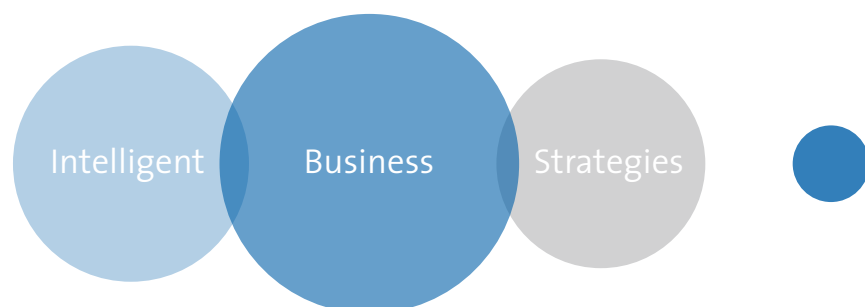


	Page
Highlights	2
Chairman's introduction	3
Chief Executive Officer's report	4
Management team	8
Directors' report	10
Corporate governance	13
Remuneration report	18
Independent auditors' report to the members of InTechnology plc	23
Consolidated income statement	25
Statements of changes in shareholders' equity	26
Balance sheets	28
Cash flow statements	29
Notes to the financial statements	30
Notice of Annual General Meeting	59
Form of proxy for InTechnology plc	63
Corporate Information	65

# Highlights for the year ended 31 March 2009



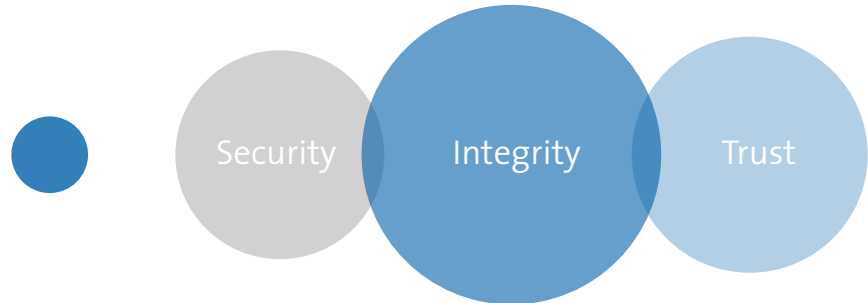
## Operational highlights

- Continued Group operating profitability.
- Major investment in BT 21CN network gives us greatly improved network operational efficiencies and geographic coverage.
- Continued development during the year of our managed service Push To Experience (“PTX”) for mobile phones. Contracted for 10,000 phones enabled for PTX delivered in April 2009. Three services now launched. Mobile Tornado Group plc developing further services.
- Completion in December 2008 of complete refit and expansion of Harrogate data centre.
- Plans completed and grid power secured for Reading data centre.

## Financial highlights

- Managed Services revenue £44.8m (2008: £45.4m).
- Group operating profit, before profit on sale of property, £1.9m (2008: £2.4m).
- Excellent results from Managed Data Services. Revenue increased 9 per cent and operating profit, before profit on sale of property and other income, up 54 per cent.
- Managed Voice Services revenue declined but recent contract wins and commencement of PTX sales in 2009 will help return this division to revenue growth and profitability.
- Share of Mobile Tornado Group plc losses £1.6m (2008: £1.5m).
- Further £1.5m investment on 28 April 2009 in Mobile Tornado Group plc, our 49.8 per cent owned associate.
- Group profit after tax £0.3m (2008: £1.9m profit).
- Net cash £9.9m (2008: £9.2m) and unutilised bank facilities of £2.1m (2008: £5.1m).

# Chairman's introduction



Day after day, we are bombarded with grim news about the national and global economies. We are now in the grip of a deep and damaging recession. In these difficult times, I am pleased to report that your company remains profitable at the operating level and at the financial year end had net cash of £9.9m (2008: £9.2m). This was after completing a major capital investment programme at the Harrogate data centre and other projects.

The Group revenue did however decline by one per cent to £44.8m (2008: £45.4m) and Group operating profit, before profit on sale of property, declined to £1.9m (2008: £2.4m). In the second half of the year, your company felt the effects of the recession. All customers were looking to reduce costs, but your Board moved quickly to reduce operating costs and promote new products. Our

aim in doing so was to be able to plan for increased profitability in the new financial year.

Your share of losses after tax in your associate company, Mobile Tornado Group plc ("Mobile Tornado"), was £1.6m (2008: £1.5m). However your Board remains confident of the eventual success of Mobile Tornado's Push To Experience mobile phone software following successful trials with a large number of organisations and enterprises in the United Kingdom. We believe that it will become a profitable voice service for your company and increase the value of your original investment. Because of the Mobile Tornado share of losses and no profit on sale of property (2008: £1.1m) your Group has a profit after tax of £0.3m (2008: £1.9m).

The Chief Executive Officer's report sets out the details of what

has been a tough but rewarding year and I would like to thank the staff whose loyalty, energy and professional skills enable us to keep pace with the continuing change in our Managed Services businesses. I would also like to thank our partners in all areas of the business.

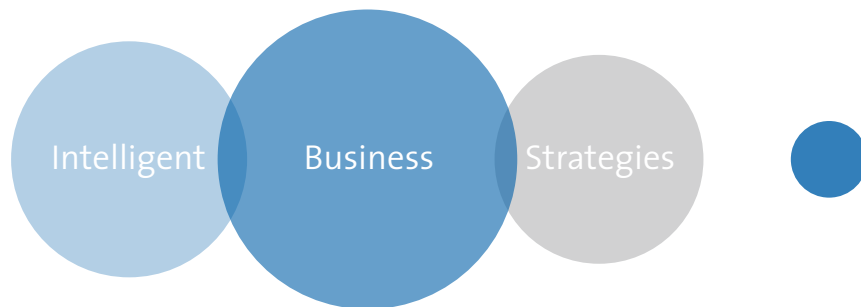
Your Board believes that despite the uncertain economic background, it has recently taken the required necessary action to start growing revenue and profits in its data and voice Managed Services businesses and that this is underpinned by the financial strength of the balance sheet.

[The Rt. Hon. Lord Parkinson](#)

Chairman

16 June 2009

# Chief Executive Officer's report



## Overview

I am pleased to report continued operating profitability of our Group, albeit the second half year was impacted by the general economic conditions we are all experiencing. However we took swift action to return the business back to growth of revenue and operating profit. Our balance sheet remains strong with net cash of £9.9m and, more importantly, we have expanded our product range to meet customer requirements for this new financial year.

## Trading and operating performance

- Group revenue was £44.8m (2008: £45.4m) a reduction of 1 per cent.
- Group operating profit, before profit on sale of property, was £1.9m (2008: £2.4m) and profit on sale of property was nil (2008: £1.1m).
- Finance income less costs was £0.3m (2008: £0.7m).
- Share of loss after tax on Mobile Tornado was £1.6m (2008: £1.5m).

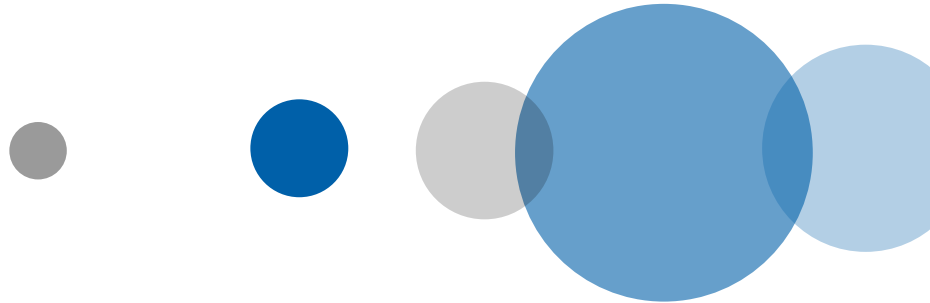
- Group profit after tax was £0.3m (2008: £1.9m profit).
- Net cash was £9.9m (2008: £9.2m).
- Key Performance Indicators (“KPI’s”) – our KPI’s are growth of revenue and operating margin (measured as earnings before interest, exceptional items, share of associate’s loss, tax and amortisation of intangible assets as a percentage of revenue). Our revenue declined by 1 per cent (2008: 38 per cent growth) caused by a fall in Managed Voice Services (“MVS”) revenue. Operating margin was, excluding the non-recurring profit on sale of property, 4.8 per cent (2008: 5.8 per cent). This fall was also caused by the MVS division losses. The majority of the Group’s recognised revenue derive from customer contracts of a three year term although some contracts may be longer. Good relationships with all customers is important as they give

the Group ability to upsell other services and to renew contracts following expiration of the minimum term.

## Managed Data Services (“MDS”)

MDS has been our core business since 2000 and its revenue grew by 9 per cent to £36.6m (2008: £33.7m) and operating profit, before profit on sale of property and other income, increased by 54 per cent to £5.7m (2008: £3.7m). In the second half of the year we felt the full impact of the economic recession and nearly all customers looked to reduce operating costs. This resulted in a complete review of our tariffs and also certain cost increases, especially power costs, were not immediately passed on to customers. We therefore reviewed and reduced our own operating costs to be effective from the start of this new fiscal year.

The refurbishment and expansion of our Harrogate data centre was completed by December 2008 at a total cost of £3.4m and gave us valuable additional rack capacity



for hosted services where market demand remains buoyant. We have further data centre expansion capacity at our Reading offices with the necessary consents obtained and grid power allocated. However we have not yet contracted for this project which will take approximately eight months to commission from commencement of works.

### Network

Our UK data network is necessary to deliver all our managed services and we were the first Managed Service Provider to contract with BT for their new 21CN cloud network. This greatly improves our competitive pricing and our geographic coverage by increasing the number of Points of Presence from 32 to ultimately 630. This has involved substantial investment for which we expect a good return.

### Managed Voice Services (“MVS”)

MVS revenue was £8.1m (2008: £11.6m), a decline of 30 per cent, and operating loss was

£3.6m (2008: £1.2m). The major reason for the decline was the high contract churn in 2008 fiscal year causing a reduction in recognised revenue. However, MVS churn in 2009 was negligible and we secured new contracts but they will not have impact on revenue until this new fiscal year, 2010. New business includes some large contracts which take a longer time to fully commission and increase revenue and margins. Operating losses increased because of the decline in revenue and increased operating costs for Push To Experience (“PTX”). The MVS division includes our new PTX mobile phone services, which had negligible revenue, and I comment on these services below, together with a recent small joint venture investment in a Harrogate based voice recording software company running under Microsoft’s Office Communications Server (“OCS”) platform.

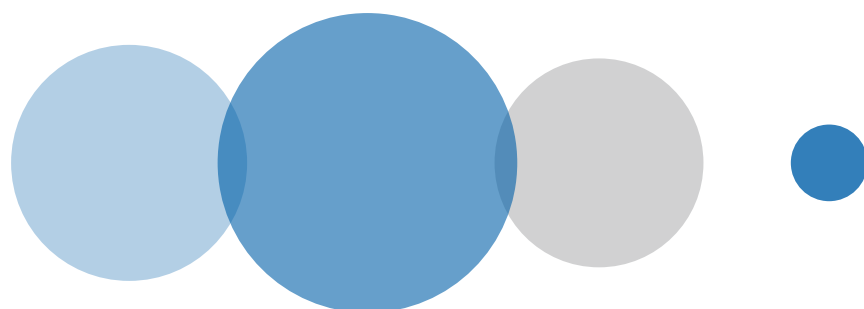
### Push To Experience

#### Review of progress

At the year end we had invested a total of £6.4m in Mobile Tornado and we owned 49.8 per cent of its issued ordinary share capital and £1.5m cumulative convertible redeemable non-voting preference shares. Our share of Mobile Tornado operating losses after tax to date has reduced our investment to £1.7m.

I commented in our 2008 unaudited interim financial information on our joint strategy with Mobile Tornado of marketing a PTX managed service on an exclusive basis in the United Kingdom and that we had placed with Mobile Tornado, an initial order for 10,000 3G mobile handsets, being manufactured in China. There have been technical delays in approving these mobile phones to operate all of the following three PTX services:

# Chief Executive Officer's report continued

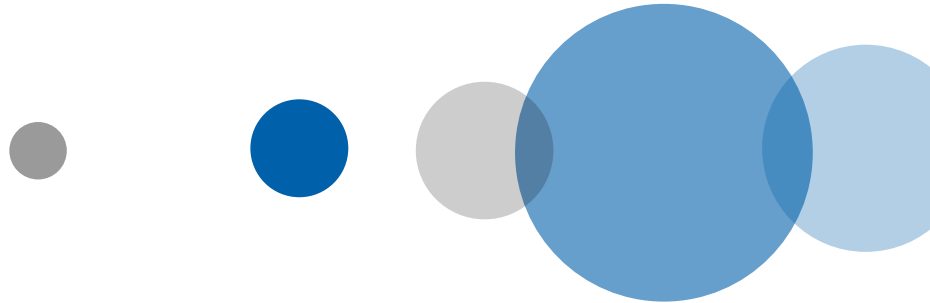


- **Push To Talk (“PTT”)**  
A presence based walkie-talkie that uses the mobile phone network to provide instant communication. PTT allows a single person to reach an active talk group at a button press, thus users no longer need to make several calls to coordinate with a group.
- **Push To Locate (“PTL”)**  
Uses GPS to globally locate and track mobile workers.
- **Push To Alert (“PTA”)**  
This is a panic button built into the mobile handset that allows the mobile worker to alert their supervisor if they are at risk or in immediate danger. This is of specific interest to employers who have to protect lone workers.

However, I am pleased to report the technical issues were resolved and the phones were delivered in April 2009; enabling us to complete field trials in the UK. We hope to report good news of sales successes when our interim results are announced. PTX remains an exciting venture for InTechnology plc in both increasing our operating profits and increasing the value of our investment in Mobile Tornado. The delays last year in completing a managed service for PTX were most frustrating but we started this new year with our first three services in place and have subsequently received a large stock of compatible 3G phones.

## Further investment in Mobile Tornado on 28 April 2009

Because of the delays in finalising the mobile phones with the three PTX services Mobile Tornado required additional working capital. InTechnology plc invested £1.5m cash in exchange for further cumulative convertible redeemable non-voting preference shares carrying a coupon of ten per cent, convertible at 8 pence per Mobile Tornado ordinary 2 pence share and our option to convert on 31 December 2010 or thereafter if the preference shares have not been redeemed. The terms of our earlier holding of preference shares also have the date of conversion changed to 31 December 2010.



### Investment in Live-PA Limited (“Live-PA”)

In December 2008 we undertook to invest up to £0.5m in a Joint Venture (“JV”) with POSTcti, a Harrogate based software company. The JV is to trade as Live-PA. At 31 March 2009 our investment to date was £90,000 but there will be a series of further monthly investments up to a total of £0.5m giving us 45.4 per cent of the enlarged issued ordinary shares. Neil May, founder and owner of POSTcti, will also own 45.4 per cent and key staff the remainder. Neil is a leading Microsoft committee member for developing new unified communications technology. Live-PA’s first project is to complete the development of the only voice

recording module for Microsoft OCS suite. This has unlimited global potential for any organisation having to comply with regulatory or in-house voice recording frameworks. Customers can play back any call up to a date set by them. Not only does this JV enhance our MVS portfolio taking us into a mainstream Microsoft market, but it complements our next generation network, telephony, hosting and data services.

### Outlook

Against the backdrop of these extraordinary and turbulent economic times we continue with a strong balance sheet as our financial bedrock. Whilst our operating profit did not grow last year nor did Mobile Tornado

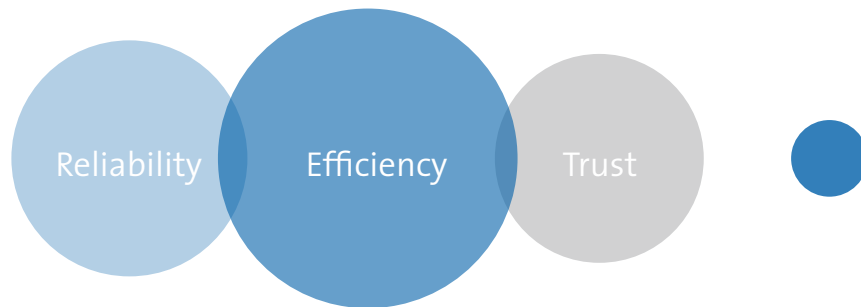
reach operating profit breakeven, all the measures we have recently taken puts InTechnology plc in a strong position to seize all market opportunities that arise in this new financial year and years to come. It would be foolish of me to say that it will be easy in these uncertain economic times but we now have the services to offer all new and existing customers the means to increase productivity or reduce costs. More importantly, we have the determination to succeed.

**Peter Wilkinson**

Chief Executive Officer

16 June 2009

# 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 was a Partner in Westwake Price (City Chartered Accountants) for 10 years and is currently Chairman and Director of a number of other companies including Jarvis Group Limited, Huntswood plc and Le Carbone UK Group of Companies.

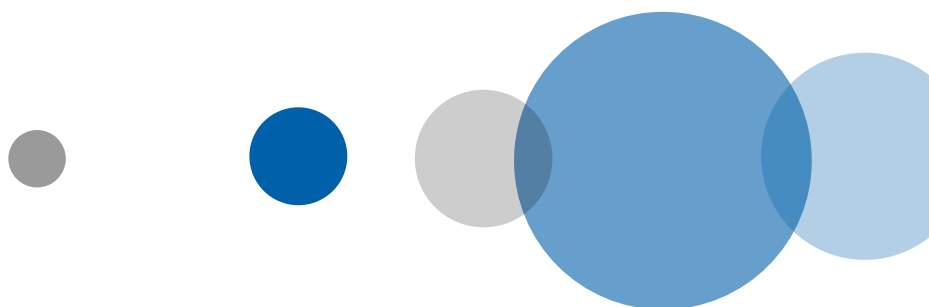
### Joe McNally Non-executive Director

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

### Charles Scott Non-executive Director

Charles Scott joined the board in April 2001 as a non-executive Director. A chartered accountant, he is currently Chairman of William Hill plc and a Director of 2 other companies.





## Executive Directors

### Peter Wilkinson Chief Executive Officer

Peter Wilkinson founded STORM in 1983 and VData in 1998 and both these businesses were sold to InTechnology plc in 2000 (in which he retains a 60% shareholding). Peter was appointed to the Board of InTechnology plc in July 2000.

In 1995, he started Planet Online Limited, the internet service provider, which was subsequently sold to Energis in 1998. He retained Planetfootball.com which was reversed into Sports Internet Group plc in 1999 and subsequently sold to BSkyB Limited 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% stake. InTechnology plc has a 49.8% stake in Mobile Tornado Group plc.

### Andrew Kaberry Finance Director

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

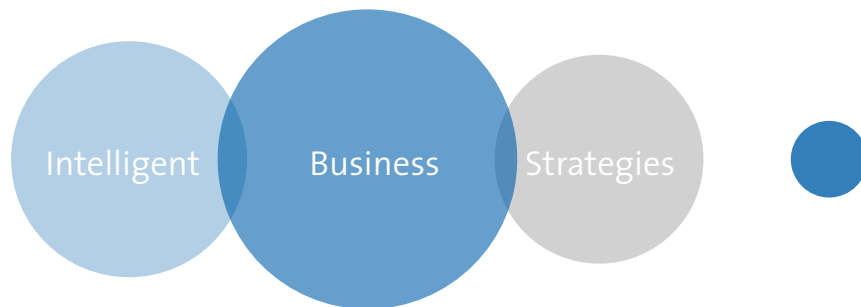
### Richard James Company Secretary

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 2009.

## Principal activities

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

## Business review

The information that fulfils the requirements of the Business Review can be found in the Chief Executive Officer's report on pages 4 to 7. Our review of the principal risks and uncertainties of the business is set out on pages 15 to 16.

## Results and dividends

The Directors do not recommend the payment of a dividend in respect of the year ended 31 March 2009 (2008: £nil). The Company currently intends to reinvest future earnings to finance the growth of the business.

The profit retained for the financial year of £255,000 (2008: £1,881,000) will be added to reserves.

## Share capital

Details of changes in share capital, are set out in note 19 to the financial statements.

## Directors

The Directors of the Company during the year ended 31 March 2009, together with brief biographies, are shown on pages 8 to 9.

## Re-election of Directors

In accordance with the Company's Articles of Association, Directors will retire by rotation. Accordingly, Joe McNally, Charles Scott and Bryn Sage will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

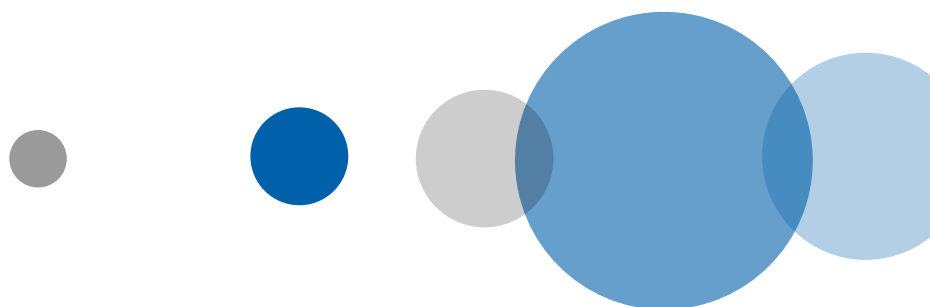
## Directors' remuneration and interests

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 13 to 17.

Details of related party transactions involving Directors of the Company are given in note 24 to the financial statements.



### Substantial shareholdings

At 16 June 2009, the Company had received notification that the following six shareholders are interested in more than 3 per cent of the issued ordinary share capital of the Company (totalling 96.2%):

	Percentage of shares held
Peter Wilkinson	59.5%
Artemis Investment Management Limited	12.3%
Jon Wood	8.0%
Gartmore Investment Management	7.2%
Andrew Kaberry	4.6%
Herald Investment Management Limited	4.6%

### 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

Directors are satisfied that the Company and the Group have adequate resources to enable them to continue in business for the foreseeable future. The Directors have therefore adopted the going concern basis in the preparation of the financial statements.

### Employees

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

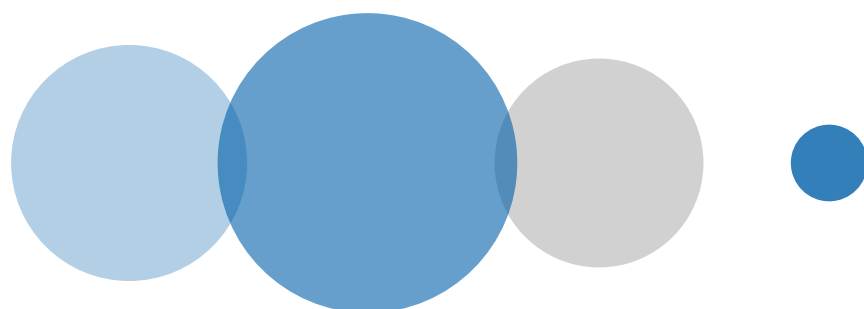
The Directors recognise that continued and sustained improvement in the performance of the Group depends on its ability to attract, motivate and retain employees of the highest calibre. Furthermore, the Directors believe that the Group's ability to sustain a competitive advantage over the long term depends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

Group is committed to improving the performance of all employees through development and training.

The Group is an equal opportunity employer. The Group's policies seek to promote an 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

# Directors' report continued



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 19 and 20 to the financial statements.

## 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 income statement as incurred. Progress of research and development is discussed in the Chief Executive Officer's report on pages 4 to 7.

## 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 2009 average creditor days for the Group and Company were 24 days (2008: 21 days).

## Charitable and political donations

The contributions made by the Group during the year for charitable purposes totalled £7,550 (2008: £8,435). The Group made no political contributions (2008: £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 28 July 2009. Details of the business to be proposed at the AGM are contained within the Notice of Meeting, which is set out on pages 59 and 60.

## Independent auditors

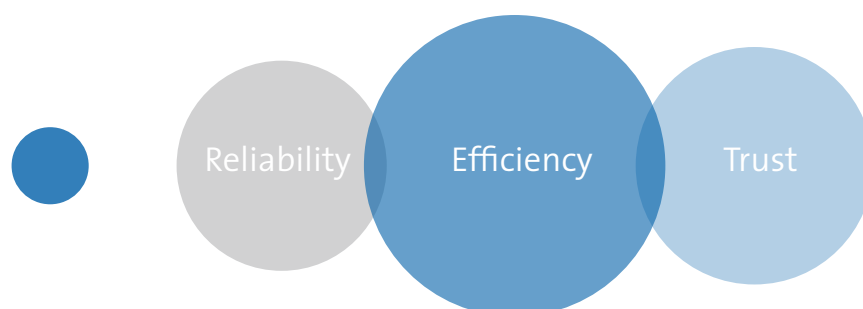
PricewaterhouseCoopers LLP have indicated their willingness to continue in office and a resolution proposing that they be reappointed as independent auditors and authorising the Directors to fix their remuneration will be proposed at the Annual General Meeting.

By order of the Board

**Richard James**

Company Secretary  
16 June 2009

# Corporate governance



InTechnology plc is an unlisted public company and is not therefore required to comply with the Principles of Good Governance and Code of Best Practice, the Financial Reporting Council Combined Code on Corporate Governance. 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.

## 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 re-appointment by shareholders at the next Annual General Meeting. The biographical details of all the Directors are set out on pages 8 to 9.

The Board is assisted by the Company Secretary, who provides a point of reference and

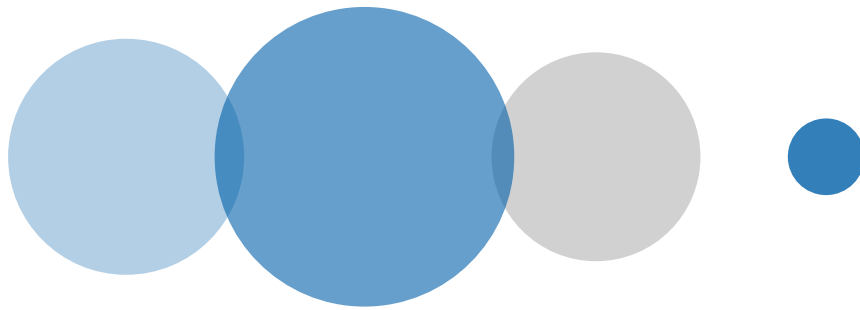
regular support for all Directors and senior managers. He has responsibility for ensuring that Board procedures are followed, for establishing the Company's corporate governance policies and for assisting the Board in facilitating compliance by the Company with its legal obligations.

The Board receives reports from the following three committees:

## The Audit Committee

Comprises two non-executive Directors and the non-executive Chairman and is chaired by Lord Parkinson. Its duties include a comprehensive review of the annual and interim financial statements before they are presented to the Board for approval. The Audit Committee meets at least twice a year to review the findings of the external auditors, key accounting policies and judgements. It has unrestricted access to the Company's auditors.

# Corporate governance continued



## The Remuneration Committee

Comprises the three non-executive Directors and is chaired by Joe McNally. It meets at least once a year and is responsible for making recommendations to the Board on remuneration policy for executive Directors and for setting salaries, incentive payments and the granting of share options.

## The Executive Operating Board

This comprises the executive Directors and certain senior business managers, and is chaired by the CEO. 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 accounts and an interim report are sent

to shareholders and put on the websites of Sharemark ([www.sharemark.com](http://www.sharemark.com)) and the Company ([www.intechnology.com](http://www.intechnology.com)).

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

## Internal control

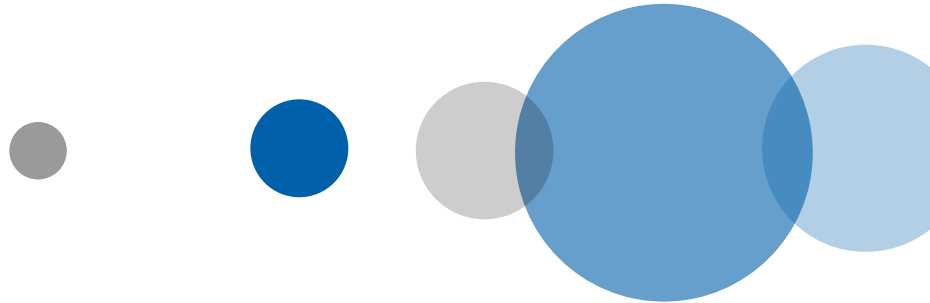
The Board of Directors acknowledges its overall responsibility for the Company's systems of internal control and for monitoring their effectiveness. The Board has control over strategic, financial and compliance issues and has introduced a structure of responsibility with appropriate levels of authority.

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.

### Risk 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 online data back up and restore services

that compete with traditional in-house computer back up 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 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.

These latter services help differentiate the Company and earn higher margins than such commodity services as lines and call minutes.

Both Data and Voice divisions contract with agreed Service Level Agreements ("SLA's"). Adherence by the Company to operating within such SLA's is crucial to maintaining customer satisfaction and renewal of a contract.

#### Staff costs

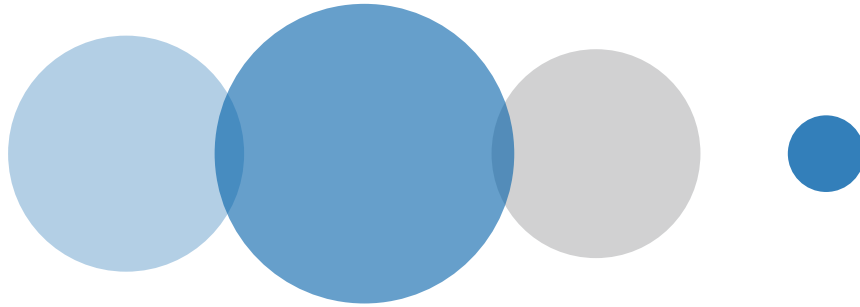
As a services business total staff costs are approximately 50 per cent of total operating costs. The Company could be hindered by a shortage or inability to recruit and retain qualified and experienced staff.

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

#### Electricity costs

Our data centres, vital to delivering all our products, consume large amounts of electricity. The latter is increasing in cost each year and yet our hosting services are normally contracted for a minimum three year term. There is therefore pressure on operating margins.

# Corporate governance continued



To mitigate this risk the Company has revised its hosting service contracts so that power costs can be separately identified and indexed, and power cost increases can be passed on to the customer.

### *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 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 the risks to the Company by the executive Directors who are members of the Executive Operating Board, which includes all senior managers of the Company. The Executive Operating Board usually meets twice 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 elected to prepare the group and parent company financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union. The financial statements are required by law to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the company and group for that period.

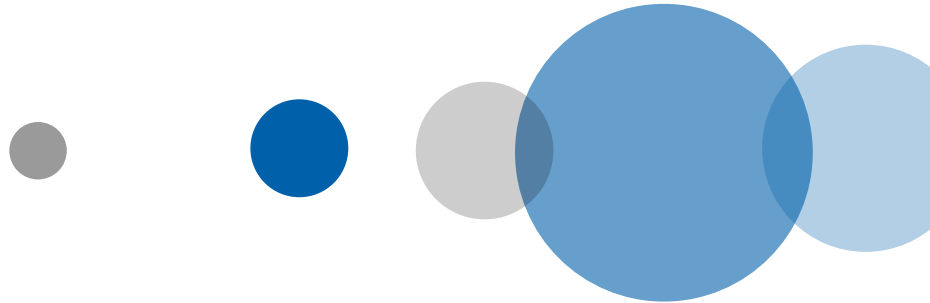
In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state that the financial statements comply with IFRSs as adopted by the European Union; and
- prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the group will continue in business, in which case there should be supporting assumptions or qualifications as necessary.

The directors confirm that they have complied with the above requirements in preparing the financial statements.

The directors are responsible for keeping proper accounting records that disclose with





reasonable accuracy at any time the financial position of the company and the group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

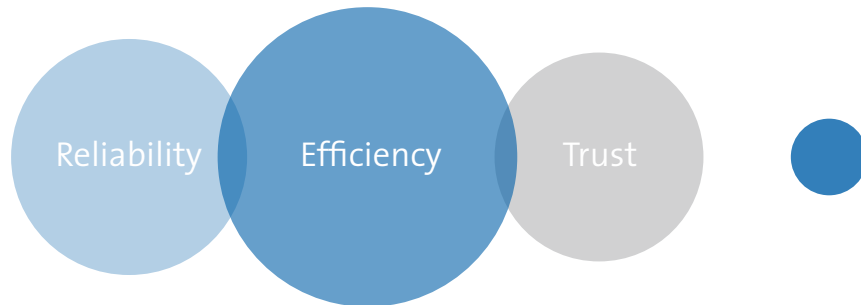
The directors are responsible for the maintenance and integrity of the company's website and legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

So far as each Director is aware, there is no relevant 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  
16 June 2009

# Remuneration report



As an unlisted public company InTechnology plc is not required to comply with Schedule 7A of the Companies Act 1985. The following disclosures are made voluntarily. The contents of this report are unaudited unless clearly identified as audited.

The Remuneration Committee comprises the non-executive Directors:

Joe McNally (Chairman)  
The Rt. Hon. Lord Parkinson  
Charles Scott

## Directors' remuneration

### Remuneration of Non-executive Directors

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

Group, nor did they participate in any of the bonus schemes.

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

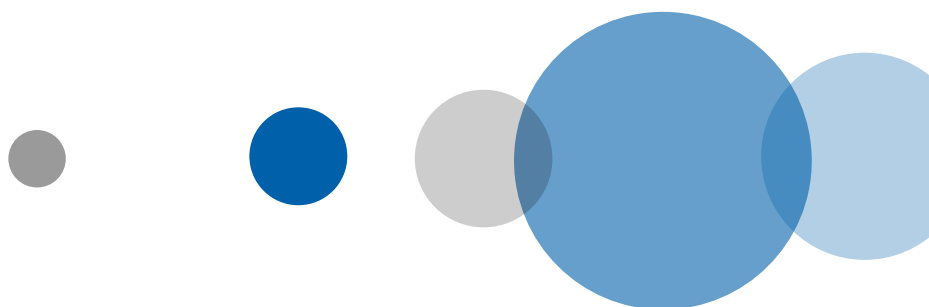
The Company's Remuneration Committee decides the remuneration policy that applies to executive Directors. In setting the policy it considers a number of factors including:

- (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 (based on salaries excluding bonuses) for the year ended 31 March 2009 were £21,000 (2008: £24,000). 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.

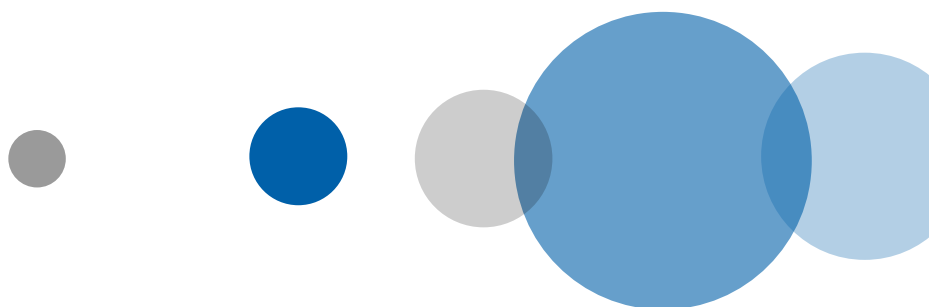
# Remuneration report continued

## Directors' emoluments (audited)

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

	2009				2008	
	Salary	Bonus	Benefits in kind	Pension contributions	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Executive Directors</b>						
Peter Wilkinson	212	-	43	3	258	257
Bryn Sage	110	58	22	6	196	208
Andrew Kaberry	150	-	31	12	193	192
Richard James	150	-	17	-	167	167
Jason Firth (resigned 31 October 2008)	-	-	-	-	-	109
	<b>622</b>	<b>58</b>	<b>113</b>	<b>21</b>	<b>814</b>	<b>933</b>
	Fees	Bonus	Benefits in kind	Pension contributions	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Non-executive Directors</b>						
The Rt. Hon. Lord Parkinson	50	-	-	-	50	50
Joe McNally	30	-	-	-	30	30
Charles Scott	30	-	-	-	30	30
	<b>110</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>110</b>	<b>110</b>
<b>Total</b>	<b>732</b>	<b>58</b>	<b>113</b>	<b>21</b>	<b>924</b>	<b>1,043</b>

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



## Directors' interests

### Interests in shares

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

	2009 and 2008	
	Number	Percentage of shares held
Peter Wilkinson	78,403,998	59.5%
Andrew Kaberry	6,129,562	4.6%
	<b>84,533,560</b>	<b>64.1%</b>

Apart from the interests disclosed above and the interests in share options disclosed below, none of the other Directors of the Company at 31 March 2009 held interests at any time in the year in the share capital of the Company or other Group companies.

There have been no other changes in Directors' shareholdings since 31 March 2009.

### Interests in share options (audited)

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

- Rolled over VData granted 07/01/00 at 1.8 pence per share
- Options granted directly by InTechnology plc at varying dates and prices

Further details are provided in notes 19 and 20 to the financial statements.

# Remuneration report continued

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

	No. of share options 2009	No. of share options 2008	Exercise price pence	Earliest exercise date	Expiry date
<b>Executive Directors</b>					
Andrew Kaberry		1,596,399	43.3	23/12/02	23/12/09
Andrew Kaberry	1,596,399		17.0	19/07/11	19/07/18
Bryn Sage		798,200	43.3	23/12/02	23/12/09
Bryn Sage		443,769	1.8	07/01/03	07/01/10
Bryn Sage	1,241,969		17.0	19/07/11	19/07/18
Richard James		800,000	38.5	03/07/09	03/07/16
Richard James	800,000		17.0	19/07/11	19/07/18
<b>Non-executive Directors</b>					
Lord Parkinson	221,885	221,885	1.8	07/01/03	07/01/10
Lord Parkinson		203,178	43.3	23/12/02	23/12/09
Lord Parkinson	203,178		17.0	06/05/11	06/05/18
Joe McNally		50,000	337.5	01/11/03	01/11/10
Joe McNally	50,000		17.0	06/05/11	06/05/18
Charles Scott		50,000	327.5	02/01/04	02/01/11
Charles Scott	50,000		17.0	06/05/11	06/05/18

The price of the Company's shares at 31 March 2009 was 15.0p, (the market price of the Company's shares at 1 February 2008, the date the company delisted from AIM, was 28.5p) and the range during the year then ended was 15.0p.

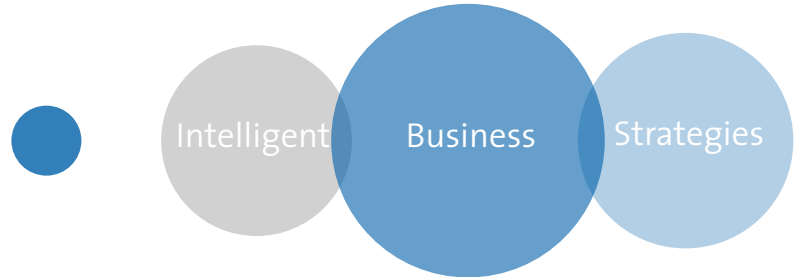
## Joe McNally

Non-executive Director

16 June 2009

# Independent auditors' report to the members of InTechnology plc

for the year ended 31 March 2009



We have audited the group and parent company financial statements (the “financial statements”) of InTechnology plc for the year ended 31 March 2009 which comprise the Consolidated income statement, the Statements of changes in shareholders' equity, the Balance sheets, the Cash flow statements and the related Notes to the financial statements. These financial statements have been prepared under the accounting policies set out therein.

## Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report, the Directors' Remuneration Report and the financial statements in accordance with applicable law and International Financial Reporting Standards (“IFRSs”) as adopted by the European Union are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and whether the financial statements have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our

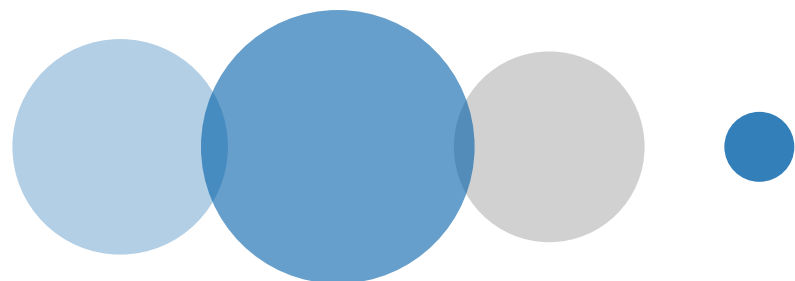
opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes that specific information presented in the Chief Executive Officer's report that is cross referred from the Business Review section of the Directors' Report.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. The other information comprises only

# Independent auditors' report to the members of InTechnology plc continued

for the year ended 31 March 2009



the Chairman's introduction, the Chief Executive Officer's report, the Management team, the Directors' report, the Corporate Governance report and the Remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

## Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to

the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

## Opinion

In our opinion:

- the group financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union, of the state of the group's affairs as at 31 March 2009 and of its profit and cash flows for the year then ended;

- the parent company financial statements give a true and fair view, in accordance with IFRSs as adopted by the European Union as applied in accordance with the provisions of the Companies Act 1985, of the state of the parent company's affairs as at 31 March 2009 and cash flows for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

**PricewaterhouseCoopers LLP**  
Chartered Accountants and  
Registered Auditors  
Leeds  
16 June 2009



# Consolidated income statement

for the year ended 31 March 2009

	Note	2009 £'000	2008 £'000
<b>Continuing operations</b>			
Revenue	3	44,760	45,353
Cost of sales		(17,200)	(16,978)
<b>Gross profit</b>		<b>27,560</b>	<b>28,375</b>
Net operating expenses before depreciation and amortisation		(22,661)	(21,850)
Depreciation of property, plant & equipment		(2,984)	(4,237)
Amortisation of intangible assets		(280)	(280)
Net operating expenses		(25,925)	(26,367)
Other operating income		229	343
Group operating profit before sale of property		1,864	2,351
Profit on sale of property		-	1,134
<b>Group operating profit</b>		<b>1,864</b>	<b>3,485</b>
Finance income	5	418	823
Finance costs	5	(72)	(124)
Share of post tax loss of associate		(1,598)	(1,453)
<b>Profit before taxation</b>		<b>612</b>	<b>2,731</b>
Taxation	6	(357)	(850)
<b>Profit for the year</b>	<b>3</b>	<b>255</b>	<b>1,881</b>
<b>Earnings per share (pence) - Total Group</b>			
Basic	9	0.19	1.34
Diluted	9	0.19	1.32

# Statements of changes in shareholders' equity

for the year ended 31 March 2009

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Group</b>						
As at 1 April 2007	1,899	188,843	-	1,069	(125,302)	<b>66,509</b>
Employee share options:						
- value of employee services	-	-	-	161	-	<b>161</b>
- tax charge on employee services	-	-	-	40	-	<b>40</b>
- deferred tax charge on employee services	-	-	-	(113)	-	<b>(113)</b>
- proceeds from shares issued	5	4	-	-	-	<b>9</b>
Sale of property						
- corporation tax on revalued amount	-	-	-	-	(219)	<b>(219)</b>
- deferred tax on revalued amount	-	-	-	-	120	<b>120</b>
Capital restructure	(480)	(132,534)	480	-	132,534	-
Purchase of ordinary shares	(106)	(3,596)	-	-	-	<b>(3,702)</b>
Share of exchange losses of associate	-	-	-	-	(447)	<b>(447)</b>
Net profit for the year	-	-	-	-	1,881	<b>1,881</b>
<b>As at 31 March 2008</b>	<b>1,318</b>	<b>52,717</b>	<b>480</b>	<b>1,157</b>	<b>8,567</b>	<b>64,239</b>
Employee share options:						
- value of employee services	-	-	-	148	-	<b>148</b>
- deferred tax charge on employee services	-	-	-	(119)	-	<b>(119)</b>
Issue of deferred payment shares	69	1,104	-	-	-	<b>1,173</b>
Cancelled share options	-	-	-	(1,088)	1,088	-
Share of exchange losses of associate	-	-	-	-	(814)	<b>(814)</b>
Net profit for the year	-	-	-	-	255	<b>255</b>
<b>As at 31 March 2009</b>	<b>1,387</b>	<b>53,821</b>	<b>480</b>	<b>98</b>	<b>9,096</b>	<b>64,882</b>

	Share capital	Share premium	Capital redemption reserve	Share option reserve	Retained earnings	Total
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Company</b>						
As at 1 April 2007	1,899	188,843	-	1,069	(125,005)	<b>66,806</b>
Employee share options:						
- value of employee services	-	-	-	161	-	<b>161</b>
- tax charge on employee services	-	-	-	40	-	<b>40</b>
- deferred tax charge on employee services	-	-	-	(113)	-	<b>(113)</b>
- proceeds from shares issued	5	4	-	-	-	<b>9</b>
Sale of property						
- corporation tax on revalued amount	-	-	-	-	(219)	<b>(219)</b>
- deferred tax on revalued amount	-	-	-	-	120	<b>120</b>
Capital restructure	(480)	(132,534)	480	-	132,534	-
Purchase of ordinary shares	(106)	(3,596)	-	-	-	<b>(3,702)</b>
Net loss for the year	-	-	-	-	(3,599)	<b>(3,599)</b>
<b>As at 31 March 2008</b>	<b>1,318</b>	<b>52,717</b>	<b>480</b>	<b>1,157</b>	<b>3,831</b>	<b>59,503</b>
Employee share options:						
- value of employee services	-	-	-	148	-	<b>148</b>
- deferred tax charge on employee services	-	-	-	(119)	-	<b>(119)</b>
Issue of deferred payment shares	69	1,104	-	-	-	<b>1,173</b>
Cancelled share options	-	-	-	(1,088)	1,088	-
Net profit for the year	-	-	-	-	1,997	<b>1,997</b>
<b>As at 31 March 2009</b>	<b>1,387</b>	<b>53,821</b>	<b>480</b>	<b>98</b>	<b>6,916</b>	<b>62,702</b>

# Balance sheets

as at 31 March 2009

	Note	Group		Company	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Assets</b>					
<b>Non-current assets</b>					
Goodwill	10	38,997	38,997	35,747	35,747
Intangible assets	10	213	493	-	-
Property, plant & equipment	11	7,382	6,445	7,382	6,445
Investment in subsidiary and associate undertakings	13	1,664	4,076	6,419	6,419
Deferred tax assets	7	1,790	2,284	1,229	1,840
Available-for-sale financial assets	14	90	-	90	-
Trade and other receivables	16	-	-	6,718	6,718
		<b>50,136</b>	<b>52,295</b>	<b>57,585</b>	<b>57,169</b>
<b>Current assets</b>					
Inventories	15	121	105	121	105
Trade and other receivables	16	10,968	10,534	10,456	10,094
Cash and cash equivalents		13,185	10,085	13,108	10,019
		<b>24,274</b>	<b>20,724</b>	<b>23,685</b>	<b>20,218</b>
<b>Liabilities</b>					
<b>Current liabilities</b>					
Trade and other payables	17	(6,100)	(7,303)	(5,721)	(6,988)
Borrowings	18	(906)	(567)	(906)	(567)
Current tax liabilities		(110)	(589)	(110)	(589)
<b>Net current assets</b>		<b>17,158</b>	<b>12,265</b>	<b>16,948</b>	<b>12,074</b>
<b>Non-current liabilities</b>					
Trade and other payables	17	-	-	(9,419)	(9,419)
Borrowings	18	(2,412)	(321)	(2,412)	(321)
<b>Net assets</b>		<b>64,882</b>	<b>64,239</b>	<b>62,702</b>	<b>59,503</b>
<b>Shareholders' equity</b>					
Ordinary shares	19	1,387	1,318	1,387	1,318
Share premium	19	53,821	52,717	53,821	52,717
Capital redemption reserve		480	480	480	480
Share option reserve		98	1,157	98	1,157
Retained earnings		9,096	8,567	6,916	3,831
<b>Total shareholders' equity</b>		<b>64,882</b>	<b>64,239</b>	<b>62,702</b>	<b>59,503</b>

The financial statements on pages 25 to 58 were approved by the Board of Directors on 16 June 2009 and were signed on its behalf by:

Andrew Kaberry  
Finance Director

# Cash flow statements

for the year ended 31 March 2009

	Note	Group		Company	
		2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Cash flows from operating activities</b>					
Cash generated from operations	21	<b>4,694</b>	6,343	<b>4,694</b>	5,099
Interest received		<b>418</b>	823	<b>418</b>	823
Interest paid		<b>(12)</b>	(44)	<b>(12)</b>	(31)
Interest element of finance lease payments		<b>(60)</b>	(80)	<b>(60)</b>	(81)
Tax paid		<b>(461)</b>	(3,017)	<b>(461)</b>	(3,017)
<b>Net cash from operating activities</b>		<b>4,579</b>	4,025	<b>4,579</b>	2,793
<b>Cash flows from investing activities</b>					
Proceeds from sale of business assets		-	1,000	-	1,000
Proceeds from sale of property, plant & equipment		<b>23</b>	4,628	<b>23</b>	4,628
Purchase of property, plant & equipment		<b>(3,955)</b>	(4,325)	<b>(3,955)</b>	(4,304)
Acquisition of subsidiaries (net of cash acquired)		-	(74)	-	(74)
Investment in associate		-	(2,419)	-	(2,419)
<b>Net cash (used in) investing activities</b>		<b>(3,932)</b>	(1,190)	<b>(3,932)</b>	(1,169)
<b>Cash flows from financing activities</b>					
Net proceeds from issue of ordinary share capital		-	9	-	9
Purchase of ordinary shares		-	(3,702)	-	(3,702)
Proceeds from new borrowings		<b>2,950</b>	(1,181)	<b>2,950</b>	-
Capital element of finance lease payments		<b>(520)</b>	(647)	<b>(520)</b>	(624)
<b>Net cash inflow/(outflow) from financing</b>		<b>2,430</b>	(5,521)	<b>2,430</b>	(4,317)
<b>Net increase/(decrease) in cash and cash equivalents in the year</b>		<b>3,077</b>	(2,686)	<b>3,077</b>	(2,693)
Cash and cash equivalents at beginning of year		<b>10,085</b>	12,782	<b>10,019</b>	12,723
Exchange gains/(losses) on cash and cash equivalents		<b>23</b>	(11)	<b>12</b>	(11)
<b>Cash and cash equivalents at end of year</b>		<b>13,185</b>	10,085	<b>13,108</b>	10,019

# Notes to the financial statements

## for the year ended 31 March 2009

### 1 General information

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

The Company is an unlisted public company incorporated and domiciled in the United Kingdom under the Companies Act 1985. The address of its registered office is Central House, Beckwith Knowle, Harrogate, HG3 1UG.

The registered number of the Company is 3916586.

### 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 value, in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and IFRIC interpretations. 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 2009). A summary of the more important accounting policies is set out below.

#### Accounting estimates and judgements

The Group's critical accounting policies under IFRS 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 accounts are as follows:

*Goodwill and fair value of assets acquired* – 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 assumptions.

#### Interpretations effective in 2009 but not relevant for the Group's operations

The following interpretations to published standards are mandatory for accounting periods on or after 1 January 2008 but are not relevant to the Group's operations:

- (i) IFRIC 9 (amendment), 'Reassessment of embedded derivatives', and IAS 39 'Financial instruments: Recognition and measurement', (effective from 1 July 2008) - The amendments to IAS 39 and IFRIC 9 clarify that if an asset is reclassified under the above amendment it must be assessed for embedded derivatives at the date of reclassification. IFRIC 9 is not relevant to the Group's operations as the Group does not have any embedded derivatives. The standard is effective from 1 July 2008.
- (ii) IFRIC 12 'Service concession arrangements' - IFRIC 12 is effective from 1 January 2008 and applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Group's operations as none of the Group's companies provide for public sector services.
- (iii) IFRIC 13 'Customer loyalty programmes' - IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. IFRIC 13 is not relevant to the Group's operations as none of the Group's companies operate any loyalty programmes. The standard is effective from 1 July 2008.

(iv) IFRIC 14 (IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction) (effective from 1 January 2008) – This interpretation provides guidance on assessing the limit in IAS 19 on the amount of surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. IFRIC 14 is not relevant to the Group's operations because it does not have any defined benefit pension schemes.

#### New IFRS standards and interpretations not applied

The IASB and IFRIC have issued additional standards and interpretations which are effective for periods starting after the date of these financial statements. The following standards and interpretations have yet to be adopted by the Group:

(i) IFRS 1 (amendment), 'First time adoption of IFRS', and IAS 27, 'Consolidated and separate financial statements', (effective from 1 January 2009) – The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from IAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Group will apply IFRS 1 (amendment) from 1 April 2009. The amendment will not have any impact on the Group's financial statements.

(ii) IFRS 2 (amendment), 'Share-based payment' (effective from 1 January 2009) – The amendment to the standard is still subject to endorsement by the EU. It deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. These features would need to be included in the grant date fair value for transactions with employees and others providing similar services; they would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. The Group will apply IFRS 2 (amendment) from 1 April 2009, subject to endorsement by the EU. It is not expected to have a material impact on the Group's financial statements.

(iii) IFRS 3 (revised), 'Business combinations' (effective from 1 July 2009) – The revised standard is still subject to endorsement by the EU. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply IFRS 3 (revised) prospectively to all business combinations from 1 April 2010, subject to endorsement by the EU.

(iv) IFRS 5 (amendment), 'Non-current assets held for sale and discontinued operations', (and consequential amendment to IFRS 1, 'First-time adoption of IFRS') (effective from 1 July 2009) – The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. The amendment clarifies that all of a subsidiary's assets and liabilities are classified as held for sale if a partial disposal sale plan results in loss of control. Relevant disclosure should be made for this subsidiary if the definition of a discontinued operation is met. A consequential amendment to IFRS 1 states that these amendments are applied prospectively from the date of transition to IFRSs. The Group will apply the IFRS 5 (amendment) prospectively to all partial disposals of subsidiaries from 1 April 2010, subject to endorsement by the EU.

(v) IFRS 8 'Operating segments' – This standard will be applicable in 2009 and replaces IAS 14, aligning segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply IFRS 8 from 1 April 2009 but it is not expected to have any impact on the Group accounts.

# Notes to the financial statements continued

## for the year ended 31 March 2009

(vi) IAS 1 (revised), 'Presentation of financial statements' (effective from 1 January 2009) – The standard is still subject to endorsement by the EU. The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning of the comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply IAS 1 (revised) from 1 April 2009, subject to endorsement by the EU. The standard is not expected to have any impact on the Group accounts.

(vii) IAS 23 (amendment), 'Borrowing costs' (effective from 1 July 2009) – This amendment to the standard is still subject to endorsement by the EU but will be applicable to the Group in 2009. It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing these borrowing costs will be removed. The Group will apply IAS 23 (amended) from 1 April 2009, subject to endorsement by the EU, but the standard is currently not applicable to the Group as there are no qualifying assets.

(viii) IAS 23 (amendment), 'Borrowing costs' (effective from 1 January 2009) – The amendment is part of the IASB's annual improvements project published in May 2008. The amendment to the standard is still subject to endorsement by the EU. The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in IAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between IAS 39 and IAS 23. The Group will apply the IAS 23 (amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 April 2009, subject to endorsement by the EU, but is currently not applicable to the Group as there are no qualifying assets.

(ix) IAS 27 (amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009) – This amendment requires dividends received from subsidiaries to be treated as income in the individual financial statements of the parent, whether paid from pre or post acquisition profits, and could affect the cost of investment in subsidiaries in certain group reconstructions. The Group will apply IAS 27 (amendment) from 1 April 2009. The amendment will not have any impact on the Group's financial statements.

(x) IAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009) – The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply IAS 27 (revised) prospectively to transactions with non-controlling interests from 1 April 2010.

(xi) IAS 39 (amendment), 'Financial instruments: Recognition and measurement', and IFRS 7, 'Financial instruments: Disclosures', (effective from 1 July 2008) – This amendment allows the reclassification of certain financial assets previously classified as 'held-for-trading' or 'available-for-sale' to another category under limited circumstances. The amendment was issued in response to market dislocation being experienced within the economy. The Group will apply IAS 39 (amendment) from 1 April 2009. The amendment will not have any impact on the Group's financial statements.

### Interpretations of existing standards that are not yet effective and not relevant to the Group's operations

The following interpretations to existing standards have been published and are mandatory for the Group's accounting periods beginning on or after 1 January 2009 or later periods but are not relevant to the Group's operations:

(i) IAS 16 (amendment), 'Property, plant and equipment' (and consequential amendment to IAS 7, 'Statement of cash flows') (effective from 1 January 2009).

(ii) IAS 20 (amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009).

(iii) The minor amendments to IAS 20 'Accounting for government grants and disclosure of government assistance', and IAS 29, 'Financial reporting in hyperinflationary economies', IAS 40, 'Investment property', and IAS 41, 'Agriculture', which are part of the IASB's annual improvements project published in May 2008 (not addressed above).



- (iv) IAS 28 (amendment), 'Investments in associates' (and consequential amendments to IAS 32, 'Financial instruments: Presentation' and IFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009).
- (v) IAS 29 (amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009).
- (vi) IAS 31 (amendment), 'Interests in joint ventures', (and consequential amendments to IAS 32 and IFRS 7) (effective from 1 January 2009).
- (vii) IAS 32 (amendment), 'Financial instruments: Presentation', and IAS 1 (amendment), 'Presentation of financial statements' – 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009).
- (viii) IAS 38 (amendment), 'Intangible assets' (effective from 1 January 2009).
- (ix) IAS 40 (amendment), 'Investment property' (and consequential amendments to IAS 16) (effective from 1 January 2009).
- (x) IAS 41 (amendment), 'Agriculture' (effective from 1 January 2009).
- (xi) IFRIC 15, 'Agreements for construction of real estates' (effective from 1 January 2009).

## 2.2 Group accounts

### 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 purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given plus costs directly attributable to the acquisition. 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 minority interest. The excess of the cost of acquisition over the Group's share of identifiable net assets acquired is recorded as goodwill.

### 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 income statement includes the Group's share of post-acquisition profits after tax, the statement of changes in shareholders' equity includes 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.

## 2.3 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 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. Goodwill arising on acquisitions after 26 January 2000 and prior to 1 April 2006 was amortised over its estimated useful life; such amortisation ceased on 31 March 2006 due to the adoption of IFRS.

### 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 3 years for EEscape Holdings Limited and 7 years for Mobile Tornado Group plc.

# Notes to the financial statements continued

## for the year ended 31 March 2009

### 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.

### 2.4 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.

### 2.5 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. A geographical segment operates within a particular economic environment that is subject to different risks and returns from other economic environments.

### 2.6 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 profit and loss account on an accruals basis. The Group provides no other post-retirement benefits to its employees and directors.

### 2.7 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 Payments' the resulting cost is charged to the income statement 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.

### 2.8 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.

### Transactions and balances

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 income statement 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) 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 income statement 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 income statement as part of the gain or loss on sale.

### 2.9 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 accounts 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 & 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.

### 2.10 Exceptional items

Exceptional items are non-recurring material items which are outside the normal scope of the Group's ordinary activities such as liabilities and costs arising from a fundamental restructuring of the Group's operations. Such items are disclosed separately within the financial statements.

### 2.11 Property, plant & equipment

Property, plant & 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 & 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 plant and 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.

# Notes to the financial statements continued

## for the year ended 31 March 2009

### 2.12 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.

### 2.13 Non-current assets held for sale and discontinued operations

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale.

### 2.14 Leases

Assets acquired under finance leases are included in the balance sheet under property, plant & equipment at an amount reflecting 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 creditors. Finance charges are allocated to the income statement each year in proportion to the capital element outstanding. The cost of operating leases is charged to the income statement as incurred.

### 2.15 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.

For 2009, 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 £0.5m (2008: £0.1m) lower/higher than reported and equity would have been £0.2m (2008: £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 £9,000 (2008: £11,000).

#### Liquidity risk

The Group actively maintains a mixture of long-term and short-term committed facilities designed to ensure the Group has sufficient funds available for operations and planned investments.

On a regular basis, management monitors forecasts of the Group's cash flows against both internal targets and those targets imposed by external lenders. As shown in note 18, the Group has substantial committed, unused facilities and the directors are confident this situation will remain the case for the foreseeable future.

#### 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.

## 2.16 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.

## 2.17 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 income statement 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.

## 2.18 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.

## 2.19 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.

## 2.20 Trade and other payables

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

## 2.21 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.

## 2.22 Investments

Investments in quoted securities are stated at fair value, being the appropriate quoted market value, with movements in the fair value passing through the income statement. 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.

## 2.23 Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the financial asset within 12 months of the balance sheet date.

Regular purchases and sales of financial assets are recognised on the trade date, the date on which the group commits to purchase or sell the asset. Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Financial assets are classified as either held-for-trading or available-for-sale. Where securities are held-for-trading purposes, gains and losses arising from changes in fair value are included in net profit or loss for the period. For available-for-sale financial assets, gains and losses arising from changes in fair value are recognised directly in equity, until the security is disposed of or is determined to be impaired, at which time the cumulative gain or loss previously recognised in equity is included in the net profit or loss for the period. The fair values of quoted financial assets are based on current bid prices.

# Notes to the financial statements continued

## for the year ended 31 March 2009

If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

### 3 Segmental analysis

The Group is organised into two distinct business segments: MDS (data services) and MVS (voice services). As the Group only trades in the United Kingdom there is no geographical segmental reporting.

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 so it is not possible to accurately report assets and liabilities as required under IAS 14.

	MDS		MVS		Group	
	2009	2008	2009	2008	2009	2008
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income statement</b>						
<b>Continuing operations</b>						
Revenue	36,629	33,724	8,131	11,629	44,760	45,353
Expenses	(30,954)	(30,032)	(11,743)	(12,872)	(42,697)	(42,904)
Share option charge					(148)	(161)
Amortisation of intangible assets					(280)	(280)
<b>Operating profit/(loss) before other income</b>	<b>5,675</b>	<b>3,692</b>	<b>(3,612)</b>	<b>(1,243)</b>	<b>1,635</b>	<b>2,008</b>
Other income	229	343	-	-	229	343
Profit on sale of property	-	1,134	-	-	-	1,134
<b>Group operating profit/(loss)</b>	<b>5,904</b>	<b>5,169</b>	<b>(3,612)</b>	<b>(1,243)</b>	<b>1,864</b>	<b>3,485</b>
Net finance income					346	699
Share of post tax loss of associate					(1,598)	(1,453)
<b>Profit before taxation</b>					<b>612</b>	<b>2,731</b>
Taxation					(357)	(850)
<b>Profit for the year</b>					<b>255</b>	<b>1,881</b>

**4 Profit for the year**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Profit on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs (note 22)	<b>10,880</b>	10,543
Depreciation of owned property, plant & equipment (note 11)	<b>2,736</b>	4,127
Depreciation of leased property, plant & equipment (note 11)	<b>248</b>	110
Amortisation of intangible assets	<b>280</b>	280
Other operating lease rentals	<b>2,431</b>	2,326
Foreign exchange (gains)/losses	<b>(107)</b>	33
Profit on disposal of property, plant & equipment	<b>(21)</b>	(1,134)

**Auditor remuneration**

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

	<b>2009</b>	2008
	<b>£'000</b>	£'000
Fees payable to the Company's auditor for the audit of parent company and consolidated accounts	<b>65</b>	65
Non-audit services:		
Fees payable to the Company's auditor and its associates for other services:		
Tax services	<b>45</b>	58
Other services	<b>8</b>	47
	<b>118</b>	<b>170</b>

**5 Net financial expenses**

	<b>2009</b>	2008
	<b>£'000</b>	£'000
<b>Group</b>		
Interest expense:		
- bank loans and overdrafts	<b>(3)</b>	(2)
- finance leases	<b>(60)</b>	(80)
- other interest	<b>(9)</b>	(42)
Finance costs	<b>(72)</b>	(124)
Finance income:		
- bank interest receivable	<b>418</b>	823
Finance income	<b>418</b>	823
<b>Net finance income</b>	<b>346</b>	<b>699</b>

# Notes to the financial statements continued

## for the year ended 31 March 2009

### 6 Tax

	2009	2008
	£'000	£'000
<b>(a) Analysis of charge for the year</b>		
United Kingdom current tax		
Current tax on income for the period	924	1,236
Adjustment in respect of prior periods	(942)	(575)
<b>Total current tax</b>	<b>(18)</b>	<b>661</b>
Deferred tax expense	375	189
<b>Total charge for the year</b>	<b>357</b>	<b>850</b>
<b>(b) Tax on items charged to equity</b>		
Current tax credit on employee share schemes	-	40
Current tax charge on capital gain	-	(219)
Deferred tax credit on reversal of capital gain liability	-	120
Deferred tax charge on employee share schemes	(119)	(104)
Corporation tax rate change charge	-	(9)
<b>Total tax on items charged to equity</b>	<b>(119)</b>	<b>(172)</b>
<b>(c) Factors affecting the tax charge for the year</b>		
Profit before tax	2,210	4,184
At standard rate of corporation tax of 28% (2008: 30%)	619	1,255
Effects of:		
Adjustments to tax in respect of prior periods	(942)	(575)
Expenses not deductible for tax purposes (includes goodwill amortisation)	180	123
Movement on prior years deferred tax balances	500	-
Utilisation of losses	-	(132)
Corporation tax rate change	-	179
<b>Total charge for the year</b>	<b>357</b>	<b>850</b>

At 31 March 2009, the Group had accumulated tax losses of £14,939,243 (2008: £17,000,000) 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 tax**

	2009	2008
	£'000	£'000
The deferred tax balances included in these accounts are attributable to the following:		
<b>Deferred tax assets</b>		
Excess of depreciation over capital allowances	1,918	2,508
General provisions	98	-
Employee share schemes	8	127
	<b>2,024</b>	<b>2,635</b>
<b>Deferred tax liabilities</b>		
Intangible assets	234	351
	<b>234</b>	<b>351</b>

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

Deferred tax charged through income statement	(375)	(189)
Deferred tax charged directly to equity	(119)	7
Balances acquired with EEscape Holdings Limited	-	795
	<b>(494)</b>	613
Net balance brought forward	<b>2,284</b>	1,671
Net balance carried forward	<b>1,790</b>	<b>2,284</b>

**Deferred tax charged through the income statement relates to the following:**

Excess of depreciation over capital allowances	(590)	(125)
General provisions	98	-
Employee share schemes	-	(2)
Intangible assets	117	117
Change in rate of deferred taxation	-	(179)
	<b>(375)</b>	<b>(189)</b>

Deferred tax is calculated in full on temporary differences under the liability method at a rate of 28% (2008: 28%) in the United Kingdom.

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, and the balances acquired with EEscape Holdings Limited as shown in note 10.

**8 Profit of the holding company**

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented in these financial statements. The parent Company's profit for the year ended 31 March 2009 was £1,997,000 (2008: £3,599,000 loss).

# Notes to the financial statements continued

for the year ended 31 March 2009

## 9 Earnings per share

	2009			2008		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000	'000	pence	£'000	'000	pence
<b>Basic EPS</b>	<b>255</b>	<b>136,649</b>	<b>0.19</b>	1,881	140,136	1.34
Effect of dilutive share options		620			2,055	
<b>Diluted EPS</b>	<b>255</b>	<b>137,269</b>	<b>0.19</b>	1,881	142,191	1.32

	2009			2008		
	Earnings	Weighted average number of shares	Per share amount	Earnings	Weighted average number of shares	Per share amount
	£'000	'000	pence	£'000	'000	pence
<b>Basic EPS</b>	<b>255</b>	<b>136,649</b>	<b>0.19</b>	1,881	140,136	1.34
Share based payments	29		0.02	88		0.06
Amortisation of intangible assets	202		0.15	202		0.14
Sale of property	-		-	(984)		(0.70)
Share of post tax loss of associate	1,598		1.17	1,453		1.04
<b>Adjusted basic EPS</b>	<b>2,084</b>	<b>136,649</b>	<b>1.53</b>	<b>2,640</b>	<b>140,136</b>	<b>1.88</b>
<b>Diluted EPS</b>	<b>255</b>	<b>137,269</b>	<b>0.19</b>	1,881	142,191	1.32
Share based payments	29		0.02	88		0.06
Amortisation of intangible assets	202		0.15	202		0.14
Sale of property	-		-	(984)		(0.69)
Share of post tax loss of associate	1,598		1.16	1,453		1.02
<b>Adjusted diluted EPS</b>	<b>2,084</b>	<b>137,269</b>	<b>1.52</b>	<b>2,640</b>	<b>142,191</b>	<b>1.85</b>

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

Opening goodwill at 1 April 2006 arose on the Group's acquisition of the trading assets of HOLF Technologies Limited and VData Limited in 2000, Allasso UK Limited in 2003 and NetConnect Training in 2004.

The goodwill arising during 2007 resulted from the acquisition of EEscape Holdings Limited.

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 market share will not change significantly and that 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 10.3% before tax (2008: 12.6%). A 0.5% increase in the cost of capital would result in a £3.3m reduction in the value in use calculation for the Group which would have no impact on the results of goodwill impairment test at 31 March 2009.

	Goodwill	Trade name & relationships	Software	Total
	£'000	£'000	£'000	£'000
<b>Group</b>				
At 1 April 2007				
Cost	39,792	501	335	40,628
Accumulated amortisation and impairment	-	(38)	(25)	(63)
<b>Net book amount</b>	<b>39,792</b>	<b>463</b>	<b>310</b>	<b>40,565</b>
<b>Year ended 31 March 2008</b>				
Opening net book amount	39,792	463	310	40,565
Deferred tax asset - EEscape Holdings Limited	(795)	-	-	(795)
Amortisation charge	-	(168)	(112)	(280)
<b>Closing net book amount</b>	<b>38,997</b>	<b>295</b>	<b>198</b>	<b>39,490</b>
<b>At 31 March 2008</b>				
<b>Cost</b>	<b>38,997</b>	<b>501</b>	<b>335</b>	<b>39,833</b>
<b>Accumulated amortisation and impairment</b>	<b>-</b>	<b>(206)</b>	<b>(137)</b>	<b>(343)</b>
<b>Net book amount</b>	<b>38,997</b>	<b>295</b>	<b>198</b>	<b>39,490</b>
<b>Year ended 31 March 2009</b>				
Opening net book amount	38,997	295	198	39,490
Amortisation charge	-	(168)	(112)	(280)
<b>Closing net book amount</b>	<b>38,997</b>	<b>127</b>	<b>86</b>	<b>39,210</b>

# Notes to the financial statements continued

## for the year ended 31 March 2009

### 10 Intangible assets continued

	Goodwill	Trade name & relationships	Software	Total
	£'000	£'000	£'000	£'000
<b>Company</b>				
At 1 April 2007				
<b>Cost and net book amount</b>	<b>32,673</b>	-	-	<b>32,673</b>
<b>Year ended 31 March 2008</b>				
Opening net book amount	32,673	-	-	32,673
Transferred from investments	3,074	-	-	3,074
<b>Closing net book amount</b>	<b>35,747</b>	-	-	<b>35,747</b>
<b>At 31 March 2008</b>				
<b>Cost and net book amount</b>	<b>35,747</b>	-	-	<b>35,747</b>
<b>Year ended 31 March 2009</b>				
Opening net book amount	35,747	-	-	35,747
<b>Closing net book amount</b>	<b>35,747</b>	-	-	<b>35,747</b>

### 11 Property, plant & equipment

	Freehold land & buildings	Leasehold improvements	Office fixtures & fittings	Vehicles & computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>Group</b>					
<b>Cost</b>					
At 1 April 2007	3,856	1,531	580	24,335	30,302
Additions	-	1,821	155	2,599	4,575
Disposals	(3,856)	-	(301)	(7,856)	(12,013)
<b>At 31 March 2008</b>	<b>-</b>	<b>3,352</b>	<b>434</b>	<b>19,078</b>	<b>22,864</b>
At 1 April 2008	-	3,352	434	19,078	22,864
Additions	-	1,574	34	2,347	3,955
Disposals	-	-	-	(517)	(517)
<b>At 31 March 2009</b>	<b>-</b>	<b>4,926</b>	<b>468</b>	<b>20,908</b>	<b>26,302</b>
<b>Depreciation</b>					
At 1 April 2007	364	956	521	18,850	20,691
Charge for the year	26	143	85	3,983	4,237
Disposals	(390)	-	(303)	(7,816)	(8,509)
<b>At 31 March 2008</b>	<b>-</b>	<b>1,099</b>	<b>303</b>	<b>15,017</b>	<b>16,419</b>
At 1 April 2008	-	1,099	303	15,017	16,419
Charge for the year	-	243	60	2,681	2,984
Disposals	-	-	-	(483)	(483)
<b>At 31 March 2009</b>	<b>-</b>	<b>1,342</b>	<b>363</b>	<b>17,215</b>	<b>18,920</b>
<b>Net book amount at 31 March 2009</b>	<b>-</b>	<b>3,584</b>	<b>105</b>	<b>3,693</b>	<b>7,382</b>
Net book amount at 31 March 2008	-	2,253	131	4,061	6,445

## 11 Property, plant &amp; equipment continued

	Freehold land & buildings	Leasehold improvements	Office fixtures & fittings	Vehicles & computer equipment	Total
	£'000	£'000	£'000	£'000	£'000
<b>Company</b>					
<b>Cost</b>					
At 1 April 2007	3,856	1,531	500	16,649	22,536
Acquisitions - hive up of EEscape Holdings Ltd	-	-	77	3,336	3,413
Additions	-	1,821	155	2,578	4,554
Disposals	(3,856)	-	(298)	(3,485)	(7,639)
<b>At 31 March 2008</b>	<b>-</b>	<b>3,352</b>	<b>434</b>	<b>19,078</b>	<b>22,864</b>
At 1 April 2008	-	3,352	434	19,078	22,864
Additions	-	1,574	34	2,347	3,955
Disposals	-	-	-	(517)	(517)
<b>At 31 March 2009</b>	<b>-</b>	<b>4,926</b>	<b>468</b>	<b>20,908</b>	<b>26,302</b>
<b>Depreciation</b>					
At 1 April 2007	364	956	456	11,778	13,554
Acquisitions - hive up of EEscape Holdings Ltd	-	-	66	2,661	2,727
Charge for the year	26	143	79	3,937	4,185
Disposals	(390)	-	(298)	(3,359)	(4,047)
<b>At 31 March 2008</b>	<b>-</b>	<b>1,099</b>	<b>303</b>	<b>15,017</b>	<b>16,419</b>
At 1 April 2008	-	1,099	303	15,017	16,419
Charge for the year	-	243	60	2,681	2,984
Disposals	-	-	-	(483)	(483)
<b>At 31 March 2009</b>	<b>-</b>	<b>1,342</b>	<b>363</b>	<b>17,215</b>	<b>18,920</b>
<b>Net book amount at 31 March 2009</b>	<b>-</b>	<b>3,584</b>	<b>105</b>	<b>3,693</b>	<b>7,382</b>
Net book amount at 31 March 2008	-	2,253	131	4,061	6,445

The net book amount of Group and Company property, plant & equipment includes an amount of £384,000 (2008: £790,000) in respect of assets held under finance leases.

# Notes to the financial statements continued

## for the year ended 31 March 2009

### 12 Future commitments

At 31 March 2009, the directors had authorised capital expenditure of £nil (2008: £2.9m).

At 31 March 2009 the Group's future minimum operating lease commitments were due as follows:

	Land & buildings		Other assets	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Within one year	2,737	2,317	77	101
From one to five years	7,153	5,214	27	38
After five years	3,981	-	-	-
	<b>13,871</b>	<b>7,531</b>	<b>104</b>	<b>139</b>

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.

## 13 Investments in subsidiaries and associates

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Shares in group undertakings</b>				
At 1 April	-	-	6,419	14,188
Additions in the year				
Associate: Mobile Tornado Group plc	-	-	-	2,354
Written off during the year	-	-	-	(7,049)
Transferred to intangible assets	-	-	-	(3,074)
<b>At 31 March</b>	<b>-</b>	<b>-</b>	<b>6,419</b>	<b>6,419</b>
<b>Interests in associates</b>				
At 1 April				
- Net assets	(3,616)	(1,736)	-	-
- Goodwill and intangible assets	7,890	5,419	-	-
Additions				
- Net assets	-	(117)	-	-
- Goodwill	-	2,471	-	-
Share of losses suffered	(2,274)	(1,763)	-	-
<b>At 31 March</b>	<b>(5,890)</b>	<b>(3,616)</b>	<b>-</b>	<b>-</b>
- Net assets	(5,890)	(3,616)	-	-
- Goodwill and intangible assets at cost	7,890	7,890	-	-
	<b>2,000</b>	<b>4,274</b>	<b>-</b>	<b>-</b>
<b>Accumulated amortisation and impairment</b>				
At 1 April	(198)	(60)	-	-
Charge for the year	(138)	(138)	-	-
<b>At 31 March</b>	<b>(336)</b>	<b>(198)</b>	<b>-</b>	<b>-</b>
<b>Net book amount at 31 March</b>				
- Net assets	(5,890)	(3,616)	-	-
- Goodwill and intangible assets	7,554	7,692	-	-
<b>Total investments</b>	<b>1,664</b>	<b>4,076</b>	<b>6,419</b>	<b>6,419</b>

Investments in Group undertakings are stated at cost. As permitted by section 133 of the Companies Act 1985, where the relief afforded under section 131 of the Companies Act 1985 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 on page 48.

# Notes to the financial statements continued

## for the year ended 31 March 2009

### 13 Investments in subsidiaries and associates continued

Details of the principal investments at 31 March 2009 in which the Group or Company holds more than 20% of the nominal value of ordinary share capital are as follows:

Subsidiary undertakings	Country of incorporation or registration	Nature of business	Year end	Group proportion held	Company proportion held
Mobile Tornado Group plc	England	Telecoms	31 December	49.8%	49.8%
EEscape Holdings Limited	England	Dormant	31 March	100%	100%
Evoxus Limited	England	Dormant	31 March	100%	-
Call-Link Communications Limited	England	Dormant	31 March	100%	-
Allasso AG	Switzerland	Dormant	31 March	100%	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 Available-for-sale financial assets

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Unlisted securities				
Equity securities – UK	90	-	90	-
	<b>90</b>	<b>-</b>	<b>90</b>	<b>-</b>

All available-for-sale financial assets are denominated in sterling.

The Group establishes the fair value of unlisted securities by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, and option pricing models.

The available-for-sale financial assets are neither past due nor impaired.

At 31 March 2009, the Group held a 9% interest in the nominal value of ordinary shares in Live-PA Limited which is incorporated in the United Kingdom. The Group has entered into an agreement to purchase a total of 45.4% of the share capital of Live-PA Limited which will require a further investment of £0.41m next year.



**15 Inventories**

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
<b>Finished goods</b>	<b>121</b>	<b>105</b>	<b>121</b>	<b>105</b>

The cost of inventory recognised as an expense in 'operating expenses' amounted to £1,596,000 (2008: £2,446,000).

**16 Trade and other receivables**

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Trade receivables	5,700	7,677	5,550	7,548
Less: provision for impairment of trade receivables	(461)	(312)	(311)	(183)
Trade receivables - net	5,239	7,365	5,239	7,365
Other receivables	1,192	36	1,192	36
Prepayments and accrued income	4,092	2,751	4,025	2,693
Deferred cost of sales	445	382	-	-
Amounts owed by Group undertakings	-	-	6,718	6,718
	10,968	10,534	17,174	16,812
Less non-current portion: amounts owed by Group undertakings	-	-	(6,718)	(6,718)
<b>Current portion</b>	<b>10,968</b>	<b>10,534</b>	<b>10,456</b>	<b>10,094</b>

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

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

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
<b>Impaired</b>				
Less than 3 months	114	-	114	-
3 to 6 months	128	-	128	-
Over 6 months	232	323	82	194
	474	323	324	194
<b>Not impaired</b>				
Less than 3 months	5,159	6,984	5,159	6,984
3 to 6 months	50	370	50	370
Over 6 months	17	-	17	-
	5,226	7,354	5,226	7,354

# Notes to the financial statements continued

## for the year ended 31 March 2009

### 16 Trade and other receivables continued

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 are as follows:

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
At 1 April	312	228	183	77
Provision for receivables impairment	174	255	153	120
Receivables written off during the year as not collectable	(25)	(171)	(25)	(113)
Acquisitions	-	-	-	99
	<b>461</b>	<b>312</b>	<b>311</b>	<b>183</b>

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

### 17 Trade and other payables

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
Trade payables	1,157	2,111	1,069	2,036
Other creditors	40	151	40	151
Accruals	3,453	3,560	3,645	3,734
Deferred income	1,029	874	529	445
Other taxation and social security	421	607	438	622
Amounts owed to Group undertakings	-	-	9,419	9,419
	<b>6,100</b>	<b>7,303</b>	<b>15,140</b>	<b>16,407</b>
Less non-current portion: amounts owed to Group undertakings	-	-	(9,419)	(9,419)
<b>Current portion</b>	<b>6,100</b>	<b>7,303</b>	<b>5,721</b>	<b>6,988</b>

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

**18 Borrowings, other financial liabilities and other financial assets**

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Current</b>				
Bank borrowings	600	-	600	-
Finance leases	306	567	306	567
	<b>906</b>	<b>567</b>	<b>906</b>	<b>567</b>
<b>Non-current</b>				
Bank borrowings	2,350	-	2,350	-
Finance leases	62	321	62	321
	<b>2,412</b>	<b>321</b>	<b>2,412</b>	<b>321</b>
<b>Total borrowings</b>	<b>3,318</b>	<b>888</b>	<b>3,318</b>	<b>888</b>

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Bank borrowings</b>				
In one year or less	626	-	626	-
Between one and two years	1,251	-	1,251	-
Between two and five years	1,199	-	1,199	-
	<b>3,076</b>	<b>-</b>	<b>3,076</b>	<b>-</b>

	Group		Company	
	2009 £'000	2008 £'000	2009 £'000	2008 £'000
<b>Finance leases</b>				
In one year or less	332	611	332	611
Between one and two years	68	297	68	297
Between two and five years	-	46	-	46
	<b>400</b>	<b>954</b>	<b>400</b>	<b>954</b>

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 interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks.

The Group's financial instruments comprise cash, liquid resources and various items, such as debtors and creditors that arise directly from its operations. It is, and has been throughout the year under review, the Group's policy that no trading in financial instruments shall be undertaken. The year end position reflects these policies and there have been no changes in policies or risks since the year end.

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

# Notes to the financial statements continued

## for the year ended 31 March 2009

### 18 Borrowings, other financial liabilities and other financial assets continued

Liquidity risk is further managed by agreeing separate borrowing facilities for any additional working capital and investment requirements. In accordance with this policy, the Group has negotiated a 5 year term loan of £3,000,000 and a 3 year revolving credit facility of £2,100,000 (2008: £5,100,000), of which £2,950,000 of the term loan (2008: £nil) was used as at 31 March 2009.

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 £13,185,000 (2008: £10,085,000) as follows:

	Floating rate	
	2009	2008
	£'000	£'000
<b>Currency</b>		
Sterling	13,097	10,007
US dollar	3	5
Euro	85	73
	<b>13,185</b>	<b>10,085</b>

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 (2008: £nil).

#### Interest rate risk profile of financial liabilities

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

	Sterling	
	2009	2008
	£'000	£'000
Floating rate other borrowings	2,950	-
Fixed rate finance leases	368	888
<b>Total</b>	<b>3,318</b>	<b>888</b>
Weighted average fixed interest rate	9.95%	10.43%
Weighted average period for which rate is fixed	0.9 years	1.5 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:

	2009	2008
	£'000	£'000
Expiring within one year	2,100	5,100

**18 Borrowings, other financial liabilities and other financial assets continued****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 2009 approximate to the book value at those dates based on comparison with similar instruments available from alternative providers.

**Currency exposure**

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

	2009	2008
	£'000	£'000
Functional currency of operation: Sterling		
US Dollar liabilities (net)	(1,629)	(93)
Euro assets (net)	8	6
	<u>(1,621)</u>	<u>(87)</u>
Functional currency of operation: Euro		
US Dollar liabilities (net)	(89)	(89)
	<u>(89)</u>	<u>(89)</u>

**Hedges**

The Group does not operate any hedging instruments.

# Notes to the financial statements continued

## for the year ended 31 March 2009

### 19 Share capital and share premium

	Number of shares '000	Share capital £'000	Share premium £'000	Total £'000
<b>Group and Company</b>				
At 1 April 2007	189,885	1,899	188,843	<b>190,742</b>
Employee share options:				
- proceeds from shares issued	519	5	4	<b>9</b>
Capital restructure	(48,000)	(480)	(132,534)	<b>(133,014)</b>
Purchase of ordinary shares	(10,576)	(106)	(3,596)	<b>(3,702)</b>
<b>As at 31 March 2008</b>	<b>131,828</b>	<b>1,318</b>	<b>52,717</b>	<b>54,035</b>
Issue of deferred payment shares	6,900	69	1,104	<b>1,173</b>
<b>As at 31 March 2009</b>	<b>138,728</b>	<b>1,387</b>	<b>53,821</b>	<b>55,208</b>

The total authorised number of ordinary shares is 252 million (2008: 252 million) with a par value of 1p per share (2008: 1p per share), and 48 million deferred shares (2008: 48 million shares) with a par value of 1p per share (2008: 1p per share). All issued shares except those relating to deferred share options are fully paid.

#### Potential issues of ordinary shares

Certain employees hold options to subscribe for shares in the Company at prices ranging from 1.8p to 279.0p 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	No. of shares		Exercise price pence	Earliest exercise date	Expiry date
	2009	2008			
HOLF scheme	-	3,380,012	43.3	23/12/02	23/12/09
VData scheme	221,885	1,695,062	1.8	07/01/03	07/01/10
InTechnology scheme	-	353,000	50.5	19/07/05	19/07/12
InTechnology scheme	-	40,000	61.0	01/08/06	01/08/13
InTechnology scheme	500,000	500,000	65.0	11/06/05	11/06/12
InTechnology scheme	500,000	500,000	279.0	01/05/04	01/05/11
InTechnology scheme	-	50,000	327.0	02/01/04	02/01/11
InTechnology scheme	-	50,000	337.0	01/11/03	01/11/10
InTechnology SAYE scheme	-	267,195	50.0	01/04/08	01/10/08
InTechnology scheme	-	70,000	46.0	21/06/08	21/06/15
InTechnology scheme	-	1,200,000	38.5	03/07/09	03/07/16
InTechnology scheme	400,000	1,500,000	37.0	12/07/09	12/07/16
Unapproved InTechnology scheme	303,178	-	17.0	06/05/11	06/05/18
Approved CSOP Scheme	2,586,866	-	17.0	19/06/11	19/06/18
	<b>4,511,929</b>	<b>9,605,269</b>			

Further details of the share option schemes in operation are given under the heading 'Interests in share options' in the Remuneration Report on pages 21 to 22.

## 20 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
Share price at grant date (pence)	37.0	17.0	17.0
Exercise price (pence)	37.0	17.0	17.0
Number of employees	1	3	59
Shares under option	400,000	303,178	2,586,866
Vesting period (years)	3	3	3
Expected volatility	34%	17%	19%
Option life (years)	10	10	10
Expected life (years)	5	5	5
Risk-free rate	5.37%	5.47%	5.47%
Expected dividends expressed as a dividend yield	0.00%	0.00%	0.00%
Fair value per option (pence)	0.19	0.05	0.05

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 2009 is shown below:

	2009		2008	
	Number '000	Weighted average exercise price pence	Number '000	Weighted average exercise price pence
Outstanding at 1 April	9,605	51.3	14,590	49.8
Granted	2,890	17.0	-	-
Forfeited	(7,983)	38.3	(4,466)	52.1
Exercised	-	-	(519)	1.8
Outstanding at 31 March	4,512	52.4	9,605	51.3
Exercisable at 31 March	1,222	141.1	6,568	57.1

The weighted average fair value of options granted during the year determined using the Black-Scholes valuation model was 0.05p per option (2008: No options were granted in the year). The significant inputs into the model were weighted average share price of 17.0p at the grant date, exercise price shown above, volatility shown above, dividend yield of 0.00%, an expected option life of 5 years, and an annual risk-free interest rate of 5.47%. The volatility measured at the standard deviation of continuously compounded share returns is based on statistical analysis of daily share prices over the last three years.

# Notes to the financial statements continued

## for the year ended 31 March 2009

### 20 Share based payments continued

Range of exercise prices	Weighted average exercise price	2009				2008			
		Number of shares	Weighted average remaining life:		Weighted average exercise price	Number of shares	Weighted average remaining life:		
			Expected	Contractual			Expected	Contractual	
<b>pence</b>	<b>pence</b>	<b>'000</b>	<b>Expected</b>	<b>Contractual</b>	<b>pence</b>	<b>'000</b>	<b>Expected</b>	<b>Contractual</b>	
0.0 - 50.0	18.3	3,512	6.0	10.7	33.0	8,112	1.1	4.2	
50.0 - 100.0	65.0	500	-	3.0	59.1	893	-	4.0	
100.0 - 150.0	-	-	-	-	-	-	-	-	
150.0 - 200.0	-	-	-	-	-	-	-	-	
200.0 - 250.0	-	-	-	-	-	-	-	-	
250.0 - 300.0	279.0	500	-	2.0	279.0	500	-	3.0	
300.0 - 350.0	-	-	-	-	332.0	100	-	3.0	

There were no options exercised during the year (2008: The weighted average share price during the period for options exercised over the year was 1.8p). The total charge for the year relating to employee share based payment plans was £148,000 (2008: £161,000), all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £29,000 (2008: £88,000).

### 21 Cash generated from operations

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
<b>Continuing operations</b>				
Operating profit/(loss)	<b>1,864</b>	3,485	<b>2,125</b>	(3,344)
Adjustments for:				
Depreciation	<b>2,984</b>	4,237	<b>2,984</b>	4,185
Profit on sale of property, plant & equipment	<b>(21)</b>	(1,134)	<b>(21)</b>	(1,134)
Investment write off	-	-	-	7,049
Amortisation of intangibles	<b>280</b>	280	-	-
Exchange movements	<b>(81)</b>	(33)	<b>(70)</b>	(33)
Share option non cash charge	<b>148</b>	161	<b>148</b>	161
Changes in working capital				
Increase in inventories	<b>(16)</b>	(13)	<b>(16)</b>	(64)
Decrease/(increase) in trade and other receivables	<b>739</b>	1,736	<b>811</b>	(2,733)
Decrease in trade and other payables	<b>(1,203)</b>	(4,195)	<b>(1,267)</b>	(807)
<b>Cash generated from continuing operations</b>	<b>4,694</b>	4,524	<b>4,694</b>	3,280
<b>Discontinued operations</b>				
Changes in working capital				
Decrease in trade and other receivables	-	1,819	-	1,819
<b>Cash generated from discontinued operations</b>	-	1,819	-	1,819
<b>Cash generated from operations</b>	<b>4,694</b>	6,343	<b>4,694</b>	5,099



## 22 Employee information

Group employment costs including executive Directors were:

	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Wages and salaries	9,539	9,163	9,539	8,907
Social security costs	1,101	1,099	1,101	1,064
Pension costs	211	193	211	175
Cost of employee share schemes (note 20)	29	88	29	88
	<b>10,880</b>	<b>10,543</b>	<b>10,880</b>	<b>10,234</b>

Average employee numbers	Group		Company	
	2009	2008	2009	2008
	Number	Number	Number	Number
Sales	43	33	43	33
Technical	35	30	35	30
Operations	83	80	83	75
Administration	58	57	58	55
	<b>219</b>	<b>200</b>	<b>219</b>	<b>193</b>

As required by the Companies Act 1985, the figures disclosed above are weighted averages based on the number of employees at each month end.

At 31 March 2009 the Group had 210 (2008: 201) employees in total.

Key management compensation including directors	Group		Company	
	2009	2008	2009	2008
	£'000	£'000	£'000	£'000
Short term employee benefits	2,502	2,524	2,502	2,467
Post employment benefits	69	83	69	80
Share based payments	4	105	4	105
	<b>2,575</b>	<b>2,712</b>	<b>2,575</b>	<b>2,652</b>

# Notes to the financial statements continued

## for the year ended 31 March 2009

### 23 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.

### 24 Related party transactions

#### Group

Peter Wilkinson is a shareholder in BSkyB Limited. InTechnology plc sold services totalling £250,000 (2008: £324,000) to BSkyB Limited in the year. As at 31 March 2009 InTechnology plc was owed £86,000 (2008: £nil) by BSkyB Limited.

Peter Wilkinson is a shareholder in YooMedia plc. InTechnology plc sold services totalling £289,000 (2008: £388,000) to YooMedia plc in the year. As at 31 March 2009 InTechnology plc was owed £35,000 (2008: £38,000) by YooMedia plc.

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 per cent 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 £10,000 (2008: £125,000) to Mobile Tornado Group plc in the year. As at 31 March 2009 InTechnology plc was owed £8,000 (2008: £50,000) by Mobile Tornado Group plc.

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.

### 25 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, Otley Road, Harrogate HG3 1UG on Tuesday 28 July 2009 at 3pm to transact the following business:

## Ordinary Business

- 1 To receive and adopt the report of the directors of the Company (“**Directors**”), the report of the independent auditors of the Company and the financial statements of the Company for the year ended 31 March 2009.
- 2 To re-appoint Joe McNally as a Director, who retires by rotation in accordance with Article 92 of the Articles of Association of the company (the “**Article 92**”) and who, being eligible, offers himself for re-appointment as a Director.
- 3 To re-appoint Charles Scott as a Director, who retires by rotation in accordance with Article 92 and who, being eligible, offers himself for re-appointment as a Director.
- 4 To re-appoint Bryn Sage as a Director, who retires by rotation in accordance with Article 92 and who, being eligible, offers himself for re-appointment as a Director.
- 5 To re-appoint PricewaterhouseCoopers LLP as auditors of the Company to hold office until the conclusion of the next general meeting at which accounts 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 6 being proposed as an ordinary resolution and resolution 7 being proposed as a special resolution:

- 6 That, in substitution for all subsisting authorities to the extent unused, the Directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (“**CA85**”) to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the CA85) up to an aggregate nominal amount of £462,423, provided that such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution 6, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and, notwithstanding such expiry, the Directors may allot relevant securities in pursuance of any such offer or agreement. References in this Resolution 6 to the CA85, shall, where the context requires and where appropriate, include references to the Companies Act 2006 (“**CA06**”) and any corresponding or similar sections of the CA06, it being the intention that, to the extent permitted by law, the authority contained in this Resolution 6 shall continue in full force and effect notwithstanding any repeal of the CA85 or any relevant part or section thereof.

- 7 That, subject to the passing of Resolution 6, in substitution for all subsisting authorities to the extent unused, the Directors be and they are hereby empowered, pursuant to section 95 of the CA85, to allot equity securities (within the meaning of section 94 of the CA85) for cash pursuant to the authority given by Resolution 6 and/or to allot equity securities where such allotment constitutes an allotment of securities by virtue of section 94(3A) of the CA85, as if section 89(1) of the CA85 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 £69,364;

# Notice of Annual General Meeting continued

and 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 after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offer or agreement.

References in this Resolution 7 to the CA85, shall, where the context requires and where appropriate, include references to the CA06 and any corresponding or similar sections of the CA06, it being the intention that, to the extent permitted by law, the authority contained in this Resolution 7 shall continue in full force and effect notwithstanding any repeal of the CA85 or any relevant part or section thereof.

Dated 16 June 2009

By order of the Board

[Richard James](#)

Director and Company Secretary

For and on behalf of InTechnology plc

Central House  
Beckwith Knowle  
Otley Road  
Harrogate  
HG3 1UG

## Notes to the Notice of Annual General Meeting

### Appointment of proxies

- 1 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.
- 2 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.
- 3 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 Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR.
- 4 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

- 5 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 Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR; and
- received by Capita Registrars by no later than 3pm on 26 July 2009.

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

- 6 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).

### Changing proxy instructions

- 7 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 Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR.

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

- 8 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 Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR. 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.

### Notes to the Notice of Annual General Meeting continued

In either case, the revocation notice must be received by Capita Registrars by no later than 3pm on 26 July 2009.

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**

- 9 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, Otley Road, 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, Otley Road, Harrogate HG3 1UG (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 28 July 2009 at 3pm 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 Witheld
<b>ORDINARY BUSINESS</b>			
1. Receipt and adoption of Directors' report and financial statements			
2. Re-appointment of Joe McNally			
3. Re-appointment of Charles Scott			
4. Re-appointment of Bryn Sage			
5. Re-appointment of PricewaterhouseCoopers LLP as auditors of the Company and Directors' authority to fix their remuneration			
<b>SPECIAL BUSINESS</b>			
6. Ordinary resolution to authorise Directors to allot relevant securities			
7. 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 Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR.
- 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.

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

- completed and signed;
- sent or delivered to Capita Registrars at Proxy Department, PO Box 25, Beckenham, Kent BR3 4BR; and
- received by Capita Registrars by no later than 3pm on 26 July 2009.

7 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.

8 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.

9 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).

10 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.

11 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 SERVICE**  
License No. MB122



FIRST FOLD

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

SECOND FOLD