InTechnology

Advanced Data Technology Services

INTECHNOLOGY PLC

ANNUAL REPORT AND ACCOUNTS 2001

Contents

Highlights

For the trading period from 24 July 2000 to 31 March 2001 (35 weeks):

Financial Highlights

- Turnover of £122.4 million. £164.9 million proforma 52 weeks ending 31 March 2001 (2000: £101.7 million)
- EBITDA £5.3 million. £6.5 million proforma 52 weeks ending 31 March 2001 (2000: £4.9 million)
- EBIT pre goodwill amortisation £3.8 million. £4.5 million proforma 52 weeks ending 31 March 2001 (2000: £4.0 million)
- Loss on ordinary activities before tax £1.4m (ahead of expectations)
- EPS (pre goodwill amortisation) 3.15 pence

Operational Highlights

- Successful admission to AIM in March 2000
- Acquisition of HOLF Technologies Limited (now Storage Solutions and Services division ('SSS')) and VData Limited in July 2000
- Strong organic growth by SSS
- VBAK online data backup and restore service launched in September 2000
- Strategic partnership with Compaq UK enabling them to be the exclusive UK distributor for VBAK
- German subsidiary incorporated January 2001 launches VBAK this summer
- Strengthening of Board through the appointment of Joe McNally, Chairman of Compaq UK and Ireland, Charles Scott, Chairman of Cordiant Communications Group plc and John Swingewood, former director of BSkyB plc

Chairman's statement

I am pleased to report that at the end of the first accounting period since the acquisition of HOLF Technologies Limited ('STORM') and VData Limited ('VData'), InTechnology plc ('InTechnology') is performing well, with EBITDA of £5.3m on turnover of £122.4m.

InTechnology was established to identify and acquire businesses to exploit and develop the increasing opportunities within the technology sector. The Group was admitted to the Alternative Investment Market ('AIM') on 2 March 2000 and on 24 July 2000 it acquired STORM and VData, both privately owned companies which are involved in advanced computer data technology services. Since these acquisitions InTechnology plc has grown to have the second largest market capitalisation on AIM.

The commercial and financial strategy of InTechnology, outlined to shareholders at the time of the STORM and VData acquisitions has developed, but remains in broad terms, the development, provision and sale of advanced data storage solutions and services.

The original STORM business, now branded as Storage Solutions and Services ('SSS'), has grown during the last twelve months generating profits significantly ahead of forecast. This has provided InTechnology with a strong cash flow base from which to launch a new generation of products. The original VData business, now branded as Online Data Services ('ODS'), launched its first product, VBAK, an online data backup and restore service, in September 2000. This is now an established product and has received a positive response from the marketplace.

The potential commercial significance of VBAK has been underlined by our strategic partnership announced recently with Compaq Computer Limited ('Compaq'), enabling them to be the exclusive UK distributor for the VBAK service.

InTechnology has well-established vendor partnerships with a number of leading computer and software manufacturers namely: Compaq, Sun, IBM, StorageTek, Tivoli, and Veritas. InTechnology also benefits from an extensive network of reseller channel partners. These sound alliances reinforce InTechnology's position as a leading provider of advanced data storage solutions and I am pleased to recognise their important contribution to our success.

"Storage capacity is increasing on a global scale at around 80% per annum. There will be 7.5 times more data to be managed in 2003 than there was in 1999."

IDC, European Storage Vision Conference, Munich, Oct 2000

"The global storage utility market will be worth $8.8 billion by 2004."

IDC, European Storage Vision Conference, Munich, Oct 2000

The last twelve months have seen not only the expansion of the established SSS business and the building of the new ODS business, but also the opening up of ODS operations in Europe. Our newly formed subsidiary, InTechnology AG, has a sales office and a data centre in Munich, and has installed the technical infrastructure to commence sales of VBAK in the German marketplace. Future potential partnership arrangements in France, the Netherlands and Italy are also being explored.

InTechnology has an experienced and talented management team led by Peter Wilkinson, our CEO and majority shareholder. This team has worked successfully together for many years and, having been associated with them myself for the past five years, I have been pleased to see during this period continuing evidence of their energy, good judgement and determination to increase shareholder value.

The Board of InTechnology has been further strengthened recently by the appointment of Joe McNally, Chairman of Compaq, and Charles Scott, Chairman of Cordiant plc, both as Non-Executive Directors. I am delighted to welcome them to the team and it is a measure of the serious expectations for the Company that these major industry figures have joined us. John Swingewood has joined the Board as Chief Technical Officer and I am sure his technical contribution will be important. Since the acquisition of STORM and VData, Chris Akers, Rodger Sargent, Philip Taysom and David von Simson have all left the Board and I would like to take this opportunity to thank them for their contribution.

I would like to express my thanks on behalf of the Board to the staff of InTechnology, the majority of whom participate in the share option schemes, for their hard work and commitment during this busy but exciting period.

InTechnology has consolidated its unique position in the IT marketplace. The strong financial performance from our established business and the potential revenues from the new products and services we have introduced mean that we enter the new year confident of future growth in shareholder value.

The Rt. Hon. Lord Parkinson
Non-Executive Chairman
19 June 2001

Chief Executive's report

Overview 2000–2001

Following incorporation, InTechnology has fulfilled its main aim which was to acquire companies in the technology sector which it could develop. In April 2000 I was approached by their executive team with a view to acquiring our 17 year old data storage and solutions business, HOLF Technologies Limited, and VData Limited, our Online Data Services business. VData was in the final development phase of its first online service – VBAK, a revolutionary service that allows companies to backup and restore data, efficiently and securely.

As a result of these acquisitions, InTechnology, unlike many of the new technology companies, has a successful management team with a proven track record in the IT industry, which complements its established business base and enables the development of new products and services.

Our strategy in combining the two businesses was to utilise the existing and proven business model; sales to corporate end users via an extensive network of well established data storage reseller channel partners, to introduce new services which could realise our objective to generate strong recurring revenue streams.

The VBAK service was launched via this business model in September 2000. Additional significant impetus to sales is expected through a recently negotiated exclusive UK distribution agreement with Compaq.

Storage Solutions and Services (SSS)

Storage Solutions and Services (SSS) sales have grown by over 60% during the past twelve months and this achievement is a reflection of our market position as an acknowledged leader in the supply of mid to high range data storage solutions. This UK based business, established in 1983, has grown organically and has remained focused solely on storage products and solutions.

I am proud of these levels of growth and am confident that we will experience continued growth in the future. Organisations continue to use more data in their applications and require more and more advanced data storage solutions.

In addition we have invested heavily over the last few years in the Technical Services team who can design and engineer complex advanced storage solutions in a multi-vendor environment, enabling InTechnology to meet the predicted high levels of growth in Network Attached Storage (NAS) and Storage Area Networks (SANs). We will continue to strengthen our Technical Services team to exploit this very exciting opportunity and to further strengthen our position as leaders in this field.

Online Data Services (ODS)

The first services to be launched by this division were VBAK and Advanced Infrastructure Provision (AIP).

VBAK

It is remarkable that although the IT industry has moved forward so rapidly in the last 25 years the vital function of data backup and restore has not changed. The VBAK service utilises our expertise in advanced data storage solutions, data centre management and networking, to offer an automated solution for backup and restore, storing the data securely offsite in encrypted format onto disk.

It is typical of our dynamic approach and technical strengths that we have been able to design the VBAK service, prove it, beta test it and win our first customers in such a short period of time.

VBAK and its partners earn recurring revenue through customers' monthly subscriptions, with contracts based around a three-year timescale. Most customers are expected to increase their data over the life of the contract thus causing revenues to increase.

I believe that we have a product which has the potential to become an industry standard. I was delighted to announce the VBAK sales and marketing partnership with Compaq, referred to previously by our Chairman, and feel confident that this powerful boost will ensure the rapid adoption of VBAK in the marketplace.

Advanced Infrastructure Provision (AIP)

UK businesses are increasingly looking to outsource the management of some part of their IT operations and many of InTechnology's reseller channel partners are offering hosting services to their customers. Good quality infrastructure support is required to enable them to provide the necessary resilience and security.

With our data centre management and secure networking skills, InTechnology is well positioned to offer online infrastructure services to our channel partners and through them to their customers. Early sales have shown the potential for this service, which is an attractive proposition to the reseller partner as it offers recurring revenues for little or no capital outlay. I am very happy with the results that we have achieved so far.

Managed Storage Utilities (MSU)

With the increasing complexity of data storage management, MSU will provide a suite of services that can manage a company's data storage either on their own site via a private connection to one of InTechnology's data centres or host the data storage offsite at an InTechnology data centre.

The main benefits of this service are its scalability to meet the surges in demand and growth in data, reductions in customers' operational expenses, the ability to rapidly deploy new applications and the possible elimination of some capital expenditure.

The MSU suite of services is currently being phased in and is planned to be fully operational by the end of 2001.

Chief Executive's report continued

Virtual Archiving (VARC)

For both legal and commercial reasons, organisations need to keep data for fixed periods of time. VARC is a complementary product to VBAK that takes snapshots of the backed up data and places it in long term archive on to tape.

This is an additional service we can offer to the existing VBAK customer base, utilising the VBAK infrastructure.

We plan to launch this service by March 2002.

Europe

InTechnology has opened its first sales office and data centre in Munich to offer VBAK initially to the German marketplace. We plan to set up business partnerships in Europe similar to the UK model and to roll out ODS across the large markets of Germany, France, the Netherlands and Italy.

A skilled workforce

I would like to add my thanks to those expressed above by the Chairman for the efforts of our staff. We have a stable workforce of many years standing and many talented new people have joined us during the past year, increasing our capabilities in infrastructure support, technical expertise and sales and marketing.

Supplier relationships

We also enjoy very close relationships with all our major suppliers and are very grateful for their support. This is particularly true now that we are developing a new suite of online products and services that utilise their technology to support our vision.

Property

In order to accommodate our growing activities, we have made further additions to our Harrogate campus; a lease has been signed for a new building adjacent to the head office and a new sales office is currently under construction which will be fitted out by the start of 2002.

In addition we have a suite of offices at No.1 Threadneedle Street, London, in the heart of the City, the main market for IT in the UK.

In both locations we have fully equipped and fully engineered Storage Area Network Solution Centres (SAN Centres), where our reseller channel partners can demonstrate and prove this new and exciting technology to their customers.

Data centres

In order to deliver all the planned Online Data Services we must have state-of-the-art data centres with resilience to n+1 standards. Our existing data centres in Harrogate

"90% of senior IT decision makers see storage technologies as an essential part of overall business planning instead of a plain technical matter."

MORI
February 2001

"The growth in Storage Area Networks will be over 55% per annum over the next 5 years."

Datamonitor
28 February 2001

and London will accommodate our short term requirements but for future growth we require substantial additional capacity. We have considered the rent or buy options, but because of the existing over capacity throughout our proposed European operations, have chosen to rent. This reduces our future capital expenditure.

Advisers

We have appointed UBS Warburg as our Financial Adviser and Broker. West LB Panmure, who successfully managed the rights issue and placing, continue as Joint Broker.

Future growth

Advances in data storage and its management will become increasingly complex with time. The level of technical skills and high capital investment required are formidable barriers for most corporate customers. Through outsourcing, these barriers can be reduced and InTechnology is ideally placed to benefit from this increasing trend towards outsourcing.

We are well positioned to see further growth in our market share for SSS over the coming years. In addition to the remote management of SANS, mentioned previously, we are developing services in shared storage management and complex data replication.

We are complementing the existing ODS services with new developments such as MSU and VARC which will further assist companies in managing the ever increasing complexity of data storage technology.

The existing strengths and skills of InTechnology promise a year of growth in SSS with increasing revenues from ODS. With this consolidation period behind us and our business strategy proven to be effective, we expect to increase shareholder value significantly over the coming years.

Peter Wilkinson
Chief Executive Officer
19 June 2001

Financial review

"InTechnology is in an excellent position to finance our planned growth into computer storage services, therefore increasing shareholder value"

Maiden results

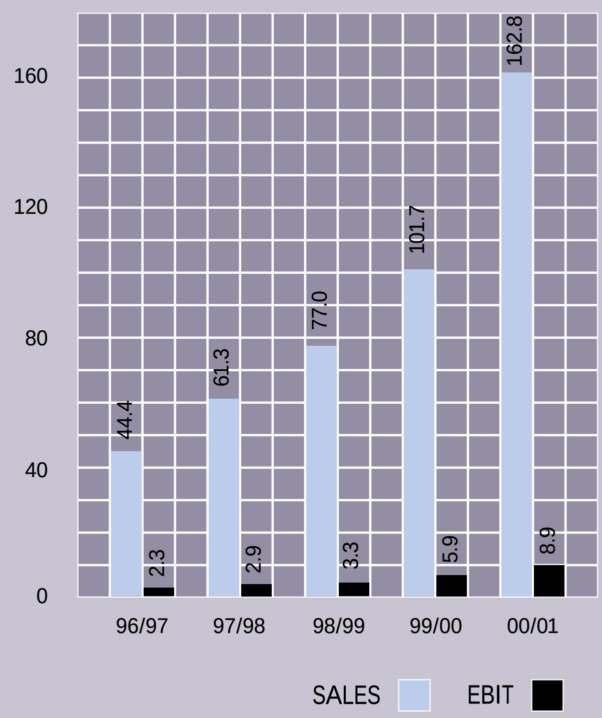
The maiden results are for the 14 month period from incorporation on 26 January 2000 to 31 March 2001. The Company did not trade until its acquisition of STORM and VData on 24 July 2000 and has consolidated the results of the businesses from that date. The results for this trading period include turnover of £122.4 million, EDITDA of £5.3 million, EBITA of £3.8 million and a loss before tax of £1.4 million.

Since InTechnology had not traded until after the acquisitions, the following table summarises the unaudited turnover and EBITA of the Group's trading divisions for the two years ended 31 March 2001.

Unaudited	Turnover			EBIT pre goodwill amortisation		
	2001 £m	2000 £m	+/(-) %	2001 £m	2000 £m	+/(-) %
SSS	162.8	101.7	60	8.9	5.9	51
ODS	2.1	-	n/a	(4.1)	(1.9)	(116)
Group	164.9	101.7	62	4.8	4.0	20
InTechnology costs				(0.2)	-	
Associate company				(0.1)	-	
Total operating profit before interest and goodwill				4.5	4.0	13

SSS

The graph charting turnover and operating profit growth for the five years ended 31 March 2001 demonstrates past performance. All market analysts concur that demand for data storage products will continue growing.



Sales: CAGR 39%   EBIT: average 5.2%

CAGR is defined as compound annual growth rate

ODS

Operating losses within the ODS division increased from £1.9 million for the year to 31 March 2000 to £4.1 million for the year to 31 March 2001, (per unaudited proforma). All online data services will have contracted recurring revenue streams which the Directors believe will earn operating margins well in excess of the current margins in the SSS division.

Associate company

During the period, a total of £459,000 was invested in eGreenhouse Limited for 30.6 percent of the share capital. This company is a start up specialising in eBusiness and eCommerce consultancy and our share of its start up losses was £106,000.

The Group's share of the net assets in this company, together with associated unamortised goodwill, is carried on the balance sheet as a fixed asset investment.

Taxation

The tax charge of £1.4 million on the loss on ordinary activities before tax of £1.4 million is largely caused by amortisation of goodwill being non-deductible. The Group's effective tax rate on its profit before goodwill amortisation of £3.8 million is 37%. This is higher than the statutory rate because of expenses which are not deductible for tax purposes.

Cash flow and liquidity

Net cash inflow from operating activities was £2.9 million. Cash has increased to £26.8 million, principally owing to the funds raised from the rights issue and placing on 24 July 2000. The cash raised at that time is being utilised to support the future growth of the Group.

Controls over working capital, particularly in the SSS division, are strong. The planned growth of ODS will incur comparatively high capital expenditure. For example, 1,000 VBAK service contracts would require an estimated £30 million of capital expenditure. It is for this reason that it was decided in July 2000 to keep the existing medium term loans contracted by STORM and VData, totalling £9 million, and to negotiate short term leasing facilities to assist financing the roll-out of VBAK and other planned products. In summary, the cash raised in July 2000, together with a positive cash flow from SSS and short term borrowings, will finance the future growth of ODS.

Financial instruments

The Group's policy is that no trading in financial instruments is undertaken. The Group's financial instruments comprise borrowings, cash and liquid resources and various items that arise directly from its operations. The main risks arising from these are interest rate risk and liquidity risk and as European expansion occurs, the Group will become exposed to foreign currency risk. All these risks are continually assessed and at present are considered minimal.

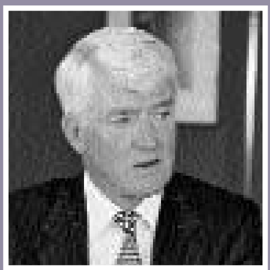
Summary

During the period InTechnology has been transformed from a cash shell to a trading business following the two acquisitions. SSS generated record turnover and operating profits and ODS commenced trading, offering services that are planned to earn high margin recurring revenues. At the year end, we had cash of £26.8 million to invest in the further development and growth of ODS.

InTechnology is in an excellent position to finance our planned growth into computer data storage services, which the Directors believe will increase shareholder value.

Andrew Kaberry
Finance Director
19 June 2001

Management team



The Rt. Hon. Lord Parkinson

Non-Executive Chairman (69)

Lord Parkinson is a Member of the House of Lords and was a Member of Parliament from 1970 to 1992, during which time he held a number of senior ministerial positions including Secretary of State for Trade and Industry, Energy and Transport. He was Chairman of the Conservative Party from 1981 to 1983 and again from 1997 to 1998. A qualified chartered accountant, Lord Parkinson was a Partner in Westwake Price (City Chartered Accountants) for 10 years and is currently Chairman and Director of a number of companies including Jarvis Group Limited and Huntswood plc.

Steve Pearce

Chief Operating Officer (42)

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

Peter Wilkinson

Chief Executive (47)

Peter Wilkinson was the founder and Managing Director of STORM and VData. In 1995 he founded Planet Online Limited and launched Planetfootball.com in 1997, which he retained when Planet Online Limited was sold to Energis plc in 1998. Planetfootball.com was later acquired by Sports Internet Group plc and subsequently sold to BSkyB plc.

Andrew Kaberry

Finance Director (54)

Andrew Kaberry was Finance Director of both STORM and VData and has worked with Peter Wilkinson since 1984. Prior to this he worked in the computer industry including at Planet Online Limited as Finance Director. Andrew is an economics graduate and qualified as a chartered accountant with KPMG in 1972.

John Swingewood

Chief Technical Officer (46) - apptd. 15.5.01

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

Joe McNally

Non-Executive Director (58)

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 appointed Chairman of Compaq UK and Ireland in 2000. Previously he was Chief Executive of FMC Harris plc.

Richard James

Director & Company Secretary (40)

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

Bryn Sage

Sales Director (35)

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

Charles Scott

Non-Executive Director (52)
- apptd. 02.4.01

Charles Scott joined the Board in April 2001 as a Non-Executive Director. A qualified chartered accountant he is currently Chairman of Cordiant Communications Group plc and holds non-executive directorships with a number of other companies including Adidas AG and William Hill Limited.

Product review

InTechnology products and services – strongly positioned in a growing market.

Organisations today are storing more and more data on their computer systems, most of it vital to their day-to-day operations.

The increase in data storage requirement is driven not only by business growth worldwide but also by internet and e-commerce applications and by increasing legal requirements for documents to be held for longer periods.

Storage capacity is increasing on a global scale at around 80% per annum, according to IDC.

InTechnology offers products and services in this fast-growing marketplace to help organisations manage and control their data storage securely and effectively.

With a track record of successful innovation and an unchallenged technical supremacy in the field, InTechnology works in partnership with major vendors and through a well-established reseller channel to provide data storage solutions for clients.

InTechnology has two sets of products: Storage Solutions and Services are provided in partnership with leading hardware and software vendors to meet client storage needs on their own premises: Online Data Services backup and store clients' data using InTechnology's own private data network and Data Centres. The service can also include the remote management and monitoring of a company's data storage infrastructure.

Storage solutions and services

Businesses in the UK, government and local government and the not-for-profit sector all invest significant sums in effective and secure storage solutions for their core data. It is vital that they receive appropriate technical advice and the optimum solution for their specific business.

InTechnology has an established body of technical expertise in the field of storage which sets it apart in the IT industry and ensures that manufacturers are happy to be InTechnology's partners in providing solutions to clients.

InTechnology's business partners include IBM, Compaq, Sun Microsystems, StorageTek, Veritas and Tivoli.

The resellers who sell storage solutions directly to end users have longstanding links with InTechnology and the confidence in the Company's technical capabilities to seek InTechnology's assistance in recommending solutions to clients.

InTechnology has played a key role in the development of innovative storage solutions including Storage Area Networks and Network Attached Storage. Solutions are mainly delivered to clients with their various hardware and software components already configured and are installed ready to use.

InTechnology also offers training courses in partnership with major vendors to help end-users exploit new storage solutions effectively.

Online Data Services

InTechnology has developed an innovative online service, VBAK, to help organisations backup their data on a daily basis and have files restored rapidly on request.

Maintaining the integrity and security of business data is an important issue and the daily backup task by traditional methods can prove onerous and time-consuming for IT staff.

With VBAK, data is automatically backed up using a private leased line to backup customer data, encrypt the data for total security and send it via InTechnology's dedicated private network to a top-quality Data Centre where it is stored on disk. A Customer Administrator Console is set up at the customer's premises for setting backup schedules and carrying out data restores as required.

InTechnology provides a fully managed service controlling every aspect of the VBAK implementation including training where required.

VBAK has the additional benefit of offering customers a robust Disaster Recovery solution – their business data is held securely offsite and can be restored in its entirety in case of disaster at their premises.

Advanced Infrastructure Provision (AIP)

The AIP service from InTechnology offers customers the opportunity to have their computer data and applications hosted within one of the Company's secure Data Centres.

The increasing demands of new business applications, including websites and e-commerce applications, means that many customers do not have adequate capacity on their own servers and require additional capacity elsewhere. By buying hosting services within the n + 1 infrastructure offered by InTechnology, they acquire top security and quality.

This service is being adopted not only by individual businesses but also by resellers or application service providers offering services to their clients.

Customers have the option of using their Data Centre space as an unmanaged server offering, as a managed web server environment or as a hosted environment for applications.

Space can be hired by the rack or by a complete suite, offering very large storage capacity.

Data centre space, uninterruptible power supplies, network connections and hand-eye monitoring come as standard for all InTechnology customers for AIP.

Services to customers are underpinned by the high values of the Data Centre in terms of security, continuity and maintenance services.

Case studies

Business benefits are clear

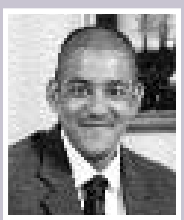
The powerful business benefits for customers of InTechnology products can be clearly shown, even if the technology itself is complex.

Brought to life in the words of customers themselves, the benefits of new products such as VBAK or AIP can readily be demonstrated.

For this reason, InTechnology has produced a series of real-life Case Studies in which business benefits for customers have been the central focus.

These have formed a major part of press advertising campaigns and other marketing activities by InTechnology.

Secure backup for the professionals



InTechnology's backup and restore service VBAK offers important business benefits to professional as well as commercial organisations and the not-for-profit sector.

For example, at King Sturge, the prestigious firm of international property consultants, National IT Manager Anthony Billingy was looking for a secure backup and restore solution for growing amounts of data.

Business success at King Sturge was creating a data storage problem as increasing amounts of business data had to be stored and retrieved securely on a daily basis. The IT team were finding it increasingly difficult to handle daily backup tasks alongside their other responsibilities. Creating a robust disaster recovery strategy for King Sturge was also emerging as a major issue, with specific interest in the rapid recovery of data and systems for business continuity should a disaster occur.

"I understood immediately that the security and integrity of our data would be protected with VBAK and also that the solution could be scaled up without difficulty to incorporate our growing requirements," says Anthony Billingy. "The backup burden on my staff would be significantly lifted. Preserving business data is a key issue in the event of an emergency and here too VBAK offers us an ideal solution."

Infrastructure matters

InTechnology's service of Advanced Infrastructure Provision offers clients the expertly-run infrastructure which underpins successful hosting of advanced computer applications such as websites and e-commerce systems.

For example, TSF, a successful IT solutions provider with a keen interest in internet technology, is developing its own powerful new website as well as developing and hosting clients' websites. With significant expertise in solutions and applications in-house, TSF decided to begin offering hosted services to clients.

TSF recognised that in order to provide effective hosted services, they needed a secure, reliable and scalable infrastructure.

"Security and reliability are vital issues for us as our credibility with our customers depends on being able to offer a quality service and justify their confidence in the long term," explains Business Development Director Charles Taylor. "Issues such as server space, uninterruptible power supplies and 24 x 7 maintenance provision had to be addressed."

TSF services to customers are now underpinned by the high values of the InTechnology Data Centre in terms of security, continuity and maintenance services.

"Infrastructure is critical in this area but we do not realistically want to spend millions setting up our own Data Centre and private leased line to give the guaranteed quality service our customers demand," concludes Charles Taylor.

"Because we and our clients can have complete confidence in the technological expertise and service levels of InTechnology, our new services are set to become a major revenue stream for TSF."

Superdrug invests in VBAK

For Superdrug plc, one of the UK market leaders for health and beauty products, the VBAK online backup and restore service from InTechnology has proved its value. With rapidly increasing data backup requirements from 700 desktops and a powerful new Intranet for 200 leading High Street stores, Superdrug's Infrastructure Project Manager Simon Stephenson has invested in VBAK.

Superdrug operates over 700 stores throughout the UK employing 12,000 people and serving over 4.5 million customers each week.

Simon Stephenson is responsible for the smooth running of the desktops and knows how intractable the storage problem can be. "People find it hard to throw documents away and some records, such as financial, do now have to be kept for longer periods by law."

Data retrieval was another problem area. "When documents are stored offsite it can take over 2 days to get them back but users want them immediately."

Simon was immediately attracted by the fully managed VBAK service as it would relieve his team of time-consuming backup duties.

"It seemed as if the initial investment would be too much for us but when we put in real figures for labour costs, we realised that additional tape-based backup would be more expensive than we expected. It all added up to the same cost as the implementation for VBAK."

"The new intranet was the final factor that decided us. It will not be business-critical at first but it will become a central source of data and communication within Superdrug and we needed to make sure we had assured backup to support it."

"VBAK offered the ideal situation," explains Simon Stephenson. "You just don't have to worry about backup any more. The VBAK restore is an additional feature which is very helpful to us in providing a good retrieval service for our internal customers."

"For the intranet, VBAK gives us powerful, scalable, secure backup and an immediate disaster recovery solution."

Directors' report

The Directors present their report and the audited financial statements of the Company and the Group from incorporation on 26 January 2000 to 31 March 2001.

Principal activities

InTechnology is a specialist advanced data technology company, at the forefront of a major new development in the IT marketplace. The Group provides services and products via channel partners for data storage and deployment, data management and protection through its wide-area private network infrastructure.

Review of the business and future developments

Details of the past period's performance and the outlook for the current financial year are provided in the Chairman's Statement and the Chief Executive's Report on pages 2 to 7.

Dividends

The Directors do not recommend the payment of a dividend in respect of the period ended 31 March 2001. The Company currently intends to reinvest future earnings to finance the growth of the business.

Charitable and political donations

The contributions made by the Group during the period for charitable purposes totalled £16,692. The Group made no political contributions.

Directors

The Directors of the Company during the period ended 31 March 2001 were:

Non-Executive Directors

The Rt. Hon. Lord Parkinson
Appointed 24 July 2000

Joseph McNally
Appointed 1 December 2000

David von Simson
Appointed 1 February 2000
Resigned 28 March 2001

Executive Directors

Peter Wilkinson
Appointed 24 July 2000

Andrew Kaberry
Appointed 24 July 2000

Richard James
Appointed 6 September 2000

Stephen Pearce
Appointed 24 July 2000

Bryn Sage
Appointed 24 July 2000

Christopher Akers
Appointed 26 January 2000
Resigned 24 July 2000

Rodger Sargent
Appointed 26 January 2000
Resigned 24 July 2000

Philip Taysom
Appointed 24 July 2000
Resigned 21 March 2001

In addition, Charles Scott was appointed as a Non-Executive Director on 2 April 2001 and John Swingewood was appointed as an Executive Director on 15 May 2001.

Re-election of Directors

The Articles of Association of the Company require that all Directors whose appointments have not been approved by shareholders of the Company in General Meeting must retire and, if eligible, offer themselves for re-appointment. Accordingly, all the Directors will retire at the forthcoming AGM and, being eligible, offer themselves for reappointment. At succeeding AGM's, one-third of the Directors will retire by rotation and all Directors must be re-elected at intervals of not more than three years in accordance with the provisions of the Combined Code of Corporate Governance.

Directors' remuneration

The Remuneration Report is set out on pages 20 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. No Director has had a contract of significance (other than service contracts) with the Company or any subsidiary company during the period.

The Board's Corporate Governance Report, including the Directors' statement on responsibilities for the preparation of financial statements, is set out on pages 18 to 19.

Substantial shareholdings

At 19 June 2001, the Company had received notification that the following are interested in excess of 3 per cent of the issued ordinary share capital of the Company:

Percentage of shares held

Peter Wilkinson	57.54
Andrew Kaberry	7.16
Philip Taysom	6.76
Stephen Pearce	3.58

Jon Wood has notified the Company that he has agreed to purchase Philip Taysom's shareholding and accordingly he is interested in 6.76% of the Company's issued ordinary share capital.

Going concern

Budgets, cash flow forecasts and long term business development plans have been reviewed by the Directors which gives them reasonable expectations that adequate resources are available to the Company and the Group for the foreseeable future. The Directors have therefore adopted the going concern basis in the preparation of the financial statements.

Employees

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

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

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

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.

Average creditor days for the 6 months to 31 March 2001 was 46 days.

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 31 July 2001. Details of the business to be proposed at the AGM are contained within the Notice of Meeting, which is set out on pages 45 to 46.

Auditors

During the period Grant Thornton resigned and PricewaterhouseCoopers were appointed by the Directors as auditors of the Company.

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution proposing that they be reappointed 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
19 June 2001

Corporate governance

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 the principles of the Combined Code in a sensible and pragmatic manner.

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

Further progress will be made during the coming year as the Company continues to assess the effectiveness of Corporate Governance and internal control.

Board of Directors

The Board of Directors consists of nine members, including a Non-Executive Chairman and two other Non-Executive Directors.

The roles of Chairman and Chief Executive are separated and clearly defined. The activities of the Company are controlled by the Board, which meets throughout the year. The Board meets to review current and projected performance and also determines strategic issues.

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

The Audit Committee

Comprises the two Non-Executive Directors and the Non-Executive Chairman and is chaired by Lord Parkinson. Its duties include a comprehensive review of the financial statements before they are presented to the Board for approval. The Audit Committee reviews the findings of the external auditors and reviews key accounting policies and judgements. It has unrestricted access to the Company's auditors.

The Remuneration Committee

Comprises the two Non-Executive Directors and the Non-Executive Chairman and is chaired by Joe McNally. It meets at least once a year and is responsible for making recommendations to the Board on remuneration policy for Executive Directors and for setting salaries, incentive payments and share options granted.

Relations with shareholders

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

The annual general meeting is a forum for shareholders' participation with the opportunity to meet and question Board members including the Chairman and the Chairmen of the Board committees.

Internal control

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

The Company's Directors and varying levels of managers have clear responsibilities 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 appropriate procedures 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. Where lapses in internal control are detected, these are rectified.

c. The Company's cash flow is also monitored monthly compared to forecast.

d. The Board authorises capital expenditure where this is significant.

e. The comprehensive financial, legal, commercial and technical due diligence undertaken on HOLF Technologies Limited and VData Limited when these companies were acquired by the Company in July 2000.

Statement of Directors' responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently as explained on page 28 under the heading "Accounting policies". They also confirm that reasonable and prudent judgements have been made in preparing the financial statements for the period ended 31 March 2001, that applicable accounting policies have been followed and that the financial statements have been prepared on the going concern basis.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and the Group and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and the Group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

By order of the Board

Richard James
Company Secretary
19 June 2001

Remuneration report

The Remuneration Committee was constituted by the Board on 8 March 2001 and comprises the independent Non-Executive Directors:

Joseph McNally (Chairman)

The Rt. Hon. Lord Parkinson

Charles Scott,
(appointed 2 April 2001)

The Committee meets as appropriate during the year.

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 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, fuel, medical and life insurance and insurance relating to the Directors' duties.

Salaries

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

Pensions

The Executive Directors, other than Richard James, are members of defined contribution pension schemes. The amounts contributed by the Company during the period were £30,128. 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
Stephen Pearce	6 months
Bryn Sage	6 months
John Swingewood	12 months

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-Executives. The Director concerned may retain any fees related to such employment.

Directors' emoluments

The remuneration of the Directors of the Company for the period ended 31 March 2001 were as follows:

	Salary & fees	Pay in lieu of notice	Benefits in kind	Pension contributions	Total
	£'000	£'000	£'000	£'000	£'000
Executive Directors					
Peter Wilkinson	138	-	15	10	163
Richard James	83	-	-	-	83
Andrew Kaberry	103	-	17	9	129
Stephen Pearce	76	-	10	3	89
Bryn Sage	105	-	10	3	118
Philip Taysom	69	75	13	5	162
	574	75	65	30	744
Non-Executive Directors					
The Rt. Hon. Lord Parkinson	28	-	-	-	28
Joseph McNally	5	-	-	-	5
David von Simson	8	-	-	-	8
	41	-	-	-	41
Total	615	75	65	30	785

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

Remuneration report continued

Directors' interests

Interests in shares

The interests of the Directors as at 31 March 2001 in the shares of the Company were:

	Shares 31 March 2001
Peter Wilkinson	79,403,998
Andrew Kaberry	9,879,562
Steve Pearce	4,939,781
	94,223,341

During the period, Richard James entered into transactions either as an individual or through related parties to purchase 58,750 shares. All these shares were sold during the course of the period ended 31 March 2001.

Apart from the interests disclosed above, none of the Directors of the Company at 31 March 2001 were interested at any time in the period in the share capital of the Company or other Group companies.

There have been no changes in these shareholdings since 31 March 2001.

Interests in share options

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

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

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

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

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

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

None of the Directors has been granted or exercised options since 31 March 2001.

Joe McNally
Non-Executive Director
19 June 2001

Independent auditors' report to the members of InTechnology plc

For the period ended 31 March 2001

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

Respective responsibilities of Directors and auditors

The Directors are responsible for preparing the Annual Report. As described on page 19, this includes responsibility for preparing the financial statements, in accordance with applicable United Kingdom accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board and our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

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

Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2001 and of the loss and cash flows of the Group for the period then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers
Chartered Accountants and Registered Auditors

Leeds

19 June 2001

Consolidated profit & loss account

For the period ended 31 March 2001

	Note	Period ended 31 March 2001 £'000
Turnover		
Acquisitions	1 & 2	122,398
Cost of sales		(106,873)
Gross profit		15,525
Administrative expenses		(17,179)
EBITDA		5,259
Depreciation		(1,437)
Amortisation of goodwill		(5,476)
Operating loss		
Continuing operations		(223)
Acquisitions		(1,431)
Group operating loss		(1,654)
Share of operating loss of associate		(106)
Total operating loss		(1,760)
Net interest receivable	3	358
Loss on ordinary activities before tax	2 & 4	(1,402)
Taxation on loss on ordinary activities	5	(1,412)
Loss sustained for the period	17	(2,814)
Loss per share (pence)	7	
Basic		(3.33)
Diluted		(3.04)
Adjusted earnings per share (pence)	7	
Basic		3.15
Diluted		2.87

EBITDA comprises earnings before interest, taxation, depreciation and amortisation.

There is no difference between the loss on ordinary activities before tax and the loss sustained for the period ended 31 March 2001 and their historical cost equivalent.

The Group has no recognised gains or losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

Reconciliation of movements in Group shareholders' funds

For the period ended 31 March 2001

		Period ended 31 March 2001
	Note	£'000
Loss sustained for the period	17	(2,814)
Proceeds of ordinary share capital issued	17	1,380
Premium on ordinary share capital issued	17	188,348
Non-equity share capital issued	17	480
Net addition to shareholders' funds		187,394
Opening shareholders' funds	17	-
Closing shareholders' funds	17	187,394

Balance sheets

As at 31 March 2001

	Note	Group 2001 £'000	Company 2001 £'000
Fixed assets			
Intangible assets	8	154,432	-
Tangible assets	9	8,541	8,515
Investment in subsidiary undertakings	10	-	165,972
Investment in associate	10	353	459
		163,326	174,946
Current assets			
Stock	11	9,213	9,213
Debtors			
- due after more than one year	12	-	1,565
- due within one year	12	38,473	38,466
		38,473	40,031
Cash at bank and in hand	19	26,809	26,523
		74,495	75,767
Creditors - amounts falling due within one year	13	(42,628)	(42,492)
Net current assets		31,867	33,275
Total assets less current liabilities		195,193	208,221
Creditors - amounts falling due after more than one year	14	(7,799)	(16,309)
		187,394	191,912
Capital and reserves			
Called up share capital			
- equity	16 & 17	1,380	1,380
- non-equity	16 & 17	480	480
Share premium account	17	188,348	188,348
Profit and loss account	17	(2,814)	1,704
Shareholders' funds (including non-equity interests)	17	187,394	191,912
Shareholders' funds comprise:			
Equity interests		186,914	191,432
Non-equity interests		480	480
		187,394	191,912

The financial statements on pages 24 to 44 were approved by the Board of Directors on 19 June 2001 and were signed on its behalf by:

Andrew Kaberry
Finance Director

Consolidated cash flow statement

For the period ended 31 March 2001

	Note	£'000	2001 £'000
Net cash inflow from operating activities	20		2,923
Returns on investments and servicing of finance			
Interest received		886	
Interest paid		(528)	
Net cash inflow from returns on investments and servicing of finance			358
Taxation			(1,376)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(2,987)	
Sale of tangible fixed assets		15	
Net cash outflow from capital expenditure and financial investment			(2,972)
Acquisitions			
Purchase of subsidiary undertakings (including costs)	18	(10,332)	
Net cash at bank acquired with purchase of subsidiary undertakings	18	4,473	
Investment in associated undertaking		(384)	
Net cash outflow for acquisitions			(6,243)
Net cash inflow before financing			(7,310)
Management of liquid resources			
Increase in short term deposits with financial institutions	19		(15,000)
Financing			
Issue of ordinary share capital	17	36,470	
Expenses of share issue	17	(1,592)	
Repayment of secured loans		(759)	
Net cash inflow from financing			34,119
Increase in cash in the period	21		11,809

Accounting policies

The financial statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom. A summary of the main accounting policies, which have been applied consistently, is set out below.

Basis of accounting

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

Basis of consolidation

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

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

Goodwill

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

Tangible fixed assets

The cost of tangible fixed assets is their purchase cost, together with any incidental expenses of acquisition.

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

Freehold buildings - 2%

Leasehold improvements - 20%

Office fixtures and fittings - 25% to 50%

Vehicles and computer equipment - 25% to 50%

Freehold land is not depreciated.

Stocks

Stocks are valued at the lower of cost and net realisable value after making due allowance for any obsolete or slow moving items.

Turnover

Turnover represents the amounts invoiced to customers (exclusive of VAT). Revenue on the outright sale of equipment and software is recognised on invoice at the time of despatch. Service revenues are recognised over the period to which the service relates.

Unrecognised service revenue is included as deferred income in the balance sheet.

Foreign currencies

Transactions in foreign currencies are recorded at the rate of exchange ruling at the date of the transaction. Profits and losses of overseas subsidiary undertakings are translated into sterling at the rates of exchange ruling at the balance sheet date.

The exchange difference arising on the re-translation of the opening net assets and profits and losses incurred are taken directly to reserves.

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

Operating lease agreements

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

Deferred taxation

Deferred tax is provided using the liability method on all material timing differences to the extent that it is probable that a liability or asset will crystallise.

Pension costs

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

Share schemes

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

Notes to the financial statements

For the period ended 31 March 2001

1 Trading period

The financial information has been prepared for the period from incorporation of InTechnology plc on 26 January 2000 to 31 March 2001. However, InTechnology did not trade until the acquisition of STORM and VData on 24 July 2000 and the results of these businesses have been consolidated from that date.

2 Segmental information

	Turnover by destination 2001 £'000	Turnover by source 2001 £'000	Loss before tax by source 2001 £'000
Geographical analysis			
United Kingdom	122,159	122,398	(1,416)
Continental Europe	226	-	(238)
North America	13	-	-
	122,398	122,398	(1,654)
Share of operating loss of associate			(106)
Net interest receivable			358
Total			(1,402)

	Turnover	(Loss)/profit before tax	
		After goodwill amortisation	Before goodwill amortisation
	2001 £'000	2001 £'000	2001 £'000
Business analysis			
SSS	120,348	5,813	6,978
ODS	2,050	(7,467)	(3,156)
	122,398	(1,654)	3,822
Share of operating loss of associate		(106)	(106)
Net interest receivable		358	358
Total		(1,402)	4,074

	Including goodwill 2001 £'000	Excluding goodwill 2001 £'000
Net assets		
Geographical analysis		
United Kingdom	187,321	32,816
Continental Europe	73	73
	187,394	32,889
Total		
Group	187,041	32,536
Associate	353	353
	187,394	32,889
Business analysis		
SSS	61,934	29,086
ODS	126,142	4,485
	188,076	33,571
Central	(27,491)	(27,491)
Cash	26,809	26,809
	187,394	32,889
Total		
Group	187,041	32,536
Associate	353	353
	187,394	32,889

Central net assets include stock of £534,000, debtors of £898,000 and creditors of £28,924,000 which are not analysed by business unit.

3 Net interest receivable

	2001 £'000
Interest payable on bank loans and overdrafts	(17)
Interest payable on other loans	(511)
	(528)
Interest receivable	886
Net interest receivable	358

4 Loss on ordinary activities before tax

	2001 £'000
Loss before tax is stated after charging/(crediting):	
Staff costs (note 24)	5,970
Depreciation of owned tangible fixed assets	1,437
Amortisation of goodwill	5,476
Operating lease rentals - land and buildings and other assets	799
Auditors' remuneration - audit (company: £35,000)	67
Auditors' remuneration - non-audit (company: £26,000)	34
Profit on disposal of tangible fixed assets	(8)

5 Tax on loss on ordinary activities

	2001 £'000
Tax charge comprises:	
United Kingdom corporation tax at 30%	1,412

The Group's effective tax rate on its profit before goodwill amortisation of £3.8 million is 37%. This is higher than the statutory rate because of expenses which are not deductible for tax purposes.

At 31 March 2001, the Group had accumulated tax losses of approximately £2.5m, which are available to offset against future trading profits in certain Group companies.

6 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 financial period was £1,704,000.

7 (Loss)/earnings per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £2,814,000 by the weighted average number of ordinary shares in issue during the financial period of 84,459,355.

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

Reconciliations of the loss and weighted average number of shares used in the calculations are set out below:

	(Loss)/ earnings £'000	2001 Weighted average no. of shares	(Loss)/earnings per share pence
Basic loss per share			
Loss attributable to ordinary shareholders	(2,814)	84,459,355	(3.33)
Effect of dilutive securities			
Options	-	8,203,386	0.29
Diluted loss per share	(2,814)	92,662,741	(3.04)

Adjusted earnings per share has been calculated to provide a better understanding of the underlying performance of the Group, by excluding amortisation of goodwill, as follows:

Basic loss per share	(2,814)	84,459,355	(3.33)
Amortisation of goodwill	5,476	84,459,355	6.48
Adjusted basic earnings per share	2,662	84,459,355	3.15
Diluted loss per share	(2,814)	92,662,741	(3.04)
Amortisation of goodwill	5,476	92,662,741	5.91
Adjusted diluted earnings per share	2,662	92,662,741	2.87

8 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 26 January 2000	-
Additions	159,908
At 31 March 2001	159,908
Amortisation	
At 26 January 2000	-
Charge for the period	5,476
At 31 March 2001	5,476
Net book amount at 31 March 2001	154,432
Net book amount at 26 January 2000	-

Additions to goodwill in the period comprise £34,006,000 in respect of the acquisition of STORM and £125,902,000 in respect of the acquisition of VData. Details of these acquisitions are set out in note 18.

9 Tangible fixed assets

Group	Land and buildings £'000	Leasehold improvements £'000	Office fixtures & fittings £'000	Vehicles and computer equipment £'000	Total £'000
Cost					
At 26 January 2000	-	-	-	-	-
Acquisitions	2,327	759	807	4,824	8,717
Additions	171	347	120	2,349	2,987
Disposals	-	-	-	(9)	(9)
At 31 March 2001	2,498	1,106	927	7,164	11,695
Accumulated depreciation					
At 26 January 2000	-	-	-	-	-
Acquisitions	36	59	274	1,350	1,719
Charge for the period	27	90	121	1,199	1,437
Disposals	-	-	-	(2)	(2)
At 31 March 2001	63	149	395	2,547	3,154
Net book amount at 31 March 2001	2,435	957	532	4,617	8,541
Net book amount at 26 January 2000	-	-	-	-	-

Company	Land and buildings £'000	Leasehold improvements £'000	Office fixtures & fittings £'000	Vehicles and computer equipment £'000	Total £'000
Cost					
At 26 January 2000	-	-	-	-	-
Transfer from subsidiary companies	2,327	949	796	5,496	9,568
Additions	171	157	131	1,652	2,111
Disposals	-	-	-	(9)	(9)
At 31 March 2001	2,498	1,106	927	7,139	11,670
Accumulated depreciation					
At 26 January 2000	-	-	-	-	-
Transfer from subsidiary companies	20	-	295	1,738	2,053
Charge for the period	43	149	100	812	1,104
Disposals	-	-	-	(2)	(2)
At 31 March 2001	63	149	395	2,548	3,155
Net book amount at 31 March 2001	2,435	957	532	4,591	8,515
Net book amount at 26 January 2000	-	-	-	-	-

Analysis of land and buildings

	Group 2001 £'000	Company 2001 £'000
Analysis of net book value of land and buildings		
Freehold land	340	340
Freehold buildings	2,095	2,095
	2,435	2,435

Notes to the financial statements continued

For the period ended 31 March 2001

10 Investments

Fixed asset investments	Group 2001 £'000	Company 2001 £'000
Shares in group undertakings		
At 26 January 2000	-	-
Additions in year		
Subsidiary undertakings	-	165,972
Associated undertakings	353	459
At 31 March 2001	353	166,431

Investments in group undertakings are stated at cost.

Details of the principal investments at 31 March 2001 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	Proportion held
InTechnology AG	Germany	Computer services	100%
HOLF Technologies Limited	England	Dormant	100%
VData Limited	England	Dormant	100%
Integrated Technology (Europe) Limited	England	Dormant	100%
Associated undertakings			
eGreenhouse Limited	England	eBusiness and eCommerce consultancy	30.6%

11 Stocks

	Group 2001 £'000	Company 2001 £'000
Goods for re-sale	9,213	9,213

There is no material difference between the balance sheet value of stock and its replacement cost.

12 Debtors

	Group 2001 £'000	Company 2001 £'000
Amounts falling due after more than one year:		
Amounts owed by group undertakings	-	1,565
Amounts falling due within one year:		
Trade debtors	32,516	32,513
Other debtors	3,407	3,407
Prepayments and accrued income	2,550	2,546
	38,473	38,466
Total	38,473	40,031

13 Creditors – amounts falling due within one year

	Group 2001 £'000	Company 2001 £'000
Bank and other borrowings	1,112	1,112
Trade creditors	33,805	33,776
Corporation tax	1,452	1,452
Other taxation and social security	2,517	2,502
Other creditors	428	395
Accruals and deferred income	3,314	3,255
	42,628	42,492

14 Creditors – amounts falling due after more than one year

	Group 2001 £'000	Company 2001 £'000
Other loans	7,799	7,799
Amounts owed by group undertakings	-	8,510
	7,799	16,309

Included in other loans are the loans due after more than one year which were provided by IBM United Kingdom Financial Services Limited and are secured by fixed and floating charges over the assets of the Company dated 11 September 2000.

Secured loans are repayable as follows:

	Group 2001 £'000	Company 2001 £'000
In one year or less	1,112	1,112
Between one and two years	2,062	2,062
Between two and five years	5,737	5,737
	8,911	8,911

15 Financial instruments

The main financial risks faced by the Group include interest rate risk and liquidity risk. The Board reviews and agrees policies for managing each of these risks. The Group currently has very little exposure to currency risk.

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 period under review, the Group's policy that no trading in financial instruments shall be undertaken. Similarly, the Group did not undertake any financial hedging arrangements during the period under review. The period end position reflects these policies and there have been no changes in policies or risks since the period end.

The Group has net cash reserves and therefore has limited interest rate exposure. Group policy is to continue to monitor financial markets and to repay outstanding loans in line with agreed repayment schedules.

Financial asset returns are maximised by ongoing review of the Group's cash flow requirements. Any funds surplus to short-term working capital requirements are placed on high interest bearing deposit (£15 million as at 31 March 2001).

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 facilities since the acquisition of STORM and VData comprising an overdraft facility of £1.4 million with Barclays Bank and an invoice discounting facility of £7 million with IBM, both of which were unused as at 31 March 2001. The invoice discounting facility with IBM is subject to 90 days notice by either party and runs for a minimum 2 year term, which expires on 11 September 2002. The overdraft facility with Barclays Bank is repayable on demand, however, subject to this condition, is scheduled for review on 20 June 2002.

Short term debtors and creditors have been excluded from all the following disclosures.

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group as at 31 March 2001 was:

	Floating rate £'000
Currency	
Sterling	26,522
Deutschemark	287
	26,809

The financial assets relate to cash at bank and bear interest based on LIBOR. There are no fixed rate financial assets.

Interest rate risk profile of financial liabilities

The interest rate profile of the financial liabilities of the Group as at 31 March 2001 was:

	Floating rate £'000
Currency	
Sterling	8,911
At 31 March 2001	8,911

Financial liabilities include secured loan arrangements with IBM and are detailed in note 14. The loans bear interest by reference to LIBOR and are repayable as set out in note 14.

Borrowing facilities

The Group has various borrowing facilities available to it. The undrawn facilities available as at 31 March 2001, in respect of which all conditions have been met at that date, were as follows:

	2001 £'000
Expiring within one year	1,400
Expiring between one and two years	7,000
	8,400

Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than by a forced or liquidation sale, and excludes accrued interest. The fair value of financial assets and liabilities as at 31 March 2001 approximate to the book value at those dates.

Currency exposure

Gains and losses arising on net investments overseas are not significant. The Group does not consider current levels of overseas trade sufficiently significant to warrant actions to mitigate currency exposure.

Hedges

The Group does not operate any hedging instruments.

16 Called up share capital

The Company was incorporated on 26 January 2000 as Expense plc (registered number 3916586). On 1 February 2000, the Company changed its name to InTechnology plc.

The authorised share capital of the Company on incorporation was £1,000,000, divided into 20,000,000 ordinary shares of 5 pence each, 1,000,000 of which were issued and fully paid.

On 2 March 2000 the Company received £2,750,000 cash proceeds in respect of the placing of 11,000,000 ordinary shares of 5 pence each at a premium of 20 pence per ordinary share.

On 24 July 2000 at an Extraordinary General Meeting each existing 5 pence ordinary share was sub-divided into one new 1 pence ordinary share and four 1 pence deferred shares. The Company's authorised share capital was increased from £1,000,000 to £3,000,000 by the creation of 200,000,000 new 1 pence ordinary shares.

On 24 July 2000 the Company issued 125,999,929 shares in respect of the placing, rights issue and the acquisition of HOLF and VData.

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

	Group and Company 2001 £'000
Authorised	
252,000,000 Ordinary shares of 1p each	2,520
48,000,000 Deferred shares of 1p each	480
Total	3,000

Allotted, called up and fully paid	2001 £'000
137,999,929 Ordinary shares of 1p each	1,380
48,000,000 Deferred shares of 1p each	480
Total	1,860

Share options

Certain employees hold options to subscribe for shares in the Company at prices ranging from 1.8p to 337.5p under the share option schemes. No options have been exercised during the period.

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

Name of scheme	No. of Shares	Exercise price (p)	Earliest exercise date	Expiry date
HOLF scheme	8,022,628	43.3	23/12/02	23/12/09
VData scheme	5,425,081	1.8	07/01/03	07/01/10
InTechnology schemes	4,186,386	150-337.5	24/07/03-15/03/04	01/11/10-01/04/11
	17,634,095			

Further details of the share option schemes in operation are given in the Remuneration Report on pages 20 to 22.

17 Shareholders' funds

Group	Ordinary share capital £'000	Deferred shares £'000	Share premium account £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 26 January 2000	-	-	-	-	-
Issue of shares:					
- on incorporation	10	40	-	-	50
- placing on 2 March 2000	110	440	2,200	-	2,750
- placing on 24 July 2000	164	-	24,506	-	24,670
- rights issue on 24 July 2000	60	-	8,940	-	9,000
- consideration for acquisitions	1,036	-	154,294	-	155,330
Share issue costs	-	-	(1,592)	-	(1,592)
Loss for the period	-	-	-	(2,814)	(2,814)
At 31 March 2001	1,380	480	188,348	(2,814)	187,394

Company	Ordinary share capital £'000	Deferred shares £'000	Share premium account £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 26 January 2000	-	-	-	-	-
Issue of shares:					
- on incorporation	10	40	-	-	50
- placing on 2 March 2000	110	440	2,200	-	2,750
- placing on 24 July 2000	164	-	24,506	-	24,670
- rights issue on 24 July 2000	60	-	8,940	-	9,000
- consideration for acquisitions	1,036	-	154,294	-	155,330
Share issue costs	-	-	(1,592)	-	(1,592)
Profit for the period	-	-	-	1,704	1,704
At 31 March 2001	1,380	480	188,348	1,704	191,912

18 Acquisitions

a) STORM

On 24 July 2000 the group acquired 100% of the issued share capital of STORM for consideration of £39,000,000, funded by the issue of 20,102,904 1 pence ordinary shares at a market value of £1.50 each (£30,154,356) plus cash of £8,845,644.

The following table sets out the provisional book value of the identifiable assets and liabilities acquired and their fair value to the Group:

STORM acquisition	Book value £'000	Fair value adjustment £'000	Fair value £'000
Net assets acquired			
Fixed assets	3,982	-	3,982
Goodwill	2,242	(2,242)	-
Stocks	9,033	-	9,033
Debtors	27,851	-	27,851
Cash at bank and in hand	4,424	-	4,424
Creditors due within one year	(32,252)	-	(32,252)
Creditors due after one year:			
Borrowings	(7,888)	-	(7,888)
Net assets	7,392	(2,242)	5,150

Consideration	
20,102,904 ordinary shares @ market price of £1.50 each	30,154
Cash	8,846
Costs	156
	39,156
Goodwill	34,006

The fair value adjustment reflects the write-off of historic purchased goodwill carried in the books of STORM.

The unaudited results of STORM for the period from 1 April 2000 to 24 July 2000, together with the unaudited proforma results for the year ended 31 March 2000 are shown below:

	1 April 2000 to 24 July 2000 £'000	1 April 1999 to 31 March 2000 £'000
Turnover	42,267	101,677
Cost of sales	(38,043)	(89,342)
Gross profit	4,224	12,335
Administrative expenses	(2,373)	(6,463)
EBITDA	2,068	6,186
Depreciation	(217)	(314)
Operating profit	1,851	5,872
Net interest	(167)	(386)
Profit before taxation	1,684	5,486
Taxation	(677)	(1,724)
Profit after taxation	1,007	3,762

b) VData

On 24 July 2000 the group acquired 100% of the issued share capital of VData for consideration of £126,000,000, funded by the issue of 83,450,000 1 pence ordinary shares at a market value of £1.50 each (£125,175,000) plus cash of £825,000.

No fair value adjustments were required and the following table sets out the provisional book and fair value of the identifiable assets and liabilities acquired:

	Book & fair value £'000
Net assets acquired	
Fixed assets	3,016
Investment	75
Debtors	449
Cash at bank and in hand	49
Creditors due within one year	(1,204)
Creditors due after one year:	
Borrowings	(1,782)
Net assets	603
Consideration	
83,450,000 ordinary shares @ market price of £1.50 each	125,175
Cash	825
Costs	505
	126,505
Goodwill	125,902

The unaudited results for VData for the period from 1 January 2000 to 24 July 2000 together with the audited results for the period ended 31 December 1999 are shown below:

	1 January 2000 to 24 July 2000 £'000	4 January 1999 to 31 December 1999 £'000
Turnover	295	28
Cost of sales	(301)	(26)
Gross (loss) / profit	(6)	2
Administrative expenses	(1,873)	(1,511)
EBITDA	(1,389)	(1,120)
Depreciation	(490)	(389)
Operating loss	(1,879)	(1,509)
Net interest	(89)	(44)
Loss before taxation	(1,968)	(1,553)
Taxation	-	-
Loss after taxation	(1,968)	(1,553)

19 Cash at bank and in hand

Cash at bank and in hand includes short term deposits with financial institutions amounting to £15,000,000 which have a maturity of more than one day but less than three months.

20 Reconciliation of operating loss to net cash inflow from operating activities

	Group £'000
Operating loss	(1,654)
Depreciation of tangible fixed assets	1,437
Goodwill amortisation	5,476
Profit on sale of tangible fixed assets	(8)
Increase in stocks	(180)
Increase in debtors	(10,173)
Increase in creditors	8,025
Net cash inflow from operating activities	2,923

21 Reconciliation of movement in net funds

	2001 £'000
Increase in cash in the period	11,809
Increase in short term deposits	15,000
Cash outflow from repayment of debt	759
Change in net debt resulting from cash flows	27,568
Borrowings acquired on purchase of subsidiary undertakings	(9,670)
Movement in net funds in the period	17,898
Net funds at 26 January 2000	-
Net funds at 31 March 2001	17,898

22 Analysis of net funds

	At 26 January 2000 £'000	Cashflow £'000	Acquisitions (excluding cash & overdrafts) £'000	Other non-cash changes £'000	At 31 March 2001 £'000
Cash at bank and in hand	-	11,809	-	-	11,809
Short term deposits	-	15,000	-	-	15,000
Debt due after more than one year	-	-	(9,670)	1,871	(7,799)
Debt due within one year	-	759	-	(1,871)	(1,112)
	-	27,568	(9,670)	-	17,898

For the period ended 31 March 2001

23 Directors' emoluments

A detailed analysis of Directors' individual emoluments, together with information on pensions, including that of the highest paid Director, is given in the Remuneration Report on pages 20 to 22.

	2001 £'000
Aggregate emoluments	639
Company contributions to defined contribution pension schemes	30
Compensation paid to past Directors for loss of office	75
Sums paid to third parties for Directors' services	41
	785

During the period, retirement benefits were accruing to all the Executive Directors under a defined contribution pension scheme.

24 Employee information

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

By category	2001 Number
Sales	60
Technical	47
Operations	35
Administration	41
	183

Staff costs for the persons above were:

	2001 £'000
Wages and salaries	5,270
Social security costs	630
Pension costs	70
	5,970

25 Financial commitments

At 31 March 2001 the Group had annual commitments under non-cancellable operating leases as follows:

	Land & buildings 2001 £'000	Other assets 2001 £'000
Expiring within one year	57	50
Expiring within two to five years	1,255	323
	1,312	373

26 Related party transactions

The Company has taken advantage of the exemption available under Financial Reporting Standard No 8 "Related Party Disclosures" from disclosing transactions between the Company and its subsidiary undertakings as these have been eliminated on consolidation of these financial statements.

Mr P.R. Wilkinson is a shareholder in British Sky Broadcasting plc (BSkyB). InTechnology has sold goods and services totalling £123,000 to BSkyB in the period. As at 31 March 2001, InTechnology was owed £29,000 by BSkyB.

Mr P.R. Wilkinson is a shareholder in the ultimate parent company of Planetfootball.com Limited, BSkyB. InTechnology has sold goods and services totalling £340,000 to Planetfootball.com Limited in the period. As at 31 March 2001, InTechnology was owed £146,000 by Planetfootball.com Limited.

Mr P.R. Wilkinson is a shareholder in the parent company of Sports Internet Group plc, BSkyB. InTechnology has sold goods and services totalling £474,000 to Sports Internet Group plc in the period. As at 31 March 2001, InTechnology was owed £64,000 by Sports Internet Group plc.

Mr P.R. Wilkinson is a Non-Executive Director and shareholder of The Gadget Shop Limited. InTechnology has sold goods and services totalling £52,000 to The Gadget Shop Limited in the period. As at 31 March 2001, InTechnology was owed £13,000 by The Gadget Shop Limited.

The Company made loans at various stages during the period to Mr P.R. Wilkinson, the maximum liability during the period being £50,552 and to Mr A. Kaberry, the maximum liability during the period being £4,073. Both loans were fully repaid during the period and there were no amounts outstanding in respect of these loans as at 31 March 2001.

27 Ultimate controlling party

The Directors consider Mr P.R. Wilkinson to be the ultimate controlling party by virtue of his controlling interest in the Company.

Notice of Annual General Meeting

Notice is hereby given that the Annual General Meeting of the Company will be held at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA on 31 July 2001 at 11am for the following purposes:

Ordinary business:

Resolution 1

To consider and adopt the report of the Directors, the report of the auditors and the accounts for the period ended 31 March 2001.

Resolution 2

To re-appoint The Rt. Hon. Lord Parkinson as a Non-Executive Director, who retires in accordance with Article 87 of the Articles of Association of the Company.

Resolution 3

To re-appoint Joseph McNally as a Non-Executive Director, who retires in accordance with Article 87 of the Articles of Association of the Company.

Resolution 4

To re-appoint Charles Scott as a Non-Executive Director, who retires in accordance with Article 87 of the Articles of Association of the Company.

Resolution 5

To re-appoint Peter Wilkinson as a Director, who retires in accordance with Article 87 of the Articles of Association of the Company.

Resolution 6

To re-appoint Andrew Kaberry as a Director, who retires in accordance with Article 87 of the Articles of Association of the Company.

Resolution 7

To re-appoint Richard James as a Director, who retires in accordance with Article 87 of the Articles of Association of the Company.

Resolution 8

To re-appoint Stephen Pearce as a Director, who retires in accordance with Article 87 of the Articles of Association of the Company.

Resolution 9

To re-appoint Bryn Sage as a Director, who retires in accordance with Article 87 of the Articles of Association of the Company.

Resolution 10

To re-appoint John Swingewood as a Director, who retires in accordance with Article 87 of the Articles of Association of the Company.

Resolution 11

To re-appoint PricewaterhouseCoopers as Auditors of the Company, and to authorise the Directors to fix their remuneration.

Special business:

To consider and if thought fit, to pass the following Resolutions of which Resolution 12 will be proposed as an ordinary resolution and Resolution 13 will be proposed as a special resolution.

Resolution 12

As an ordinary resolution, that the Directors be generally and unconditionally authorised pursuant to and in accordance with Section 80 of the Companies Act 1985 (the "Act") to exercise for the period commencing on the start date of the passing of this Resolution and expiring at the conclusion of the next Annual General Meeting or 15 months after the passing of this Resolution, whichever is the earlier, all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £460,338.39 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 the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority conferred by this Resolution has not expired and this authority shall be in substitution for all previous authorisations under Section 80 of the Act which are hereby revoked but without prejudice to any allotment, offer or agreement made or entered into prior to the date of this Resolution.

Resolution 13

That the Directors be and are hereby empowered pursuant to and in accordance with Section 95 of the Act to allot equity securities (within the meaning of Section 94 of the Act) for cash pursuant to the authority conferred by Resolution 12 above as if Section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited:

(a) to the allotment of equity securities in connection with any rights issue or other issue in favour of ordinary shareholders where the equity securities respectively attributable to the interests of all ordinary shareholders are proportionate (as nearly as maybe) to the respective numbers of ordinary shares held by them (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or legal or practical problems under the laws of, or the requirements of, any recognised regulatory body or any stock exchange in any territory), and

(b) to the allotment of equity securities (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of £69,050.75.

and shall expire at the conclusion of the next Annual General Meeting of the Company or 15 months after the passing of this Resolution whichever is the earlier, 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 the Directors may allot equity securities in pursuance of such offer or agreement as if the power conferred by this Resolution had not expired.

By order of the Board

RM James
Nidderdale House
Beckwith Knowle
Otley Road
Harrogate
HG3 1SA

Notes:

The Company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, has specified that only those members registered in the register of members of the Company as at 11.00am on 29 July 2001 shall be entitled to attend or vote at the meeting in respect of the number of shares registered in their name at that time. Changes to entries on the relevant register of securities after 11.00am on 29 July 2001 shall be disregarded in determining the rights of any person to attend or vote at the meeting.

Members of the Company entitled to attend and vote are entitled to appoint one or more proxies to attend and, on a poll, to vote instead of them. A proxy need not be a member of the Company. A proxy form is enclosed. To be effective, proxy forms must be lodged with the registrars, Capita IRG plc, Bourne House, 34 Beckenham Road, Beckenham, Kent, BR3 4TU, not less than 48 hours before the time fixed for the meeting. The appointment of a proxy does not preclude a member from attending and voting if he so wishes.

The service agreements of the Directors and the register of Directors' interests will be available for inspection during the normal business hours at the registered office of the Company from the date of this notice until the date of the meeting and at the place of the meeting from fifteen minutes before the meeting until its close.

Form of proxy

Form of proxy for use by holders of ordinary shares at the Annual General Meeting of InTechnology plc to be held on Tuesday, 31 July 2001 at 11.00am.

I/We(1)

of

being (a) member(s) of the above named company hereby appoint the Chairman of the Meeting(2)

or

as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the Company to be held on Tuesday, 31 July 2001 at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate HG3 1SA and at every adjournment thereof.

Dated this day of 2001

Signature(s)

Please indicate with an X in the space below how you wish your votes to be cast. If no instructions are given the proxy will abstain or vote as he thinks fit.

Resolution	For	Against
Ordinary Business		
1. To adopt the Directors' Report and Financial Statements.		
2. To re-appoint The Rt. Hon. Lord Parkinson as a Non-Executive Director.		
3. To re-appoint J McNally as a Non-Executive Director.		
4. To re-appoint C Scott as a Non-Executive Director.		
5. To re-appoint P Wilkinson as a Director.		
6. To re-appoint A Kaberry as a Director.		
7. To re-appoint R James as a Director.		
8. To re-appoint S Pearce as a Director.		
9. To re-appoint B Sage as a Director.		
10. To re-appoint J Swingewood as a Director.		
11. To re-appoint PricewaterhouseCoopers as Auditors and allow the Directors to determine their remuneration.		
Special Business		
To consider the following resolutions.		
12. Ordinary Resolution – That the Directors are authorised to allot relevant securities.		
13. Special Resolution – That statutory pre-emption provisions are disapplied and the Directors are authorised to allot relevant securities for cash.		

(1) Fill in your name(s) and address(es) in block capitals.

(2) If any other proxy is preferred strike out "the Chairman of the Meeting" and add the name of the proxy or proxies desired and initial the alteration.

Notes

(a) This form of proxy duly completed must, to be valid for use at the meeting, be deposited, together with the power of attorney or other authority (if any) under which it is signed or a notarially certified copy thereof, at the office of the Company's registrars, Capita IRG Plc, Bourne House, 34 Beckenham Road, Beckenham, Kent BR3 4TU not less than forty-eight hours before the time for holding the meeting or adjourned meeting. A proxy may only vote on a poll.

(b) A corporation may execute either under seal or under the hand of an officer or attorney so authorised.

(c) In the case of joint holders of shares, any one of such holders may vote but, if two or more joint holders are present in person or by proxy, the vote of the senior will be accepted to the exclusion of the votes of the other joint holders and for this purpose the seniority is determined by the order in which the names stand in the register.

(d) A member may appoint as his proxy any one or more persons whether members of the Company or not.

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BUSINESS REPLY SERVICE
License No. MB122

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First Fold

Capita IRG plc (Proxies)
PO Box 25
Beckenham
Kent
BR3 4BR

Second Fold

Corporate information

For the period ended 31 March 2001

Board of Directors:

The Rt. Hon. Lord Parkinson	Non-Executive Chairman
Joseph McNally	Non-Executive Director
Charles Scott	Non-Executive Director (appointed 2 April 2001)
Peter Wilkinson	Chief Executive Officer
Richard James	Director & Company Secretary
Andrew Kaberry	Financial Director
Stephen Pearce	Chief Operating Officer
Bryn Sage	Sales Director
John Swingewood	Chief Technical Officer (appointed 15 May 2001)

Registered office & headquarters:

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

Company registration number:

3916586

Internet address:

www.intechnology.co.uk

Principal offices:

Northern Data Centre
InTechnology plc
Central House
Beckwith Knowle
Harrogate HG3 1UG

London Office
1 Threadneedle Street
London EC2R 8BE

German Headquarters
InTechnology AG
Orleansstrasse 2
81669 Munich
Germany

Registrar and transfer office

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

Principal bankers

Barclays Bank plc
Parliament Street
York YO1 1XD

Financial adviser and broker

UBS Warburg
1/2 Finsbury Avenue
London EC2M 2PP

Joint broker

West LB Panmure Ltd
New Broad Street House
35 New Broad Street
London EC2M 1SQ

Auditors

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