

inTechnology

ANNUAL REPORT &
FINANCIAL STATEMENTS

2012

...the ...

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CHAIRMAN'S INTRODUCTION

Our year to 31 March 2012 was good and is best described in three parts. Firstly, on a modest increase in revenues we have again greatly improved our Group operating profit. Secondly, we have made major capital investments in our networks and built a new energy efficient data centre in Reading. These capital investments reflect the confidence of your Board in your Company's future. Finally, we decided in this new year, to sell our core business services into the Healthcare sector. This is fully discussed in your Chief Executive Officer's report.

Our recognised revenues grew by £1.1m to £40.7m (2011: £39.6m) an increase of 2.5 percent, but Group operating profit increased by 47.0 percent to £2.4m (2011: £1.6m). In 2010 Group operating profit was £0.6m and this turnaround against a poor economic background validates the actions your Board took in reviewing the Company's product ranges and controlling all cash operating costs. Net operating expenses grew by 5.8 percent to £25.0m (2011: £23.6m).

Our share of losses after tax in our Associate companies declined for the second year running to £0.8m (2011: £1.0m), assisted by reduced losses from Mobile Tornado Group plc. The latter company has recently secured some major contract wins in Europe and the Americas and, assuming successful deployment of its technology, should be capable of moving into operating profits.

Our net cash was £4.2m (2011: £9.8m) and this reduction was caused by all the above matters, particularly the capital investments. However, our gross cash was £10.3m (2011: £11.5m) as your Board was prudent to obtain medium term loans for most of its investments at good interest rates thus maximising our cash balances. Our balance sheet remains strong.

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

Your Board remains determined, whatever the economic background, to take all the necessary actions to maintain cash generation by a strong growth of revenues and profit before taxation. The past year has again stabilised the business revenues yet grown Group operating profit and your Board is more confident that it now has everything in place to generate higher profitability and cash generation in the coming years.



The Rt. Hon. Lord Parkinson
Chairman
7 June 2012



CHIEF EXECUTIVE OFFICER'S REPORT

Overview

We are pleased to demonstrate further progress in achieving sales and operating profit growth and maintaining a sound balance sheet. As we are all aware the economic background remains grim but our business is in a sector where market demand is growing.

We have increased the year-on-year value of contract wins from £29.0m to £30.3m and again kept a low customer churn (customers not renewing contracts). However this is partly offset by lower selling prices and an increase in the value of sales contracts awaiting full commissioning. Our recognised revenues grew by a modest 2.5 percent to £40.7m, but more encouraging is within this figure our recurring revenues, as opposed to one-off sales, grew by 9.1 percent to £37.9m – 93.3 percent of total revenues (2011: 87.7 percent).

We continue to have good forward contracted recurring revenues of £63.7m (2011: £58.6m) from a diversified customer base.

Our operating cost controls continue to remain strong with regular fortnightly meetings to determine all staff recruitment as staff costs comprises 50 percent of our total. As we have found sales pricing pressure to win and retain customers so we in turn have lowered many of our non-staff operating costs.

We have made major capital investments to upgrade our UK networks, in order to increase resilience, and in a new state-of-the-art energy efficient data centre in

Reading. This new facility replaces the Goswell Road data centre as the latter's lease expired and it approaches end of life. These two capital investments demonstrate our confidence in the future and will benefit service levels to all our customers, present and future.

Trading and operating performance

- Recognised revenues increased 2.5 percent to £40.7m (2011: £39.6m).
- Recurring revenues increased 9.1 percent to £37.9m (2011: £34.8m).
- Group operating profit increased 47.0 percent to £2.4m (2011: £1.6m).
- Share of post tax loss of our two Associate company investments was £0.8m (2011: £1.0m).
- Taxation charge was £0.8m (2011: £0.5m).
- Group profit after tax and loss on Associate companies increased eightfold to £0.8m (2011: £0.1m).
- Cash was £10.3m (2011: £11.5m).
- Net cash was £4.2m (2011: £9.8m).
- Key performance indicators ("KPIs") – our KPIs are growth of revenue and operating margin (measured as earnings before interest, exceptional items, amortisation of intangible assets, share of associate profit or loss and tax as a percentage of revenue). Our revenues increased by 2.5 percent and operating margin increased to 5.9 percent (2011: 4.1 percent).

Both KPIs confirm an upward movement and confirms that the business has stabilised owing to the corrective actions your Board undertook during the past two years.

Divisional performance

Managed Data Services ("MDS")

Revenues declined for the second year running yet MDS increased operating profit by improved cost controls and better purchasing.

Revenues were £26.6m (2011: £28.9m) and operating profit increased to £3.0m (2011: £2.0m). New business orders continue to be won especially for managed networks but our data centres were close to capacity throughout the year so limiting business growth; the new Reading data centre was only commissioned in April 2012. Operating profit margins increased to 11.3 percent (2011: 7.0 percent).

Customer churn was stable throughout the year although in March 2012 there has been some loss of customers as we exited the old data centre in Goswell Road, London. Some customers preferred to remain in central London rather than move outside of the M25.

Last year we reported on a project in Yorkshire for a freehold highly efficient, low cost data centre utilising green power. Unfortunately this project had to be aborted as the generation of green power by a third party proved to be insufficient.

Managed Voice Services ("MVS")

For the second year running MVS revenues grew very well but the division has not yet achieved profitability although the backlog of orders won but not fully commissioned should now enable it to earn profits.

Revenues grew by 30.5 percent (2011: 32.9 percent) to £14.0m (2011: £10.8m). Operating loss was £0.6m (2011: £0.4m).

MVS future operating profits can utilise the brought forward tax losses of £14.9m (note 6 to the financial statements). The MVS division includes the UK sales operations of Mobile Tornado Group plc ("MT"), our Associate company. However, as noted last year, we have lowered these costs during the past year by reducing all duplication with MT. The Group balance sheet holds assets of £2.0m (2011: £2.0m) of prepaid MT licences and £0.9m of mobile phones (2011: £1.3m).

Investment in Associate undertakings Mobile Tornado Group plc (49.8 percent owned and listed on AIM)

MT did not achieve its objective of breakeven for the past year. However MT has steadily reduced its losses and recently announced some important contracts with major mobile operators. More contracts are presently under negotiation and we expect to hear of further notable contract wins during the next few months.

MT has successfully completed development of its Push-To-Talk ("PTT") and Push-To-Experience apps on Windows Mobile, Symbian and Android platforms and shortly expects to complete development for the Blackberry and Apple platforms. In addition MT has completed a consumer app of its Enterprise class PTT product. The future for MT is now looking bright.

However your Board decided in December 2010 that until profitability is achieved by MT not to convert our £3.0m convertible redeemable preference shares as they have preference over the ordinary shares. Further short term secured loans were made to MT during the year to assist its working capital, now totalling £2.9m (2011: £1.6m).

Live-PA Limited ("Live-PA") (45.4 percent owned)

Live-PA's software for call recording on Microsoft Lync and BroadSoft's voice platforms are complete and stable. We have successfully deployed call recording to our own BroadSoft user base. However demand from the global Lync user base is difficult to predict as it depends on the deployment of Lync voice and from this a demand for call recording. Therefore Live-PA has temporarily reduced its operating costs and awaits demand for its products.

During the past year we have funded Live-PA's working capital and have an option to increase our shareholding if certain conditions are not met. The loan account at our year end was £0.4m (2011: £0.1m).

Healthcare

During our last quarter we investigated marketing of our core data and voice products into the Healthcare sector. We have already had some notable successes in parts of this market, such as pharmacies, but considered that without change further growth would come more as a sub-contractor than as principal contractor.

We have therefore decided to invest in the following complementary sectors, trading as divisions of InTechnology plc.

InHealthcare

This will operate in the emerging and growing Telehealthcare market which is supported by Government and NHS.

InHealthcare will provide an end to end managed service enabling vital healthcare data obtained in the home, such as blood pressure, weight, oxygen levels, to be safely and securely transmitted over a network to a Triage centre and from there, outside of agreed parameters, to a Clinician.

CHIEF EXECUTIVE OFFICER'S REPORT

CONTINUED

InMedical

This division's market is primarily the supply of clinical informatics, integrating health technologies and patient care records enabling all parts of the NHS to reduce operating costs and improve efficiencies. InMedical will market all of our managed data and voice products as well as becoming an accredited reseller of other products.

Key staff have now been contracted and are based at offices in Marlow.

Healthsolve Limited ("Healthsolve")

Healthsolve is a company specialising in the development of software for the Healthcare sector and which will be vital for the planned growth of our two new divisions – InHealthcare and InMedical.

Your Company has recently made a £0.250m loan to Healthsolve with an option to convert into a minority holding at a later date. The loan is interest bearing.

Healthsolve was founded by Alan Payne and we appointed him to our Board as a non-executive Director on 22 May 2012.

Joe McNally

It was with deep regret that Joe McNally died on 2 March 2012 after a long battle with illness.

Joe had been a non-executive Director of InTechnology plc since December 2000 and as a founding member of Compaq in Europe had a tremendous knowledge of the computer and IT services industry. He will be sorely missed by all of us.

Outlook

Last year was good in that we increased Group operating profit but growth in our recognised revenues remained elusive. However we keep winning more business, keep churn rates to single digits and made significant capital investments for the future whilst keeping a strong balance sheet.

We have devised new sales plans in our core business, and will build expertise this year in our new Healthcare divisions and the association with Healthsolve, whose software expertise is the glue that will bind the core data and voice business together with InHealthcare and InMedical. We hope that the planned sales growth is demonstrable in a year's time thus significantly growing our revenues and profits in the future.

Our Associate, Mobile Tornado Group plc, having proven its PTT app across all commercial mobile platforms, is perhaps in the right place at the right time. The demand for mobile apps is expanding. Certainly the contracts recently secured and ongoing negotiations with major mobile operators around the world confirm this.

So overall we have entered this new fiscal year with optimism but we all keep reading of the grim economic background throughout Europe and most of the world. Time will tell whether we are that bright star amidst a dark background.



Peter Wilkinson
Chief Executive Officer
7 June 2012



MANAGEMENT TEAM

Non-executive Directors

The Rt. Hon. Lord Parkinson

Chairman and Senior

Non-executive Director

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

Charles Scott

Non-executive Director

Charles Scott joined the Board in April 2001 as a non-executive Director. A chartered accountant, he was Chairman of William Hill plc before retiring on 31 August 2010 and is a non-executive Director of Flybe Group Plc and EMCORE Corporation.

Alan Payne

Non-executive Director

Alan Payne was appointed on 22 May 2012 as a non-executive Director. Alan is a graduate and a Chartered Management Accountant. He has considerable experience of the banking and healthcare sectors including overseas assignments. He is the founder and CEO of Healthsolve Limited.

Executive Directors

Peter Wilkinson

Chief Executive Officer

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

In 1995, he started Planet Online Limited, the internet service provider, which was subsequently sold to Energis in 1998. He retained Planetfootball.com which was reversed into Sports Internet Group plc in 1999 and subsequently sold to BSKyB plc in 2000. In 1998, Peter invented the free ISP model Freeserve, the internet access service which was launched by DSG International plc.

Peter is non-executive Chairman of Mobile Tornado Group plc, an AIM listed telecoms technology company, and holds a 13.4% stake. InTechnology plc has a 49.8% stake in Mobile Tornado Group plc.

Andrew Kaberry

Finance Director

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

Richard James

Company Secretary

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

Bryn Sage

Chief Operating Officer

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

DIRECTORS' REPORT

The Directors present their annual report and audited financial statements of the Company and the Group for the year ended 31 March 2012.

Principal activities

InTechnology plc provides cloud services, managed data and voice services to users over its own end to end quality assured IP network and from its modern data centres.

Business review

The information that fulfils the requirements of the Business review can be found in the Chief Executive Officer's report on pages 6 to 8. Our review of the principal risks and uncertainties of the business is set out on pages 16 to 17.

Results and dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2012 (2011: £nil). The Company currently intends to reinvest future earnings to finance the growth of the business.

The profit retained for the financial year of £846,000 (2011: £106,000) will be added to reserves.

Share capital

Details of changes in share capital are set out in note 18 to the financial statements.

Directors

The Directors of the Company during the year ended 31 March 2012, together with brief biographies, are shown on pages 10 to 11.

Re-election of Directors

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

Directors' remuneration and interests

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

The Board's Corporate Governance report, including the Directors' statement on responsibilities for the preparation of financial statements, is set out on pages 15 to 17.

Details of related party transactions involving Directors of the Company are given in note 23 to the financial statements.

Substantial shareholdings

At 7 June 2012, the Company had received notification that the following six shareholders are interested in more than 3% of the issued ordinary share capital of the Company (totalling 91.1%):

	Percentage of shares held
Peter Wilkinson	55.6%
Artemis Fund Managers	11.5%
Jon Wood	7.5%
Gartmore Fund Managers	6.7%
Andrew Kaberry	5.5%
Herald Investment Trust	4.3%

Going concern

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

Employees

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

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

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

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

Share schemes

Share ownership is very important to the Group's remuneration philosophy and the Directors believe that the key to the Group's future success lies in a motivated workforce holding a stake in the Company. The schemes are described in the Board's Remuneration report and details of the options granted under the schemes are set out in notes 18 and 19 to the financial statements.

DIRECTORS' REPORT

CONTINUED

Research and development

The Group continues to undertake the development of new products with the objective of increasing future profitability. The cost to the Group is written off to the statement of comprehensive income 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 2012 average creditor days for the Group and Company were 24 days (2011: 29 days).

Charitable and political donations

The contributions made by the Group during the year for charitable purposes totalled £1,480 (2011: £2,375). The Group made no political contributions (2011: £nil).

Environment

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

Annual General Meeting

The next AGM of the Company will be held on 24 July 2012. Details of the business to be proposed at the AGM are contained within the Notice of Annual General Meeting, which is set out on pages 59 to 60.

Independent auditors

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

By order of the Board

Richard James
Company Secretary
7 June 2012

CORPORATE GOVERNANCE

InTechnology plc is an unlisted public company and is not therefore required to comply with the provisions of the UK Corporate Governance Code (the "Code"). The following disclosures are made voluntarily.

Principles of Corporate Governance

The Board recognises the value of good corporate governance as a positive contribution to the well being of the business and believes in applying these principles in a sensible and pragmatic manner that are considered appropriate to the nature and size of the Group.

Board of Directors

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

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

Re-election of Directors

As required by the Company's Articles of Association, Directors offer themselves for re-election at least once every three years. Any Director appointed during the year is required to seek reappointment by shareholders at the next Annual General Meeting. The biographical details of all the Directors are set out on pages 10 to 11.

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

The Board receives reports from the following three committees:

The Audit Committee

Comprises two non-executive Directors and is chaired by Lord Parkinson. Its duties include a comprehensive review of the annual financial statements and interim update prior to Board approval and distribution to members. 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 two non-executive Directors and is now chaired by Charles Scott, following the death of Joe McNally. It meets at least once a year and is responsible for making recommendations to the Board on remuneration policy for executive Directors and for setting salaries, incentive payments and the granting of share options.

The Executive Operating Board

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

Relations with shareholders

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

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

CORPORATE GOVERNANCE

CONTINUED

Internal control

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

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

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

- (a) Preparation of budgets and forecasts approved by the Board.
- (b) Monthly management accounts, showing comparisons of actual results against budget and prior year results, are reviewed by the Board. Variances from budget are thoroughly investigated and discussed at bi-monthly Board meetings. Where lapses in internal control are detected, these are rectified.
- (c) The Company's cash flow is monitored monthly.
- (d) The Board authorises capital expenditure where this is significant and all capital expenditure is first authorised by the Executive Operating Board.

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

Risks and uncertainties

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

Competitive pressures

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

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

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

Both data and voice divisions contract with agreed SLAs. Adherence by the Company to operating within such SLAs is crucial to maintaining customer satisfaction and renewal of a contract. Internal procedures ensure that SLAs are constantly monitored and resources allocated to maintain levels of service of at least a minimum of that contracted with customers.

Staff costs

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

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

Economy

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

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

Risk assessment

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

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

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have prepared the group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and the company and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable IFRSs as adopted by the European Union have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

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

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

By order of the Board

Richard James
Company Secretary
7 June 2012

REMUNERATION REPORT

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

The Remuneration Committee comprises the non-executive Directors:

Charles Scott (Chairman from November 2011)

The Rt. Hon. Lord Parkinson

Joe McNally (until November 2011)

Directors' remuneration

Remuneration of non-executive Directors

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

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

Remuneration of executive Directors

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

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

- (a) The basic salaries and benefits available to executive Directors of comparable companies.
- (b) The need to attract and retain Directors of an appropriate calibre.

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

The Company's remuneration policy is to:

- (a) Have regard to the Directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality.
- (b) Link individual remuneration packages to the Group's long term performance through the award of share options and incentive schemes.
- (c) Provide post retirement benefits through defined contribution pension schemes.
- (d) Provide employment related benefits including the provision of a company car (or car allowance), fuel, medical and life insurance and insurance relating to the Directors' duties.

Salaries

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

Pensions (audited)

The executive Directors are members of defined contribution pension schemes, the assets of which are held independently of the Company. The amounts contributed by the Company for the year ended 31 March 2012 were £11,000 (2011: £22,000). The Company does not provide any other post-retirement benefits to the Directors.

Contracts of service

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

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

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

Non-executive Directorships

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

REMUNERATION REPORT

CONTINUED

Directors' emoluments (audited)

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

	Salary	Bonus	2012 Benefits in kind	Pension contributions	Total	2011 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors						
Peter Wilkinson	212	-	47	3	262	260
Bryn Sage	130	59	19	7	215	202
Andrew Kaberry	162	-	33	1	196	194
Richard James	150	-	17	-	167	167
	654	59	116	11	840	823
	Fees	Bonus	Benefits in kind	Pension contributions	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-executive Directors						
The Rt. Hon. Lord Parkinson	50	-	-	-	50	50
Joe McNally (deceased 2 March 2012)	28	-	-	-	28	30
Charles Scott	30	-	-	-	30	30
	108	-	-	-	108	110
Total	762	59	116	11	948	933

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

Directors' interests

Interests in shares

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

	2012		2011	
	Number	Percentage of shares held	Number	Percentage of shares held
The Rt. Hon. Lord Parkinson	221,885	0.2%	221,885	0.2%
Peter Wilkinson	78,403,998	55.6%	78,403,998	55.7%
Richard James	800,000	0.6%	800,000	0.6%
Andrew Kaberry	7,725,961	5.5%	7,725,961	5.5%
Bryn Sage	1,491,969	1.0%	1,491,969	1.0%
	88,643,813	62.9%	88,643,813	63.0%

Apart from the interests disclosed above and the interests in share options disclosed on page 22, none of the other Directors of the Company at 31 March 2012 held interests at any time in the year in the share capital of the Company or other Group companies. Directors' interests in shares include 3,638,368 issued ordinary shares under the InTechnology plc Equity Participation Plan.

There have been no other changes in Directors' shareholdings since 31 March 2012.

REMUNERATION REPORT

CONTINUED

Interests in share options (audited)

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

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

Further details are provided in notes 18 and 19 to the financial statements.

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

	No. of share options 2011 and 2012	Exercise price pence	Earliest exercise date	Expiry date
Non-executive Directors				
The Rt. Hon. Lord Parkinson	203,178	17.0	06/05/11	06/05/18
Joe McNally	50,000	17.0	06/05/11	06/05/18
Charles Scott	50,000	17.0	06/05/11	06/05/18

The price of the Company's shares at 31 March 2012 was 8.0p and the range during the year then ended was 6.5p to 10.0p.

Charles Scott

Non-executive Director
7 June 2012

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTECHNOLOGY PLC

FOR THE YEAR ENDED 31 MARCH 2012

We have audited the group and parent company financial statements (the "financial statements") of InTechnology plc for the year ended 31 March 2012 which comprise the Consolidated statement of comprehensive income, the Group and Parent Company Statements of changes in shareholders' equity, the Group and Parent Company Balance sheets, the Group and Parent Company Cash flow statements and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards ("IFRSs") as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

Respective responsibilities of directors and auditors

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

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and parent company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Annual Report and Financial Statements 2012 to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTECHNOLOGY PLC

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

Opinion on financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 March 2012 and of the group's profit and group's and parent company's cash flows for the year then ended;
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

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

Matters on which we are required to report by exception

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

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

Ian Morrison

(Senior Statutory Auditor)
for and on behalf of
PricewaterhouseCoopers LLP
Chartered Accountants and
Statutory Auditors
Leeds
7 June 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2012

	Note	2012 £'000	2011 £'000
Revenue	3	40,652	39,648
Cost of sales		(13,428)	(14,589)
Gross profit		27,224	25,059
Net operating expenses before depreciation and amortisation		(22,267)	(20,946)
Depreciation of property, plant and equipment		(2,749)	(2,689)
Net operating expenses		(25,016)	(23,635)
Other operating income		178	199
Operating profit		2,386	1,623
Finance income	5	100	76
Finance costs	5	(85)	(35)
Share of post tax loss of associates		(801)	(1,032)
Profit before taxation		1,600	632
Taxation	6	(754)	(526)
Profit for the year	3	846	106
Other comprehensive income:			
Currency translation differences		-	7
Total comprehensive income for the year		846	113
Earnings per share (pence)			
Basic	9	0.60	0.08
Diluted	9	0.60	0.08

STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2012

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Group						
As at 1 April 2010	1,396	53,914	480	173	8,533	64,496
Employee share options:						
- value of employee services	-	-	-	27	-	27
Issue of deferred payment shares	11	75	-	-	-	86
Share of exchange gain of associate	-	-	-	-	7	7
Net profit for the year	-	-	-	-	106	106
As at 31 March 2011	1,407	53,989	480	200	8,646	64,722
Employee share options:						
- proceeds from shares issued	2	30	-	-	-	32
Net profit for the year	-	-	-	-	846	846
As at 31 March 2012	1,409	54,019	480	200	9,492	65,600

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Company						
As at 1 April 2010	1,396	53,914	480	173	7,636	63,599
Employee share options:						
- value of employee services	-	-	-	27	-	27
Issue of deferred payment shares	11	75	-	-	-	86
Net profit for the year	-	-	-	-	1,069	1,069
As at 31 March 2011	1,407	53,989	480	200	8,705	64,781
Employee share options:						
- proceeds from shares issued	2	30	-	-	-	32
Net profit for the year	-	-	-	-	1,582	1,582
As at 31 March 2012	1,409	54,019	480	200	10,287	66,395

BALANCE SHEETS

AS AT 31 MARCH 2012

	Note	Group		Company	
		2012 £'000	2011 £'000	2012 £'000	2011 £'000
Assets					
Non-current assets					
Intangible assets	10	38,997	38,997	35,747	35,747
Property, plant and equipment	11	11,761	6,432	11,761	6,432
Investment in subsidiary and associate undertakings	13	790	1,591	8,419	8,419
Deferred tax assets	7	1,056	1,355	375	739
Trade and other receivables	15	-	-	6,516	6,516
		52,604	48,375	62,818	57,853
Current assets					
Inventories	14	895	1,267	895	1,267
Trade and other receivables	15	14,639	11,957	14,639	11,957
Cash and cash equivalents		10,294	11,536	10,294	11,536
		25,828	24,760	25,828	24,760
Liabilities					
Current liabilities					
Trade and other payables	16	(6,721)	(6,375)	(6,721)	(6,375)
Borrowings	17	(1,410)	(607)	(1,410)	(607)
Current tax liabilities		(49)	(281)	(49)	(281)
Net current assets		17,648	17,497	17,648	17,497
Non-current liabilities					
Trade and other payables	16	-	-	(9,419)	(9,419)
Borrowings	17	(4,652)	(1,150)	(4,652)	(1,150)
Net assets		65,600	64,722	66,395	64,781
Shareholders' equity					
Ordinary shares	18	1,409	1,407	1,409	1,407
Share premium	18	54,019	53,989	54,019	53,989
Capital redemption reserve		480	480	480	480
Share option reserve		200	200	200	200
Retained earnings		9,492	8,646	10,287	8,705
Total shareholders' equity		65,600	64,722	66,395	64,781

The financial statements on pages 25 to 58 were approved by the Board of Directors on 7 June 2012 and were signed on its behalf by:

Andrew Kaberry
Finance Director
InTechnology plc
Registered number: 03916586

CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

		Group		Company	
	Note	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Cash flows from operating activities					
Cash generated from operations	20	3,160	2,591	3,160	2,591
Interest received		93	79	93	79
Interest paid		(82)	(29)	(82)	(29)
Interest element of finance lease payments		(7)	(6)	(7)	(6)
Tax paid		(687)	(62)	(687)	(62)
Net cash generated from operating activities		2,477	2,573	2,477	2,573
Cash flows from investing activities					
Proceeds from sale of property, plant and equipment		39	68	39	68
Purchase of property, plant and equipment		(8,090)	(2,927)	(8,090)	(2,927)
Investment in subsidiary and associate undertakings		-	(50)	-	(50)
Net cash used in investing activities		(8,051)	(2,909)	(8,051)	(2,909)
Cash flows from financing activities					
Net proceeds from issue of ordinary share capital		40	-	40	-
Increase/(decrease) in borrowings		2,400	(600)	2,400	(600)
Capital element of finance lease proceeds/(payments)		1,905	(85)	1,905	(85)
Net cash inflow/(outflow) from financing activities		4,345	(685)	4,345	(685)
Net decrease in cash and cash equivalents in the year		(1,229)	(1,021)	(1,229)	(1,021)
Cash and cash equivalents at the beginning of the year		11,536	12,598	11,536	12,598
Exchange losses on cash and cash equivalents		(13)	(41)	(13)	(41)
Cash and cash equivalents at the end of the year		10,294	11,536	10,294	11,536

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012

1 General information

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

The company is an unlisted public company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is Central House, Beckwith Knowle, Harrogate HG3 1UG.

The registered number of the Company is 03916586.

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements have been prepared under the historical cost convention, except for share-based payments which are measured at fair value, in accordance with International Financial Reporting Standards ("IFRSs"), IFRIC interpretations and the Companies Act 2006 applicable to companies reporting under IFRS. The standards used are those published by the International Accounting Standards Board ("IASB") and endorsed by the EU at the time of preparing these statements (June 2012). A summary of the more important accounting policies is set out on pages 30 to 37.

Accounting estimates and judgements

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

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

Standards, amendments and interpretations effective for the year ended 31 March 2012 with no significant impact

There are no IFRSs or IFRIC interpretations that are effective for the first time for the financial year beginning on or after 1 April 2011 that would be expected to have a material impact on the Group.

Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

- (i) IFRS 13, 'Fair value measurement' - Aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements, which are largely aligned between IFRSs and US GAAP, do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs or US GAAP. The Group is yet to assess IFRS 13's full impact and intends to adopt IFRS 13 no later than the accounting period beginning on or after 1 January 2012, subject to endorsement by the EU.
- (ii) IAS 1 (amendment), 'Presentation of financial statements' - Amendment to revise the way other comprehensive income is presented, which retains the 'one or two statement' approach at the option of the entity and only revises the way other comprehensive income is presented: requiring separate subtotals for those elements which may be 'recycled' (e.g. cash-flow

- hedging, foreign currency translation), and those elements that will not (e.g. fair value through OCI items under IFRS 9). The amendment is effective for annual periods beginning on or after 1 January 2012.
- (iii) IAS 19, 'Employee benefits' was amended in June 2011 - The impact on the Group will be as follows: to immediately recognise all past service costs and to replace interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). The Group is yet to assess the full impact of the amendments. This is effective for year ends commencing on or after 1 January 2013.
- (iv) IFRS 10, 'Consolidated financial statements' - Builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess. The Group is yet to assess IFRS 10's full impact and intends to adopt IFRS 10 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.
- (v) IFRS 9, 'Financial instruments' - Addresses the classification, measurement and recognition of financial assets and financial liabilities. IFRS 9 was issued in November 2009 and October 2010. It replaces the parts of IAS 39 that relate to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the statement of comprehensive income, unless this creates an accounting mismatch. The Group is yet to assess IFRS 9's full impact and intends to adopt IFRS 9 no later than the accounting period beginning on or after 1 January 2015, subject to endorsement by the EU.
- (vi) IFRS 11, 'Joint arrangements' - Sets out the core principle that a party to a joint arrangement determines the type of joint arrangement in which it is involved by assessing its rights and obligations and accounts for those rights and obligations in accordance with that type of joint arrangement. The standard removes the option of accounting for joint ventures using proportionate consolidation, and requires equity accounting to be applied to joint ventures. The standard is effective for annual periods beginning on or after 1 January 2013.
- (vii) IFRS 12, 'Disclosures of interests in other entities' - Includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess IFRS 12's full impact and intends to adopt IFRS 12 no later than the accounting period beginning on or after 1 January 2013, subject to endorsement by the EU.
- (viii) IAS 27, 'Consolidated and separate financial statements' - Reissued as IAS 27, 'Separate financial statements', as a result of issuance of IFRS 10, 'Consolidated financial statements'. The standard is effective for annual periods beginning on or after 1 January 2013.
- (ix) IAS 28, 'Investments in associates and joint ventures' - Reissued as IAS 28, 'Investments in associates', as a result of issuance of IFRS 11, 'Joint arrangements'. The standard is effective for annual periods beginning on or after 1 January 2013.
- There are no other IFRSs or IFRIC interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

2.2 Group financial statements

Subsidiaries

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the Group's share of identifiable net assets acquired is recorded as goodwill.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded as equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

Associates

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

Intangible assets

Goodwill

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

Acquired in a business combination

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

Research and development

Research expenditure, undertaken with the prospect of gaining new scientific or technical knowledge and understanding, is charged to income in the year in which it is incurred. Internal development expenditure, whereby research findings are applied to a plan for the production of new or substantially improved products or processes, is charged to income in the year in which it is incurred unless it meets the recognition criteria of IAS 38, 'Intangible assets'. Measurement and other uncertainties generally mean that such criteria are not met. Where, however, the recognition criteria are met, intangible assets are capitalised and amortised over their useful economic lives from product launch. Intangible assets relating to products in development are subject to impairment testing at each balance sheet date or earlier upon indication of impairment. Any impairment losses are written off immediately to income.

Computer software

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

2.3 Revenue recognition

Sales of services and goods

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

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

Interest income

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

2.4 Segmental reporting

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

2.5 Employee benefits

Pension obligations

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

2.6 Share-based payments

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

2.7 Currency translations

Functional and presentation currency

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

Transactions and balances

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

Group companies

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

- (i) monetary assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- (ii) income and expenses for each statement of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

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

2.8 Taxation

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

2.9 Property, plant and equipment

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

2.10 Impairment of non-financial assets

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

2.11 Leases

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

2.12 Financial risk factors

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

Currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

For 2012, had the Group's basket of reporting currencies been 10% weaker/stronger against Sterling than the actual rates experienced, post-tax profit for the year would have been £0.1m (2011: £0.2m) lower/higher than reported and equity would have been £nil (2011: £nil) lower/higher.

Interest rate risk

The Group has both interest bearing assets and liabilities.

Had interest rates moved by 10 basis points, post tax profits would have moved by £7,000 (2011: £10,000).

Liquidity risk

On a regular basis, management monitors forecasts of the Group's cash flows against both internal targets and those targets imposed by external lenders to ensure that it has sufficient cash to meet operational needs while maintaining sufficient headroom at all times so that the Group does not breach borrowing limits or loan covenants. Such forecasting takes into consideration the Group's debt financing plans and covenant compliance.

Surplus cash held by the Group over and above the balance required for working capital management are placed on interest bearing deposits, choosing instruments with appropriate maturities or sufficient liquidity to provide sufficient head-room as determined by the Group's cash flow forecasts.

Credit risk

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

2.13 Capital risk management

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

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

2.14 Borrowings

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

2.15 Inventories

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

2.16 Trade and other receivables

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

2.17 Trade and other payables

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

2.18 Cash and cash equivalents

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

2.19 Investments

Investments in unquoted securities are carried at fair value unless such value cannot be reliably measured, in which case the investments are carried at cost. Investments are subject to impairment testing at each balance sheet date or earlier upon indication of impairment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

3 Segmental analysis

At 31 March 2012 the Group continued to be organised into two main business segments: MDS (data services) and MVS (voice services). These are the operating segments for which management information is presented to the Group's Executive Operating Board, which is deemed to be the Group's Chief Operating Decision Maker.

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

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

	MDS		MVS		Group	
	2012	2011	2012	2011	2012	2011
	£'000	£'000	£'000	£'000	£'000	£'000
Statement of comprehensive income						
Revenue	26,616	28,893	14,036	10,755	40,652	39,648
Expenses	(23,797)	(27,073)	(14,647)	(11,124)	(38,444)	(38,197)
Share option charge					-	(27)
Operating profit/(loss) before other income	2,819	1,820	(611)	(369)	2,208	1,424
Other income	178	199	-	-	178	199
Operating profit/(loss)	2,997	2,019	(611)	(369)	2,386	1,623
Net finance income					15	41
Share of post tax loss of associates					(801)	(1,032)
Profit before taxation					1,600	632
Taxation					(754)	(526)
Profit for the year					846	106

The Group only operates in the United Kingdom.

No single external customer represents more than 7.8% of the total revenue of the Group.

4 Net operating expenses

	2012 £'000	2011 £'000
Employee benefit expense (note 21)	10,530	9,788
Depreciation and amortisation charges (notes 10 and 11)	2,749	2,689
Foreign exchange losses	24	32
Profit on disposal of property, plant and equipment	(27)	(49)
Release of provision for dilapidations	-	(330)
Operating lease payments (note 11)	2,696	2,619
Other expenses	9,044	8,886
Net operating expenses	25,016	23,635

Auditor remuneration

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

	2012 £'000	2011 £'000
Fees payable to the Company's auditor for the audit of parent company and consolidated accounts	66	62
Non-audit services:		
Fees payable to the Company's auditor and its associates for other services:		
Tax services	16	13
	82	75

5 Finance income and costs

	2012 £'000	2011 £'000
Group		
Interest expense:		
- bank loans and overdrafts	(91)	(25)
- finance leases	(1)	(6)
- other interest	7	(4)
Finance costs	(85)	(35)
Finance income:		
- bank interest receivable	95	76
- other interest	5	-
Finance income	100	76
Net finance income	15	41

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

6 Taxation

	2012 £'000	2011 £'000
(a) Analysis of charge for the year		
Current tax		
Current tax on profits for the year	582	469
Adjustment in respect of prior years	(127)	(337)
Total current tax	455	132
Deferred tax charge (note 7)	299	394
Total charge for the year	754	526
(b) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:		
Profit before tax and share of post tax loss of associates	2,401	1,664
At standard rate of corporation tax of 26% (2011: 28%)	624	466
Effects of:		
Adjustments to tax in respect of prior years	(127)	(337)
Expenses not deductible for tax purposes	169	201
Movement on prior years deferred tax balances	88	196
Total charge for the year	754	526

At 31 March 2012, the Group had accumulated tax losses of £14,939,243 (2011: £14,939,243) which should be available for offset against future trading profits of certain Group operations. No deferred tax asset has been recognised in respect of these losses as their recoverability is uncertain.

7 Deferred taxation

	2012	2011
	£'000	£'000

The deferred tax balances included in these accounts are attributable to the following:

Deferred tax assets

Excess of depreciation over capital allowances	1,058	1,381
Provisions	84	135
	1,142	1,516

Deferred tax liabilities

Intangible assets	86	161
	86	161
Net deferred tax assets	1,056	1,355

The movement on deferred tax balances during the year is summarised as follows:

Deferred tax charged through statement of comprehensive income	(299)	(394)
Investment in associate (note 13)	-	(14)
	(299)	(408)
Net balance brought forward	1,355	1,763
Net balance carried forward	1,056	1,355

Deferred tax charged through the statement of comprehensive income relates to the following:

Excess of depreciation over capital allowances	(323)	(378)
Provisions	(51)	(103)
Intangible assets	75	87
	(299)	(394)

Deferred tax is calculated in full on temporary differences under the liability method at a rate of 25% (2011: 26%) in the United Kingdom.

During the year, as a result of the change in UK corporation tax rate from 26% to 25% that was substantively enacted on 5 July 2011 and that will be effective from 1 April 2012, the relevant deferred tax balances have been re-measured. Deferred tax expected to reverse in the year ended 31 March 2013 and beyond has been measured using the 25% rate.

Further reductions to the UK tax rate have been announced. The changes, which are expected to be enacted separately each year, propose to reduce the rate by 1% per annum to 23% by 1 April 2014. The changes have not been substantively enacted at the balance sheet date and, therefore, are not recognised in these financial statements.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

8 Profit of the holding company

As permitted by section 408 of the Companies Act 2006, the statement of comprehensive income of the Company is not presented in these financial statements. The parent Company's profit for the year ended 31 March 2012 was £1,582,000 (2011: £1,069,000).

9 Earnings per share

	2012			2011		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000	'000	pence	£'000	'000	pence
Basic EPS	846	140,794	0.60	106	140,345	0.08
Effect of dilutive share options		-			-	
Diluted EPS	846	140,794	0.60	106	140,345	0.08

	2012			2011		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000	'000	pence	£'000	'000	pence
Basic EPS	846	140,794	0.60	106	140,345	0.08
Share-based payments	-		-	27		0.02
Share of post tax loss of associates	801		0.57	1,032		0.73
Adjusted basic EPS	1,647	140,794	1.17	1,165	140,345	0.83
Diluted EPS	846	140,794	0.60	106	140,345	0.08
Share-based payments	-		-	27		0.02
Share of post tax loss of associates	801		0.57	1,032		0.73
Adjusted diluted EPS	1,647	140,794	1.17	1,165	140,345	0.83

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

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

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

10 Intangible assets	Goodwill	Total
Group	£'000	£'000
At 1 April 2010		
Cost and net book amount	38,997	38,997
Year ended 31 March 2011		
Opening net book amount	38,997	38,997
Closing net book amount	38,997	38,997
At 1 April 2011		
Cost and net book amount	38,997	38,997
Year ended 31 March 2012		
Opening net book amount	38,997	38,997
Closing net book amount	38,997	38,997
Company		
At 1 April 2010		
Cost and net book amount	35,747	35,747
Year ended 31 March 2011		
Opening net book amount	35,747	35,747
Closing net book amount	35,747	35,747
At 1 April 2011		
Cost and net book amount	35,747	35,747
Year ended 31 March 2012		
Opening net book amount	35,747	35,747
Closing net book amount	35,747	35,747

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

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

The key assumptions underpinning the strategic plan employed in the value-in-use calculation are that revenue and operating profit will grow and that the gross and operating margins will remain broadly constant.

The cash flows have been discounted using the Group's weighted average cost of capital, which for these purposes has been calculated to be approximately 9.1% before tax (2011: 9.6%). A 0.1% increase in the cost of capital would result in a £1.0m reduction in the value-in-use calculation for the Group which would result in an impairment of the goodwill at 31 March 2012.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

11 Property, plant and equipment

	Leasehold improvements	Office fixtures & fittings	Vehicles & computer equipment	Total
Group and Company	£'000	£'000	£'000	£'000
Cost				
At 1 April 2010	5,023	469	10,094	15,586
Additions	171	35	2,721	2,927
Disposals	-	-	(237)	(237)
At 31 March 2011	5,194	504	12,578	18,276
At 1 April 2011	5,194	504	12,578	18,276
Additions	5,100	43	2,947	8,090
Disposals	-	-	(186)	(186)
At 31 March 2012	10,294	547	15,339	26,180
Depreciation				
At 1 April 2010	1,815	416	7,142	9,373
Charge for the year	477	57	2,155	2,689
Disposals	-	-	(218)	(218)
At 31 March 2011	2,292	473	9,079	11,844
At 1 April 2011	2,292	473	9,079	11,844
Charge for the year	454	31	2,264	2,749
Disposals	-	-	(174)	(174)
At 31 March 2012	2,746	504	11,169	14,419
Net book amount at 31 March 2012	7,548	43	4,170	11,761
Net book amount at 31 March 2011	2,902	31	3,499	6,432

The net book amount of Group and Company property, plant and equipment includes an amount of £1,794,000 (2011: £16,000) in respect of assets held under finance leases.

Lease rentals amounting to £140,000 (2011: £75,000) and £2,556,000 (2011: £2,544,000) relating to the lease of motor vehicles and property, respectively, are included in the statement of comprehensive income (note 4).

12 Future commitments

At 31 March 2012, the Directors had authorised capital expenditure of £nil (2011: £nil).

At 31 March 2012 the Group's future minimum operating lease commitments were due as follows:

	Land & buildings		Other assets	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Within one year	1,786	2,785	198	109
From one to five years	6,478	4,945	183	152
After five years	3,537	3,486	-	-
	11,801	11,216	381	261

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

13 Investment in subsidiary and associate undertakings

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Shares in group undertakings				
At 1 April	-	-	8,419	8,369
Additions in the year				
Associate: Live-PA Limited	-	-	-	50
At 31 March	-	-	8,419	8,419
Interests in subsidiaries and associates				
At 1 April				
- Net liabilities	(6,101)	(5,342)	-	-
- Goodwill and intangible assets	8,530	8,466	-	-
Additions				
- Goodwill and intangible assets	-	64	-	-
Share of losses suffered	(540)	(759)	-	-
At 31 March	(6,641)	(6,101)	-	-
- Net liabilities	(6,641)	(6,101)	-	-
- Goodwill and intangible assets at cost	8,530	8,530	-	-
	1,889	2,429	-	-
Accumulated amortisation and impairment				
At 1 April	(838)	(572)	-	-
Charge for the year	(261)	(266)	-	-
At 31 March	(1,099)	(838)	-	-
Net book amount at 31 March				
- Net liabilities	(6,641)	(6,101)	-	-
- Goodwill and intangible assets	7,431	7,692	-	-
Total investments	790	1,591	8,419	8,419

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

Details of the principal investments at 31 March 2012 in which the Group or Company holds more than 20% of the nominal value of ordinary share capital are as follows:

Subsidiary and associate undertakings	Country of incorporation or registration	Nature of business	Year end	Group proportion held	Company proportion held
Live-PA Limited	England	Software consultancy	31 December	45.4%	45.4%
Mobile Tornado Group plc	England	Telecoms	31 December	49.8%	49.8%
EEscape Holdings Limited	England	Dormant	31 March	100%	100%
Evexus Limited	England	Dormant	31 March	100%	-
Call-Link Communications Limited	England	Dormant	31 March	100%	-
Allasso Limited	England	Dormant	31 March	100%	100%
HOLF Technologies Limited	England	Dormant	31 March	100%	100%
VData Limited	England	Dormant	31 March	100%	100%
Integrated Technology (Europe) Limited	England	Dormant	31 March	100%	-

14 Inventories

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Finished goods	895	1,267	895	1,267

The cost of inventory recognised as an expense in 'operating expenses' amounted to £1,271,000 (2011: £1,203,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

15 Trade and other receivables

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade receivables	5,137	4,131	5,137	4,131
Less: provision for impairment of trade receivables	(24)	(38)	(24)	(38)
Trade receivables - net	5,113	4,093	5,113	4,093
Prepayments and accrued income	4,785	4,857	4,785	4,857
Loans to associates	3,342	1,629	3,342	1,629
Amounts owed by Group undertakings	-	-	6,516	6,516
Other receivables	1,399	1,378	1,399	1,378
	14,639	11,957	21,155	18,473
Less non-current portion: amounts owed by Group undertakings	-	-	(6,516)	(6,516)
Current portion	14,639	11,957	14,639	11,957

InTechnology plc has confirmed in writing to its associate that it will not request repayment of the loans owed to it within 12 months from signing the financial statements, unless the associate has sufficient funds. The loans are secured by way of a debenture over the assets of the associate. The loans incur interest at a rate of 5.0% above base per annum. The Group does not recognise interest until it has been paid by the associate.

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

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

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Impaired				
Less than three months	-	24	-	24
Three to six months	12	14	12	14
Over six months	12	-	12	-
	24	38	24	38
Not impaired				
Less than three months	4,902	4,093	4,902	4,093
Three to six months	208	-	208	-
Over six months	3	-	3	-
	5,113	4,093	5,113	4,093

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

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

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

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

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
At 1 April	38	128	38	128
Charge/(release) to the statement of comprehensive income	12	(14)	12	(14)
Receivables written off during the year as uncollectible	(26)	(76)	(26)	(76)
	24	38	24	38

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

16 Trade and other payables

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Trade payables	1,643	2,069	1,643	2,069
Other payables	28	24	28	24
Accrued expenses	3,396	2,937	3,396	2,937
Deferred income	510	273	510	273
Social security and other taxes	1,144	1,072	1,144	1,072
Amounts owed to Group undertakings	-	-	9,419	9,419
	6,721	6,375	16,140	15,794
Less non-current portion: amounts owed to Group undertakings	-	-	(9,419)	(9,419)
Current portion	6,721	6,375	6,721	6,375

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

17 Borrowings, other financial liabilities and other financial assets

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Current				
Bank borrowings	725	600	725	600
Finance leases	685	7	685	7
	1,410	607	1,410	607
Non-current				
Bank borrowings	3,425	1,150	3,425	1,150
Finance leases	1,227	-	1,227	-
	4,652	1,150	4,652	1,150
Total borrowings	6,062	1,757	6,062	1,757

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Bank borrowings				
In one year or less	864	626	864	626
Between one and two years	1,175	1,199	1,175	1,199
Between two and five years	2,483	-	2,483	-
	4,522	1,825	4,522	1,825

	Group		Company	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Finance leases				
In one year or less	720	7	720	7
Between one and two years	720	-	720	-
Between two and five years	571	-	571	-
	2,011	7	2,011	7

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

The main financial risks faced by the Group include foreign currency risk, interest rate risk and liquidity 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.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

Liquidity risk is further managed by agreeing separate borrowing facilities for any additional working capital and investment requirements. In accordance with this policy, the Group has negotiated two 5 year term loans of £3,000,000 each of which £4,150,000 of the term loans (2011: £1,750,000) was used as at 31 March 2012. There are no unutilised credit facilities (2011: £5,100,000).

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

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group comprise cash of £10,294,000 (2011: £11,536,000) as follows:

	Floating rate	
	2012	2011
	£'000	£'000
Currency		
Sterling	10,227	11,211
US Dollar	56	295
Euro	11	30
	10,294	11,536

The Sterling, US Dollar and Euro financial assets relate to cash at bank and bear interest based on GBP Base Rate. There are no fixed rate financial assets (2011: £nil).

Interest rate risk profile of financial liabilities

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

	Sterling	
	2012	2011
	£'000	£'000
Floating rate other borrowings	4,150	1,750
Fixed rate finance leases	1,912	7
Total	6,062	1,757
Weighted average fixed interest rate	1.23%	0.00%
Weighted average period for which rate is fixed	2.8 years	0.3 years
Weighted average period to maturity on which no interest is paid	-	-

Financial liabilities include secured finance leases.

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:

	2012	2011
	£'000	£'000
Expiring within one year	-	5,100

Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than by a forced or liquidation sale, and excludes accrued interest. The fair values of financial assets and liabilities as at 31 March 2012 approximate to the book value at those dates based on comparison with similar instruments available from alternative providers.

Currency exposure

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

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

	2012	2011
	£'000	£'000
Functional currency of operation: Sterling		
US Dollar (liabilities)/assets (net)	(97)	12
Euro assets (net)	2	30
	(95)	42

Hedges

The Group does not operate any hedging instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

18 Share capital and share premium

	Number of shares '000	Share capital £'000	Share premium £'000	Total £'000
Group and Company				
At 1 April 2010	139,598	1,396	53,914	55,310
Employee share options:				
Issue of deferred payment shares	1,150	11	75	86
As at 31 March 2011	140,748	1,407	53,989	55,396
Employee share options:				
- proceeds from shares issued	187	2	30	32
As at 31 March 2012	140,935	1,409	54,019	55,428

The total authorised number of ordinary shares is 252 million (2011: 252 million) with a par value of 1p per share (2011: 1p per share), and 48 million deferred shares (2011: 48 million shares) with a par value of 1p per share (2011: 1p per share). All issued shares except those relating to deferred payment shares are fully paid.

Potential issues of ordinary shares

Certain employees hold options to subscribe for shares in the Company at prices ranging from 17.0p to 65.0p under the share option schemes.

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

Name of scheme	Number of shares	Exercise price pence	Earliest exercise date	Expiry date	
	2012	2011			
InTechnology scheme	500,000	500,000	65.0	11/06/05	11/06/12
InTechnology scheme	-	500,000	279.0	01/05/04	01/05/11
InTechnology scheme	400,000	400,000	37.0	12/07/09	12/07/16
Unapproved InTechnology scheme	303,178	303,178	17.0	06/05/11	06/05/18
Approved CSOP scheme	1,832,203	2,245,866	17.0	19/06/11	19/06/18
Approved CSOP scheme	1,695,000	1,765,000	17.0	06/08/13	06/08/20
	4,730,381	5,714,044			

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

19 Share-based payments

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

Grant date	12/07/2006	06/05/2008	19/06/2008	06/08/2010
Share price at grant date (pence)	37.0	17.0	17.0	17.0
Exercise price (pence)	37.0	17.0	17.0	17.0
Number of employees	1	3	46	77
Shares under option	400,000	303,178	1,832,203	1,695,000
Vesting period (years)	3	3	3	3
Expected volatility	34%	17%	19%	22%
Option life (years)	10	10	10	10
Expected life (years)	5	5	5	5
Risk-free rate	5.37%	5.47%	5.47%	5.47%
Expected dividends expressed as a dividend yield	0.00%	0.00%	0.00%	0.00%
Fair value per option (pence)	0.19	0.05	0.05	0.00

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of option movements over the year to 31 March 2012 is shown below:

	2012		2011	
	Number	Weighted average exercise price	Number	Weighted average exercise price
	'000	pence	'000	pence
Outstanding at 1 April	5,714	45.5	4,290	55.0
Granted	-	-	1,765	17.0
Forfeited	(797)	181.4	(341)	17.0
Exercised	(187)	17.0	-	-
Outstanding at 31 March	4,730	23.8	5,714	45.5
Exercisable at 31 March	3,035	27.5	1,400	133.4

No options were granted during the year. The weighted average fair value of options granted in 2011 was 0.00p per option.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

Range of exercise prices	Weighted average exercise price	2012				Weighted average exercise price	2011			
		Number of shares	Weighted average remaining life:		Number of shares		Weighted average remaining life:			
			'000	Expected			Contractual	'000	Expected	Contractual
pence	pence				pence					
0.0 - 50.0	18.9	4,230	1.7	6.6	18.7	4,714	2.6	7.6		
50.0 - 100.0	65.0	500	-	-	65.0	500	-	1.0		
100.0 - 150.0	-	-	-	-	-	-	-	-		
150.0 - 200.0	-	-	-	-	-	-	-	-		
200.0 - 250.0	-	-	-	-	-	-	-	-		
250.0 - 300.0	-	-	-	-	279.0	500	-	-		

The weighted average share price during the period for options exercised over the year was 17.0p (2011: no options were exercised). The total credit for the year relating to employee share-based payment plans was £208 (2011: £27,000 charge), all of which related to equity-settled share-based payment transactions.

20 Cash generated from operations

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Operating profit	2,386	1,623	2,386	1,623
Adjustments for:				
Depreciation	2,749	2,689	2,749	2,689
Profit on disposal of property, plant and equipment	(27)	(49)	(27)	(49)
Exchange movements	24	38	24	38
Share option non cash charge	-	27	-	27
Changes in working capital				
Decrease in inventories	372	307	372	307
Increase in trade and other receivables	(2,690)	(2,988)	(2,690)	(2,988)
Increase in trade and other payables	346	944	346	944
Cash generated from operations	3,160	2,591	3,160	2,591

21 Employee information

Group employment costs including executive Directors were:

	Group		Company	
	2012	2011	2012	2011
	£'000	£'000	£'000	£'000
Wages and salaries	9,226	8,560	9,226	8,560
Social security costs	1,116	1,015	1,116	1,015
Pension costs	188	186	188	186
Cost of employee share schemes (note 19)	-	27	-	27
	10,530	9,788	10,530	9,788

Average employee numbers	Group		Company	
	2012	2011	2012	2011
	Number	Number	Number	Number
Sales	41	38	41	38
Technical	53	43	53	43
Operations	66	69	66	69
Administration	48	43	48	43
	208	193	208	193

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

At 31 March 2012 the Group had 211 (2011: 202) employees in total.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2012 - CONTINUED

22 Directors' remuneration

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

23 Related party transactions

Group

Peter Wilkinson, Richard James and Andrew Kaberry are shareholders in Mobile Tornado Group plc, an AIM listed company in which InTechnology plc owns 49.8 percent of the issued ordinary share capital and all the issued cumulative convertible redeemable non-voting preference shares. Peter Wilkinson is non-executive Chairman and Richard James is a Director and Company Secretary of Mobile Tornado Group plc. InTechnology plc sold services totalling £626,000 (2011: £515,000) to Mobile Tornado Group plc in the year. As at 31 March 2012 InTechnology plc was owed £2,949,000 (2011: £1,554,000) by Mobile Tornado Group plc which includes loans of £1,742,000 (2011: £1,005,000).

At 31 March 2012, InTechnology plc owned 45.4 percent of the issued ordinary share capital of Live-PA Limited which is incorporated in the United Kingdom. InTechnology plc sold services totalling £119,000 (2011: £77,000) to Live-PA Limited in the year. As at 31 March 2012 InTechnology plc was owed £393,000 (2011: £99,000) by Live-PA Limited which includes loans of £336,000 (2011: £75,000).

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

Company

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

24 Ultimate controlling party

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

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting (the “**Meeting**”) of InTechnology plc (the “**Company**”) will be held at Central House, Beckwith Knowle, Harrogate HG3 1UG on Tuesday 24 July 2012 at 9.30am to transact the following business:

Ordinary Business

- 1 To receive and adopt the report of the Directors of the Company (the “**Directors**”), the report of the independent auditors of the Company and the financial statements of the Company for the year ended 31 March 2012.
- 2 To reappoint The Rt. Hon. Lord Parkinson as a Director, who retires by rotation in accordance with Article 92 of the Articles of Association of the Company (“**Article 92**”) and who, being eligible, offers himself for reappointment as a Director.
- 3 To reappoint Andrew Kaberry as a Director, who retires by rotation in accordance with Article 92 and who, being eligible, offers himself for reappointment as a Director.
- 4 To reappoint Richard James as a Director, who retires by rotation in accordance with Article 92 and who, being eligible, offers himself for reappointment as a Director.
- 5 To reappoint Alan Payne as a Director, who retires by rotation in accordance with Article 87 of the Articles of Association of the Company and who, being eligible, offers himself for reappointment as a Director.
- 6 To reappoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which financial statements are laid before the Company and that their remuneration be fixed by the Directors.

Special Business

To consider and, if thought fit, pass the following resolutions, with Resolution 7 being proposed as an ordinary resolution and Resolution 8 being proposed as a special resolution:

- 7 That, in substitution for all subsisting authorities to the extent unused, the Directors be and are hereby generally and unconditionally authorised pursuant to section 551 of the Companies Act 2006 (“**CA 2006**”) to exercise all the powers of the Company to allot and grant equity securities (within the meaning of section 560 of the CA 2006) up to an aggregate nominal amount of £469,115, provided that such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution 7, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted or granted after such expiry and, notwithstanding such expiry, the Directors may allot or grant equity securities in pursuance of any such offer or agreement.

NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

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

- a) in connection with an offer of such securities by way of rights issue or other issues in favour of holders of Ordinary Shares in the Company where the equity securities respectively attributed to the interests of all such holders are proportionate (as nearly as may be practical) to their respective holdings of Ordinary Shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws or the requirements of any regulatory body or any stock exchange in any territory or otherwise howsoever); and
- b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £70,374; and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution 8, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offer or agreement.

Dated 7 June 2012

By order of the Board

[Richard James](#)

Director and Company Secretary

For and on behalf of InTechnology plc

Central House, Beckwith Knowle, Harrogate HG3 1UG

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

Entitlement to attend and vote

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

- 6.00pm on 22 July 2012; or,
- if this Meeting is adjourned, at 6.00pm on the day two days prior to the adjourned meeting, shall be entitled to attend and vote at the Meeting.

Appointment of proxies

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

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

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

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

Appointment of proxy using hard copy proxy form

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

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

- completed and signed;
- sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
- received by Capita Registrars by no later than 9.30am on 22 July 2012.

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

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

Appointment of proxy by joint members

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

NOTES TO THE NOTICE OF ANNUAL GENERAL MEETING

CONTINUED

Changing proxy instructions

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

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

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

Termination of proxy appointments

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

The revocation notice must be received by Capita Registrars by no later than 9.30pm on 22 July 2012.

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

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

Communication

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

No other methods of communication will be accepted.

FORM OF PROXY FOR INTECHNOLOGY PLC

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

For use by holders of Ordinary Shares of 1p each in the Company at the Annual General Meeting of the Company to be held at Central House, Beckwith Knowle, Harrogate HG3 1UG on Tuesday 24 July 2012 at 9.30am (the "AGM"). **Please read the Notice of AGM and the notes to this proxy form.**

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

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

--

as my/our proxy to attend, speak and vote on my/our behalf at the AGM of the Company to be held on Tuesday 24 July 2012 at 9.30am and at any adjournment of the meeting.

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

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

Dated	
Signed	

Notes to the proxy form

- As a member of the Company you are entitled to appoint a proxy to exercise all or any of your rights to attend, speak and vote at a general meeting of the Company. You can only appoint a proxy using the procedures set out in these notes and the notes to the Notice of AGM.
- Submission of a proxy form does not preclude you from attending the meeting and voting in person. If you have appointed a proxy and attend the meeting in person, your proxy appointment will automatically be terminated.
- A proxy does not need to be a member of the Company but must attend the meeting to represent you. To appoint as your proxy a person other than the Chairman of the meeting, insert their full name in the box. If you sign and return this proxy form with no name inserted in the box, the Chairman of the meeting will be deemed to be your proxy. Where you appoint as your proxy someone other than the Chairman, you are responsible for ensuring that they attend the meeting and are aware of your voting intentions. If you wish your proxy to make any comments on your behalf, you will need to appoint someone other than the Chairman and give them the relevant instructions directly.
- You may appoint more than one proxy provided each proxy is appointed to exercise rights attached to different shares. You may not appoint more than one proxy to exercise rights attached to any one share. To appoint more than one proxy, please contact Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU.
- To direct your proxy how to vote on the resolutions, mark the appropriate box with an 'X'. If no voting indication is given, your proxy will vote or abstain from voting at his or her discretion. Your proxy will vote (or abstain from voting) as he or she thinks fit in relation to any other matter which is put before the meeting.
- To appoint a proxy using this form, the form must be:
 - completed and signed;
 - sent or delivered to Capita Registrars at PXS, 34 Beckenham Road, Beckenham, Kent BR3 4TU; and
 - received by Capita Registrars by no later than 9.30am on 22 July 2012.
- In the case of a member which is a company, this form of proxy must be executed under its common seal or signed on its behalf by an officer of the company or an attorney for the company.
- Any power of attorney or any other authority under which this proxy form is signed (or a duly certified copy of such power or authority) must be included with the proxy form.
- In the case of joint holders, where more than one of the joint holders purports to appoint a proxy, only the appointment submitted by the most senior holder will be accepted. Seniority is determined by the order in which the names of the joint holders appear in the Company's register of members in respect of the joint holding (the first-named being the most senior).
- If you submit more than one valid proxy appointment, the appointment received last before the latest time for the receipt of proxies will take precedence.
- For details of how to change your proxy instructions or revoke your proxy appointment see the notes to the Notice of AGM.

THIRD FOLD AND TUCK IN

Business Reply
Licence Number
RSBH-UXKS-LRBC



FIRST FOLD

PXS
34 Beckenham Road
Beckenham
Kent
BR3 4TU

SECOND FOLD





CORPORATE INFORMATION

BOARD OF DIRECTORS

The Rt. Hon. Lord Parkinson
Charles Scott
Alan Payne
Peter Wilkinson
Richard James
Andrew Kaberry
Bryn Sage

Non-executive Chairman
Non-executive Director
Non-executive Director
Chief Executive Officer
Director & Company Secretary
Finance Director
Chief Operating Officer

REGISTERED OFFICE

InTechnology plc
Central House
Beckwith Knowle
Harrogate
HG3 1UG
Tel: +44 (0)1423 850 000
Fax: +44 (0)1423 850 001

PRINCIPAL BANKERS

Lloyds TSB Bank Plc
PO Box 96
6-7 Park Row
Leeds
LS1 1NX

SOLICITORS

Hammonds LLP
2 Park Lane
Leeds
LS3 1ES

REGISTRAR AND TRANSFER OFFICE

Capita IRG plc
The Registry
34 Beckenham Road
Beckenham
Kent
BR3 4TU

INDEPENDENT AUDITORS

PricewaterhouseCoopers LLP
Chartered Accountants
and Statutory Auditors
Benson House
33 Wellington Street
Leeds
LS1 4JP

MATCHED BARGAIN EXCHANGE

www.sharemark.com

COMPANY REGISTRATION NUMBER

03916586

INTERNET ADDRESS

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East India Dock House
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E14 9YY

13 Selsdon Way
London
E14 9GL

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Commensus House
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inTechnology



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