cont.

9. Tangible fixed assets continued

Analysis of net book amount of freehold land and buildings	Group and Company	
	2004	2003
	£'000	£'000
Freehold land	1,233	1,233
Freehold buildings	1,873	2,012
	3,106	**3,245**

The net book amount of Group and Company tangible fixed assets includes an amount of £3,200,000 (2003: £2,245,000) in respect of assets held under finance leases.

10. Investments

	Company
	£'000
Shares in group undertakings	
At 1 April 2003	7,049
Additions in year	
Subsidiary undertakings	
Investment in the Allasso Group of companies (note 20)	17,480
Contingent consideration (note 20)	1,003
Costs associated with the investment (note 20)	1,098
Investment in Allasso AG	42
Exchange loss on translation of investment	(318)
Transfer to goodwill (note 8)	(8,000)
At 31 March 2004	**18,354**

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 is 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 £8,000,000 has been transferred from investments to goodwill in the InTechnology company balance sheet.

Investments in Group undertakings are stated at cost.

Notes to the financial statements cont.

10. Investments continued

Details of the principal investments at 31 March 2004 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 UK Limited	England	Sale of computer security products and ancillary services	100%	100%
Allasso AG	Switzerland	Sale of computer security products and ancillary services	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	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Goods for re-sale	10,811	9,225	10,383	9,225

Notes to the financial statements cont.

12. Debtors

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'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	53,625	26,074	39,164	26,074
Other debtors	10,091	6,657	8,880	6,657
Deferred tax (note 16)	210	235	210	235
Corporation tax	102	–	–	–
Prepayments and accrued income	4,600	2,576	4,243	2,576
Deferred cost of sales	14,645	–	6,813	–
Amounts owed by Group undertakings	–	–	5,791	–
	83,273	35,542	65,101	35,542
Total	**83,273**	**35,542**	**66,556**	**36,997**

Amounts owed by Group undertakings are unsecured. Included within other debtors is an amount of £40,000 (2003: £40,000) owing from a member of the Company's management team.

13. Creditors – amounts falling due within one year

	Group		Company	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Bank and other borrowings (IBM)	5,215	5,738	5,215	5,738
Loan from Peter Wilkinson	2,425	–	2,425	–
Obligations under finance leases	1,901	1,156	1,896	1,156
Trade creditors	48,139	32,670	44,056	32,670
Corporation tax	–	336	362	336
Other taxation and social security	6,227	1,343	5,133	1,343
Other creditors	469	276	3	276
Accruals	6,110	3,282	4,773	3,282
Deferred income	19,164	308	9,059	308
Amounts owed to Group undertakings	–	–	3,604	–
	89,650	**45,109**	**76,526**	**45,109**

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.

Notes to the financial statements cont.

14. Creditors – amounts falling due after more than one year

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Bank and other borrowings (IBM)	3,354	–	3,354	–
Loan from Peter Wilkinson	12,325	–	12,325	–
Obligations under finance leases	1,564	1,300	1,537	1,300
Contingent consideration (note 20)	1,003	–	1,003	–
Amounts owed to Group undertakings	–	–	8,510	8,510
	18,246	**1,300**	**26,729**	**9,810**

Amounts owed to Group undertakings are unsecured.

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

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Bank and other borrowings (IBM)				
In one year or less	5,215	5,738	5,215	5,738
Between one and two years	2,236	–	2,236	–
Between two and five years	1,118	–	1,118	–
	8,569	**5,738**	**8,569**	**5,738**

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Loan from Peter Wilkinson				
In one year or less	2,500	–	2,500	–
Between one and two years	5,000	–	5,000	–
Between two and five years	7,500	–	7,500	–
Unamortised debt issue costs	(250)	–	(250)	–
	14,750	**–**	**14,750**	**–**

	Group 2004 £'000	Group 2003 £'000	Company 2004 £'000	Company 2003 £'000
Finance leases				
In one year or less	1,901	1,156	1,896	1,156
Between one and two years	1,064	1,079	1,037	1,079
Between two and five years	500	221	500	221
	3,465	**2,456**	**3,433**	**2,456**

Notes to the financial statements cont.

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 £10,404,000, £15,000,000 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.

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 an invoice discounting facility of £4,669,000 with IBM, which was unused as at 31 March 2004. 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.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group comprising cash of £16,379,000 is as follows:

	Floating rate	
	2004 £'000	2003 £'000
Currency		
Sterling	14,749	18,137
Dollar	452	4
Euro	1,178	14
	16,379	**18,155**

The sterling and euro financial assets relate to cash at bank and bear interest based on LIBOR and EURIBOR respectively. There are no fixed rate financial assets (2003: £nil).

Notes to the financial statements cont.

15. Financial instruments continued

Interest rate risk profile of financial liabilities

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

	Sterling		Euro		Total	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Floating rate bank and other borrowings (IBM)	3,000	5,738	5,569	-	8,569	5,738
Fixed rate loan from Peter Wilkinson	14,750	-	-	-	14,750	-
Fixed rate finance leases	3,433	2,456	32	-	3,465	2,456
Deferred shares	480	480	-	-	480	480
Contingent consideration (zero interest)	-	-	1,003	-	1,003	-
Provisions for liabilities and charges (zero interest)	-	-	144	209	144	209
Total	**21,663**	**8,674**	**6,748**	**209**	**28,411**	**8,883**
Weighted average fixed interest rate	8.44%	9.14%	4.50%	-	8.44%	9.14%
Weighted average period for which rate is fixed	3.0 years	2.1 years	0.63 years	-	3.0 years	2.1 years
Weighted average period to maturity on which no interest is paid	-	-	0.83 years	0.92 years	0.83 years	0.92 years

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 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:

	2004 £'000	2003 £'000
Expiring within one year	**4,669**	**946**

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 value of financial assets and liabilities as at 31 March 2004 approximate to the book value at those dates.

Notes to the financial statements cont.

15. Financial instruments continued

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.

	2004 £'000	2003 £'000
Functional currency of operation: Sterling		
US Dollar assets/(liabilities) (net)	1,914	(89)
Euro liabilities (net)	(2,232)	(1,071)
	(318)	(1,160)
Functional currency of operation: Euro		
US Dollar liabilities (net)	(6,234)	-

Hedges

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

16. Deferred tax asset

	Group and Company £'000
At 1 April 2003	235
Credited to the profit and loss account	(25)
At 31 March 2004	**210**

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 and Company	Amount recognised		Amount not recognised	
	2004 £'000	2003 £'000	2004 £'000	2003 £'000
Accelerated capital allowances	-	-	410	322
Short term timing differences	210	235	-	-
Losses carried forward	-	-	892	892
	210	**235**	**1,302**	**1,214**

Based on current capital expenditure plans, the Group does not expect fixed asset timing differences to reverse in the foreseeable future, hence no deferred tax liability has been recognised in respect of accelerated capital allowances. 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.

Notes to the financial statements cont.

17. Provisions for liabilities and charges

	Group and Company Lease commitments £'000
At 1 April 2003	209
Charged to the profit and loss account	144
Utilised in the year	(209)
At 31 March 2004	**144**

The remaining provision at 31 March 2004 relates to lease commitments for unoccupied offices in Germany. These payments will arise in the period to the expiry of the existing lease in January 2005.

18. Called up share capital

	Company 2004 £'000	Company 2003 £'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**
Allotted, called up and fully paid		
138,414,996 Ordinary shares of 1p each	1,384	1,381
48,000,000 Deferred shares of 1p each	480	480
Total	**1,864**	**1,861**

The number of allotted, called up and fully paid shares increased in the year as the Company issued 313,478 shares (2003: nil 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.

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 313,478 shares (2003: nil 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:

18. Called up share capital continued

Name of scheme	No. of shares 2004	No. of shares 2003	Exercise price (p)	Earliest exercise date	Expiry date
HOLF scheme	7,712,056	7,775,912	43.3	23/12/02	23/12/09
VData scheme	4,953,576	5,425,081	1.8	07/01/03	07/01/10
InTechnology scheme	1,758,463	1,730,963	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	-	61.0	01/08/06	01/08/13
InTechnology scheme	500,000	500,000	65.0	11/06/05	11/06/12
InTechnology scheme	600,000	1,344,000	150.0	01/09/03-09/10/03	01/09/10-09/10/10
InTechnology scheme	311,000	718,000	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
	19,233,095	**19,313,956**			

Further details of the share option schemes in operation are given under the heading 'Interests in share options' in the Remuneration Report on pages 19 to 21.

19. Shareholders' funds

	Ordinary share capital £'000	Deferred shares £'000	Share premium account £'000	Profit & loss account £'000	Total shareholders' funds £'000
Group					
At 1 April 2003	1,381	480	188,391	(92,805)	97,447
Issues of shares to satisfy employee share options	3	-	29	-	32
Loss sustained for the financial year	-	-	-	(4,703)	(4,703)
Exchange adjustments	-	-	-	-	-
At 31 March 2004	**1,384**	**480**	**188,420**	**(97,508)**	**92,776**

	Ordinary share capital £'000	Deferred shares £'000	Share premium account £'000	Profit & loss account £'000	Total shareholders' funds £'000
Company					
At 1 April 2003	1,381	480	188,391	(92,531)	97,721
Issues of shares to satisfy employee share options	3	-	29	-	32
Loss sustained for the financial year	-	-	-	(4,964)	(4,964)
Exchange adjustments	-	-	-	-	-
At 31 March 2004	**1,384**	**480**	**188,420**	**(97,495)**	**92,789**

Included in net exchange adjustments are exchange gains of £301,000 arising on borrowings denominated in euro designated as hedges of net investments overseas which offset exchange losses arising from the Group's investment in Allasso Europe.

Notes to the financial statements cont.

20. Acquisitions

On 31 July 2003 the Group acquired all of the issued share capital of Allasso UK Limited and Allasso France SAS from Articon-Integralis AG for cash consideration (including costs) of £18,578,000 and contingent consideration to a maximum of €3,770,000 (£2,520,000 assuming an exchange rate of £1 to €1.496). The contingent consideration is dependent upon the level of revenue earned from Articon-Integralis AG in the 24 month period following completion. The full contingent consideration of €3,770,000 is payable if cumulative sales to Articon-Integralis AG reach €61,500,000 by 31 July 2005.

Based on current trading the Directors estimate that €1,500,000 (£1,003,000 assuming an exchange rate of £1 to €1.496) of contingent consideration will become payable by 31 July 2005.

The amounts in the following table represent the provisional book and fair values of the assets and liabilities acquired and the consideration paid. Completion accounts have been prepared in respect of the acquisition and are in the process of being agreed with Articon-Integralis AG. Any adjustments to the book and provisional fair values shown below which result from this process will be reflected in the Group's 2004/2005 accounts.

	Provisional book and fair value to the Group £'000
Tangible fixed assets	1,033
Stocks	1,465
Debtors	17,418
Deferred cost of sales	13,311
Cash at bank and in hand	2,731
Obligations under finance leases	(48)
Creditors - amounts falling due within one year	(11,648)
Creditors - amounts falling due after more than one year	(59)
Deferred income	(16,971)
Net assets	7,232
Goodwill arising on acquisition	12,349
	19,581
Discharged by:	
Cash consideration	17,480
Contingent consideration	1,003
Costs associated with acquisition	1,098
	19,581

20. Acquisitions continued

The unaudited results of Allasso for the period 1 January 2003 to 31 July 2003 together with the unaudited pro-forma results extracted from the Articon-Integralis AG trial balance and in line with Articon-Integralis AG accounting policies for the year ended 31 December 2002 were as follows:

	7 months ended 31 July 2003 (Unaudited) £'000	Year ended 31 December 2002 (Unaudited pro-forma) £'000
Turnover	52,529	104,805
Cost of sales	(40,937)	(80,159)
Gross profit	**11,592**	**24,646**
Net operating expenses before depreciation and amortisation of goodwill	(9,493)	(17,477)
Depreciation	(355)	(1,054)
Amortisation of goodwill	(42)	(425)
Net operating expenses	(9,890)	(18,956)
Operating profit	**1,702**	**5,690**
Net interest payable	(14)	(217)
Profit on ordinary activities before taxation	**1,688**	**5,473**
Tax on profit on ordinary activities	(238)	(1,020)
Profit for the period	**1,450**	**4,453**
EBITDA	2,099	7,169

In the 8 month period since acquisition Allasso contributed a net operating cash inflow of £1,706,000, paid £17,000 in interest, paid £836,000 in taxation, paid £490,000 in capital expenditure and received £124,000 in respect of disposals of tangible fixed assets.

Notes to the financial statements cont.

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

	2004			2003
	Continuing	Acquisition	Total	
	£'000	£'000	£'000	£'000
Operating (loss)/profit	(4,012)	1,248	(2,764)	(6,567)
Depreciation of tangible fixed assets	5,360	280	5,640	4,885
Depreciation of tangible fixed assets – exceptional costs of German subsidiary	-	-	-	89
Goodwill amortisation	3,991	412	4,403	3,980
Profit on disposal of tangible fixed assets	(30)	(57)	(87)	(41)
Exchange movements	(14)	-	(14)	-
Decrease/(increase) in stocks	311	(357)	(46)	2,223
(Increase)/decrease in debtors	(11,013)	(6,611)	(17,624)	5,183
Increase/(decrease) in creditors and provisions	7,186	6,791	13,977	(7,396)
Net cash inflow from operating activities	**1,779**	**1,706**	**3,485**	**2,356**

22. Reconciliation of movement in net (debt)/funds

	2004	2003
	£'000	£'000
(Decrease)/increase in cash in the year	(1,679)	4,836
Net cash outflow from decrease in finance leases	1,173	813
Decrease in short term deposits	-	(10,000)
Net cash (inflow)/outflow from (advance)/repayment of debt	(18,090)	2,199
Change in net debt resulting from cash flows	(18,596)	(2,152)
Non-cash changes:		
Exchange movements	162	-
Inception of new finance leases	(2,134)	(1,577)
Finance leases on acquisition	(48)	-
Debt issue costs	250	-
Movement in net (debt)/funds in the year	(20,366)	(3,729)
Net funds at start of year	9,961	13,690
Net (debt)/funds at end of year	**(10,405)**	**9,961**

Notes to the financial statements cont.

23. Analysis of net funds/(debt)

	At 1 April 2003 £'000	Cashflow £'000	Acquisitions £'000	Exchange movements £'000	Other non-cash changes £'000	At 31 March 2004 £'000
Cash at bank and in hand	18,155	(1,679)	-	(97)	-	16,379
Finance leases	(2,456)	1,173	(48)	-	(2,134)	(3,465)
Debt due after more than one year	-	(15,997)	-	143	175	(15,679)
Debt due within one year	(5,738)	(2,093)	-	116	75	(7,640)
Net funds/(debt)	**9,961**	**(18,596)**	**(48)**	**162**	**(1,884)**	**(10,405)**

24. Directors' emoluments

A detailed analysis of Directors' individual emoluments, together with information on pensions, including that of the highest paid Director, is in the Remuneration Report on page 20.

	2004 £'000	2003 £'000
Aggregate emoluments	1,344	1,282
Company contributions to defined contribution pension schemes	57	51
Sums paid to third parties for directors' services	99	85
	1,500	**1,418**

During the year, retirement benefits were accruing to all seven (2003: 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	2004 Number	2003 Number
Sales	142	75
Technical	94	59
Operations	82	59
Administration	71	49
	389	**242**

Staff costs for the persons above were:

	2004 £'000	2003 £'000
Wages and salaries	16,690	9,699
Social security costs	3,378	1,143
Pension costs	233	166
	20,301	**11,008**

Notes to the financial statements cont.

26. Financial commitments

At 31 March 2004 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other assets	
	2004	2003	2004	2003
	£'000	£'000	£'000	£'000
Expiring within one year	205	98	222	110
Expiring within one to two years	650	825	231	110
Expiring within two to five years	450	268	61	-
Expiring after five years	1,660	944	-	-
	2,965	**2,135**	**514**	**220**

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 Executive Chairman 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 2004 was £15,000,000 (2003: £nil) and related interest payments in the year were £810,000 (2003: £nil).

Peter Wilkinson is a shareholder in British Sky Broadcasting plc ('BSkyB'). InTechnology has sold services totalling £149,000 (2003: £149,000) to BSkyB in the year. As at 31 March 2004, InTechnology was owed £29,000 (2003: £15,000) by BSkyB.

Peter Wilkinson is a shareholder in the ultimate parent company of Planetfootball.com Limited, BSkyB. InTechnology has sold services totalling £183,000 (2003: £197,000) to Planetfootball.com Limited in the year. As at 31 March 2004, InTechnology was owed £17,000 (2003: £37,000) by Planetfootball.com Limited.

Peter Wilkinson is a non-Executive Director of and Peter Wilkinson, Richard James and John Swingewood are shareholders in The New Gadget Shop Limited. InTechnology has sold services totalling £115,000 (2003: £73,000) to The New Gadget Shop Limited in the year. As at 31 March 2004, InTechnology was owed £23,000 (2003: £nil) by The New Gadget Shop Limited.

Peter Wilkinson is Executive Chairman of, Richard James is a Director of and Peter Wilkinson, Richard James and John Swingewood hold beneficial interests in shares in Digital Interactive Television Group Limited. InTechnology has sold services totalling £855,000 (2003: £800,000) to Digital Interactive Television Group Limited in the year. As at 31 March 2004, InTechnology was owed £271,000 (2003: £265,000) by Digital Interactive Television Group Limited.

Peter Wilkinson is a non-Executive Director and shareholder in and John Swingewood is a Director and shareholder in Getmedia plc. InTechnology has sold services totalling £25,000 (2003: £60,000) to Getmedia plc in the year. As at 31 March 2004, InTechnology was owed £2,000 (2003: £8,000) by Getmedia plc.

The Company has maintained current accounts at various stages during the year with Peter Wilkinson and Andrew Kaberry. The maximum amounts owed to the Company under these arrangements were £43 (2003: £20,198) and £9,064 (2003: £15,368) respectively. Both amounts were fully repaid during the year and there were no amounts outstanding as at 31 March 2004.

28. Ultimate controlling party

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

Notice of Annual General Meeting

The Directors hereby give notice that the Company will hold its Annual General Meeting ('**AGM**') at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA at 11 a.m. on 10 August 2004 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 2004.

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

Resolution 3 - To re-appoint Joe McNally 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 Charles Scott 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 5 and 7 as ordinary resolutions and Resolution 6 as a special resolution.

Resolution 5 - 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 £524,718.24, provided that such authority is for a period expiring 5 years from the date of this Resolution 5, 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 5 confers had not expired. The authority which this Resolution 5 confers shall be in substitution to all subsisting authorisations under section 80 of the Act (to the extent unused) which are hereby revoked.

Resolution 6 - That, subject to the passing of Resolution 5, 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 5 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 sub-paragraph (a) above, up to an aggregate nominal amount of £69,050.75,

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 6 confers had not expired.

Resolution 7 - 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.

7 July 2004

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 cont.

Notes

1 A member of the Company ('**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 at least 48 hours before the time for holding the AGM (i.e., by no later than 11.a.m. on 8 August 2004) 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 a 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 2004 (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 18 of the AIM rules this Notice 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 page 13 of the Annual Report and Accounts of the Company for the year ended 31 March 2004.

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 Wednesday 10 August 2004 (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 The Rt. Hon. Lord Parkinson.			
3. Re-appointment of Mr. Joe McNally.			
4. Re-appointment of Mr. Charles Scott.			
5. Ordinary resolution - That the Directors are authorised to allot relevant securities.			
6. Special resolution - That statutory pre-emption provisions are disapplied and the Directors are authorised to allot relevant securities for cash.			
7. 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 ______________ 2004

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

Notes:

1 **Who can be a proxy?**

Any person (whether a Shareholder or not) may be appointed to act as a proxy.

2 **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.

3 **Corporate Shareholders**

To be valid 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.

4 **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 **not later than 48 hours before the time for holding the AGM (i.e. by no later than 11 a.m. on 8 August 2004)** 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.

5 **Alterations**

Any alterations made in or to this proxy form should be initialled by the relevant Shareholder(s).

6 **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.

7 **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.

8 **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.

9 **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 48 hours before the time set for the AGM (i.e. 11 a.m. on 8 August 2004) 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.

10 **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.

11 **Inspection of Shareholder documents**

Pursuant to rule 18 of the AIM rules this Notice 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.

12 **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.

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First Fold

BUSINESS REPLY SERVICE
License No. MB122

1

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

Second Fold

Corporate information

For the year ended 31 March 2004

Board of Directors

The Rt. Hon. Lord Parkinson	Non-Executive President
Joe McNally	Non-Executive Director
Charles Scott	Non-Executive Director
Peter Wilkinson	Executive Chairman
Charles Cameron	Chief Executive Officer
Richard James	Director & Company Secretary
Andrew Kaberry	Finance Director
Steve Pearce	Chief Operating Officer and Business Development Director
Bryn Sage	Sales Director
John Swingewood	Chief Technical Officer

Registered office

InTechnology plc
Nidderdale House
Beckwith Knowle
Harrogate
HG3 1SA
Tel +44 (0)1423 850000
Fax +44 (0)1423 858855

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

Financial advisers and brokers

Dresdner Kleinwort Wasserstein Limited
PO Box 560
20 Fenchurch Street
London
EC3P 3DB

Joint brokers

Panmure Gordon
Lazard & Co. Limited
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 cont.

Principal offices

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Harrogate
HG3 1SA
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