

Annual Report and Accounts 2003

InTechnology

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Highlights

For the year ended 31 March 2003:

Financial Highlights

- Turnover marginally lower at £156.9m (2002: £158.1m)
 - Turnover from Storage Solutions and Services ('SSS') Division of £148.7m (2002: £154.0m)
 - Turnover from Managed Data Services ('MDS') Division increased to £8.2m (2002: £4.1m)
- MDS cumulative contract wins of £40m (2002: £22m) which will generate £10.5m of recurring revenue per annum (2002: £6.9m)
- Gross profit increased to £23.3m (2002: £22.3m) resulting in gross margin of 14.8% (2002: 14.1%)
- Total operating loss of £6.6m (2002: £82.7m)
- Operating loss before amortisation of goodwill and exceptional items of £0.9m (2002: £0.8m)
- EBITDA pre-exceptional items increased to £3.9m (2002: £2.8m)
- Balance sheet remains strong with cash reserves of £18.2m (2002: £23.3m) and net cash of £10.0m (2002: £13.7m)

Operational Highlights

- Volume of data storage products sold has increased, although prices have continued to decline during the second half; increased market share
- Successful ongoing cost control, including closure of loss-making German subsidiary
- Experiencing higher levels of activity within the MDS Division compared to six months ago; significant new customer wins in the public and private sectors including Harvey Nichols, The Department for Transport, Scottish Enterprise and WS Atkins
- Benefits of the UK-wide high bandwidth communications network are beginning to be felt
- Pilot programme for a long-term data storage service progressing well
- Proposed acquisition of Allasso adds European distribution and access to expanding security market

Non-Executive President's introduction

I am pleased to present InTechnology's Annual Report for 2002-3, a year which has seen the Company take significant strides forward both in strengthening its UK position and as a result of the proposed acquisition of Allasso, in accessing the wider European marketplace.

The overall strategic direction of the Company has been vigorously pursued with revenues from the established Storage Solutions business generating cash to support investment in the newer Managed Services business.

Of particular interest has been the confidence shown in our growing portfolio of Managed Services by major enterprises and by departments at the heart of Government. These Services have proved their value and significance for all organisations concerned about the safety of data and business continuity in today's world. I am encouraged that the far-sighted investment by InTechnology in secure Data Centres, in robust communications and in skilled technical staff has proved to be of key importance and of great value to our partners in meeting client needs.

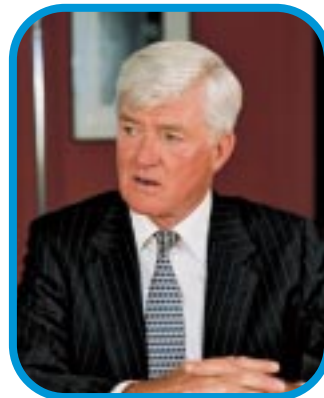
InTechnology's development is supported by major vendors in the IT marketplace, by a strong network of reseller partners, system integrators and consultants and by highly skilled and committed staff.

I would like to thank them all for their support in the past year and look forward to seeing further growth in the year ahead.

Lord Parkinson

Non-Executive President

".. a year which has seen the Company take significant strides forward ..."



Executive Chairman's statement

Overview

I am pleased to present the results of InTechnology plc for the year ended 31 March 2003 which show a strong performance in a challenging market for IT expenditure.

Our strategy this year has been twofold. First and foremost, our goal has been to align the business to manage the downturn across the IT industry by ensuring that we maintain our significant market share. We have continued to consolidate our position by aggressively driving volumes in our SSS Division and successfully offering managed infrastructure services to new customers. The result is a robust sales performance in SSS and continued growth in the value of contract wins in MDS, which now stands in excess of £40m (2002: £22m) and will generate £10.5m of recurring revenue per annum (2002: £6.9m).

A focus on costs has also been necessary during the year to protect margins. The closure of our German subsidiary and better expenditure control have enabled us to achieve a consistent cost

level, despite our investment in new services.

The second strand of our strategy has been to underpin the future success of the business through new developments and expansion. The first of these has been achieved through the continued progress with our MDS division, as well as exciting new developments such as our UK-wide high bandwidth network and our long-term data storage proposition. As far as expansion is concerned, the proposed acquisition of Allasso not only adds distribution capability across Europe, but also introduces a new and rapidly expanding service line to our offering.

Trading and operating performance

As noted in our interim financial statement, we have not experienced quite the same decline in revenues felt by much of the IT industry and believe that we have grown our market share. The volume of data storage products sold continues to increase but, on account of the significant price erosion, we have reported a marginal decline in

overall revenues compared to the prior year. We continue to adopt a rigorous approach to cost control which has enabled us to maintain reasonable profit margins.

Turnover for the year was £156.9m (2002: £158.1m) and despite the market environment, gross profit increased to £23.3m (2002: £22.3m). Net operating expenses before depreciation, amortisation of goodwill and exceptional items remained consistent at £19.3m (2002: £19.4m). Total net operating expenses were £29.8m (2002: £104.6m). Earnings before interest, tax, depreciation, amortisation of goodwill and exceptional items improved to £3.9m (2002: £2.8m). Total operating loss before interest and tax was £6.6m (2002: £82.7m). The Group reported a loss for the financial year of £7.0m (2002: £83.2m) resulting in a loss per share of 5.10p (2002: 60.23p).

InTechnology's balance sheet remains strong, with cash of £18.2m (2002: £23.3m) and net cash, after finance leases and term loans, of £10.0m (2002: £13.7m).

"... the proposed acquisition of Allasso not only adds distribution capability across Europe, but also introduces a new and rapidly expanding service line to our offering ."

Executive Chairman's statement cont.

SSS Division

The mix of revenues within SSS has changed over the last year with growth in our HP, IBM and Software and Service activities offset by a decline in sales of Sun equipment. Software and Services revenues have continued to increase and we will continue to focus on growing these in the year ahead.

In the year, SSS has achieved revenues of £148.7m (2002: £154.0m) but, with reduced costs, has reported a small decrease in operating margins before goodwill amortisation to 5.5% (2002: 5.7%). Operating margin after goodwill amortisation was 4.3% (2002: 4.6%). The Division returned an operating profit before goodwill amortisation of £8.1m (2002: £8.8m). Divisional operating profit before interest and tax was £6.4m (2002: £7.1m). Consultancy, maintenance and software revenues amounted to 16.6% (2002: 12.8%) of the Division's revenue.

MDS Division

MDS has achieved revenues of £8.2m (2002: £4.1m), with an operating loss before goodwill amortisation and exceptional items of £9.1m (2002: £9.7m), which reflects our ongoing investment in the division. Divisional operating loss before interest and tax was £13.0m (2002: £89.4m).

The division secured a number of high profile customer wins, including Chrysalis, Harvey Nichols, Numis, Cheshire Police, The Department for Transport, Sitel, Scottish Enterprise and WS Atkins. Roll out and deployment of these managed services tends to commence some months after the contract is won so the financial impact of these recurring revenues tends not to be seen until up to six months later.

"... high profile customer wins, including Chrysalis, Harvey Nichols, Numis, Cheshire Police, The Department for Transport, Sitel, Scottish Enterprise and WS Atkins."

New developments

In February 2003, we introduced a high bandwidth communications network running through 19 of the UK's major cities to support MDS. This Wide Area LAN Extension Service provides powerful and secure connectivity for our enterprise clients, enabling them to backup large data volumes on a national basis rather than, as previously, in the London area alone.

Although only recently commissioned, we are already seeing our clients benefit from its performance and the expanded range of services we can now offer them. Clients who have adopted our managed storage service are now also taking internet access, hosting and pure connectivity services from us.

This spring we launched a pilot programme to test our managed long-term storage proposition to address clients' needs to securely archive data. There is a growing need to archive electronic records in industry and the public sector which is driven in part by regulatory pressure. We continue to anticipate that future data storage solutions will incorporate these features.

Executive Chairman's statement cont.

Operational changes

With all the indicators showing substantial potential for InTechnology's services, especially among blue-chip companies, we have undertaken two operational changes this year which we believe will position InTechnology more effectively to exploit the opportunities we see in the storage market.

- We have grouped all of the development, support and sales of our Managed Services into a single operation, accountable for the entirety of its activities. While MDS was in its infancy, it was beneficial to separately manage the development, support and sales of these services. They are now sufficiently robust to be run as a single division, run by a newly appointed executive.
- In the interests of rigorous cost control, we closed our loss-making subsidiary in Germany in October 2002. This subsidiary was engaged purely in the provision of managed services where we felt that greater critical mass and relationships were required to ensure success. The intended acquisition of Allasso is expected to provide a firmer platform for the launch of managed services again as well as for storage product sales.

Note

¹ An exchange rate of £1 to €1.45 is assumed.

Allasso

In April 2003, we announced that we had agreed to purchase the pan-European specialist security distributor Allasso from its parent, Articon-Integralis. Allasso will provide us with a platform of some 7,000 additional resellers across six European countries through which we can expand our storage sales. In the year ended 31 December 2002 Allasso reported proforma revenues of €152.0m (£104.8m)¹ and EBITDA of €10.5m (£7.2m)¹. EBIT was €8.3m (£5.7m)¹.

The network security market, where Allasso is strongest, is an attractive growing market and complementary to the storage market as almost all new data storage devices are linked into networks and are in need of security.

The acquisition is conditional upon Articon-Integralis shareholder approval at a general meeting on 23 June 2003 with anticipated completion at the end of July 2003.

"... organisations of all sizes are looking for solutions to the critical problems of data management and storage."

Current trading

The first two months of this fiscal year show no change in the data storage market conditions from the preceding half. The performance of our SSS Division in this period has started in the same vein as at the start of last year. Encouragingly, activity levels in our MDS Division remain high with a run rate of contract wins in line with our expectations.

Outlook

Data volumes continue to grow inexorably and organisations of all sizes are looking for solutions to the critical problems of data management and storage. At the same time, companies everywhere are looking for ways to contain or reduce IT spend. So, in close partnership with vendors and our customers, we will continue to explore ways to provide the value and services that clients need.

We expect our portfolio of managed data services (which includes offsite backup, data replication, hosting, network connectivity and other infrastructure-related services), to become increasingly popular among our partners as a means to enable their clients' organisations to outsource the network computing elements of their IT which are capital intensive and time-consuming for enterprises to manage.

Peter Wilkinson

Executive Chairman

10 June 2003

Chief Executive Officer's report

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Continued growth in demand for data storage solutions, combined with intense pressure from companies to reduce the cost of their IT provision, contributed to a mixed result from InTechnology's two divisions:

- The SSS Division reported a marginal decline in revenue versus the prior year but managed to maintain its operating margin before goodwill amortisation at 5.5% (2002: 5.7%) and generate in excess of £8m of cash. Operating margin after goodwill amortisation was 4.3% (2002: 4.6%).
- The MDS Division, which provides outsourced secure data storage and other IT and network infrastructure services, has grown by 100.7% in revenue terms for the third successive year, though it remains loss making.

In what has been a challenging commercial environment in the last 12 months, we have been able to grow our market share of storage distribution in the UK; the level of activity in our MDS Division has been increasing quarter on quarter; and in April 2003, we announced our intention to acquire Allasso, the specialist pan-European security products distributor, from Articon-Integralis, which, if approved, will provide us with a firm platform from which we can replicate our successful UK business model into other continental European markets. We, therefore, look forward to renewed growth in our business.

SSS Division

Overall revenues for the SSS division declined by 3.5% against prior year to £148.7m. However, this masks some variances in underlying performance, which saw year-on-year growth in sales of IBM and HP products compared to a relatively significant decline in sales of Sun storage equipment. The proportion of software, maintenance and consultancy revenue within this division has also grown in both absolute and relative terms to some £24.7m (2002: £19.7m) and we expect this trend to continue.

Our resilient performance in challenging circumstances is due in part to the level of investment we have made in supporting our channel partners over a number of years, (prioritising training, consultancy for themselves and their clients) as well as the commitment of certain leading vendors to their channel strategies. The commitment from key vendors has enabled us to plan our own investment over an extended period so that we can secure adequate returns from this division.

MDS Division

The MDS Division grew revenues by 100.7% this year as its contracted pipeline of high quality customers has expanded from a cumulative value of £22m of contracts won in March 2002 to in excess of £40m today.

We are encouraged by the recent levels of activity, which have resulted in winning contracts to

manage the data storage and infrastructure requirements for various large private and public sector clients. In every case we have worked with consultants, systems integrators, IT outsourcers or resellers to provide them with the infrastructure and skills necessary to offer a very cost effective managed service to their clients.

As companies examine ways to reduce the costs of their IT infrastructure; as they recognise the benefit of having their business-critical data housed externally with experts in a post 11 September world; and, as they become comfortable with outsourcing certain infrastructure functions to a provider like InTechnology with the skills, economies of scale and an ability to help them optimise the IT investments in data storage, so we expect to see our business grow. Over the course of this year we are pleased to have added high-profile customers such as Harvey Nichols, The Department for Transport, WS Atkins, ACAS, GVA Grimley, Scottish Enterprise, Sitel and Bristows. We have also increased the average size and value of contracts won so that we now manage in excess of 31 terabytes of data for clients and average customer contract values have risen to £374,000 from £311,000 a year ago.

Particularly important this year has been the increasing level of activity by our partners with our MDS Division and the successful implementation of our high bandwidth network around the UK,

Chief Executive Officer's report cont.

which we have leased from Fibernet. Since February 2003, we have been able to offer a full suite of managed services in some 19 cities around the UK when previously we were limited to central London on account of regional UK bandwidth prices. As the benefit of this network to our Managed Services is just beginning to be felt, so it should underpin the continued expansion of this division in the coming quarters.

We are also beginning to see renewals of some of the earliest contracts for our managed storage service and clients starting to take incremental infrastructure services from us such as hosting, VPNs, firewall management and internet access. As the trend continues to outsource IT infrastructure to specialist companies capable of providing superior service and economies of scale, we believe InTechnology is well positioned to support such customers' needs.

Continental Europe

In the course of this year we have closed our Managed Services subsidiary in Germany (October 2002) and announced our intention to acquire the pan-European specialist security products distributor, Allasso (April 2003). We closed the subsidiary because we believed the time it would take to generate a profit would be too long given its limited scale, track record and nascent relationships with its channel. Outsourced service providers are the trusted partners of clients and these relationships and reputations take time to

develop. By contrast, Allasso has a network of well-established and strong channel relationships; it is already profitable and has an experienced management team; and we believe it will provide a firm foundation for InTechnology to expand both its storage distribution and Managed Services into a number of Europe's other major IT markets.

The distribution of security products, particularly firewalls and VPN technologies, are closely linked to the sale of network-based storage products. Allasso has relationships with some 7,000 resellers, many of whom wish to become channel partners for storage. It has 220 employees operating within the UK, France, Germany, the Netherlands, Spain and Italy, and in the year ended 31 December 2002 it generated revenue of €152.0m and EBITDA of €10.5m. EBIT was €8.3m.

The acquisition is conditional upon Articon-Integralis shareholder approval at a general meeting on 23 June 2003 with anticipated completion at the end of July 2003.

Creating a competitive cost structure

In the market environment in which we operate it is imperative to create competitive cost structures, particularly when our partners and customers have a similar focus on value and returns on investment. In both divisions and at a central level we have maintained a policy of careful cost control this year. This is evidenced

by our continued level of operating margin within the SSS Division and a focus of value-engineering within the MDS Division. The implementation of our UK network, for example, has enabled us to drive substantial levels of cost out of our higher-end managed storage offering.

Outlook

Greater circulation of data, increased regulation and the use of more media-rich applications are obliging companies to continue to invest in data storage capacity.

Our strategy remains keenly focused on:

- Consolidating our market share in storage distribution in the UK;
- Expanding the contribution to revenue from software and services;
- Enhancing the rapid growth of our MDS Division towards profitability; and
- The expansion of our businesses into continental Europe.

While our performance will continue to be influenced by the successes and difficulties of our vendors and partners, we are confident that we have the strategy in place to continue to maximise our performance.

Charles Cameron
Chief Executive Officer
10 June 2003

Financial review

The table below compares this year's results against prior year and provides a summary of divisional performance:

	Turnover			EBITA			EBIT		
	2003 £m	2002 £m	+ / (-) £m	2003 £m	2002 £m	+ / (-) £m	2003 £m	2002 £m	+ / (-) £m
SSS	148.7	154.0	(5.3)	8.1	8.8	(0.7)	6.4	7.1	(0.7)
MDS	8.2	4.1	4.1	(9.1)	(9.7)	0.6	(11.4)	(89.4)	78.0
	156.9	158.1	(1.2)	(1.0)	(0.9)	(0.1)	(5.0)	(82.3)	77.3
Share of operating loss of associate				-	(0.4)	0.4	-	(0.4)	0.4
Exceptional costs of German subsidiary				(1.6)	-	(1.6)	(1.6)	-	(1.6)
				(2.6)	(1.3)	(1.3)	(6.6)	(82.7)	76.1

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"The cash generative nature of our business continues to be evidenced by a net cash inflow from operating activities of £2.4m (2002: £4.0m)."

SSS

Turnover in the storage products division fell by 3.5% to £148.7m (2002: £154.0m). Although sales of hardware product have declined to £124.1m (2002: £134.3m) there has been strong sales growth in storage software to £19.2m (2002: £13.4m). We expect this part of our business to advance further in the coming year and increase its contribution to divisional profitability.

MDS

Turnover increased by 100.7% to £8.2m (2002: £4.1m) with cumulative contract wins now in excess of £40m (2002: £22m).

Despite an increase in divisional gross profit to £4.9m (2002: £2.6m) the divisional cost base has increased leading to operating losses before goodwill amortisation and exceptional items of £9.1m (2002: £9.7m). Operating losses after goodwill amortisation and exceptional items was £13.0m (2002: £89.4m). This reflects additional development costs incurred together with set-up costs expensed to establish LANNet (our high performance UK wide network).

Financial review cont.

German subsidiary

During the year we closed our loss making subsidiary based in Germany. Total costs of £1,645,000 are shown as an exceptional operating expense in the profit and loss account and comprise the loss before taxation of £895,000 and a provision for closure costs of £750,000 (£209,000 of which remained at 31 March 2003 against on-going lease commitments). The Company was closed on 17 October 2002 leading to annualised cost savings of £1,800,000.

Goodwill

We have continued to evaluate the carrying value of the Group's goodwill balances by comparing them to their recoverable amounts, represented by their value in use to the Group. The value in use has been derived from discounted cash flow projections that cover the 4 years from 1 April 2003. After this 4-year period, the projections use a long-term growth rate. Our confidence in the long-term success of both SSS and MDS divisions indicate that no further impairment write down is necessary this year.

Cash flow and liquidity

The cash generative nature of our business continues to be evidenced by a net cash inflow from operating activities of £2.4m (2002: £4.0m).

Cash at bank and in hand at the year end was £18.2m (2002: £23.3m). With net cash inflow of

£8.7m (2002: £8.4m) SSS continues to demonstrate its ability to substantially fund the growth of the MDS division towards profitability.

Taxation

The tax charge of £0.4m (2002: £0.7m) on the loss on ordinary activities of £6.7m (2002: £82.5m) arises because goodwill amortisation and the exceptional charge in respect of the German subsidiary are not taxable deductions. A full reconciliation of the tax charge is provided in note 5 of the financial statements.

Financial instruments

The Group's policy is that no trading in financial instruments is undertaken. The Group's financial instruments comprise borrowings, cash and liquid resources and various items that arise directly from its operations. The main risks arising from these are interest rate risk 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.

Allasso

On 10 April 2003 InTechnology announced that it had reached agreement with Articon-Integralis AG to acquire the share capital of its subsidiaries making up the specialist network and information security distributor business, Allasso, for an initial consideration

of €25.0m (£17.2m)¹, with potential deferred consideration of up to €3.8m (£2.6m)¹. The consideration for the acquisition will be paid in cash and will be financed from InTechnology's internal cash resources and new borrowing facilities which are currently being negotiated.

Allasso is Europe's leading specialist distributor of IT security products, with over 220 staff and operations in six countries. In the year ended 31 December 2002 Allasso reported proforma revenues of €152.0m (£104.8m)¹ and EBITDA of €10.5m (£7.2m)¹. EBIT was €8.3m (£5.7m)¹.

Completion is expected on 31 July 2003, and will be subject to Articon-Integralis shareholder approval at a shareholder meeting on 23 June 2003.

Note

¹ An exchange rate of £1 to €1.45 is assumed.

Summary

InTechnology continues to perform robustly in an environment of tightening IT expenditure. With the proposed acquisition of Allasso, the enlarged Group will be in a strong position to leverage existing and new products and services into Europe.

Andrew Kaberry
Finance Director
10 June 2003

Products & services review

InTechnology plc specialises in data storage, data management and the protection of business-critical information. The Company is widely acknowledged by the UK IT community as being the market leader in this field.

Specialist Storage Solutions

Businesses and organisations of all sizes are experiencing rapid increases in their data volumes – InTechnology offers data storage solutions which are robust, scalable and cost-effective.

Working in partnership with leading hardware and software vendors and with a well-established network of resellers, InTechnology contributes the sales expertise and technical consultancy skills which deliver optimum results to end-user clients. The solutions feature Network Attached Storage ('NAS'), Storage Area Networks ('SAN'), or the increasingly popular virtualisation technology.

Principal hardware vendor partners include IBM, HP and Sun, software vendors include Brocade, VERITAS and Tivoli. In the last year InTechnology's contributions have been recognised by vendors with accreditations and awards which underline the value of the Company's expertise.

IBM has demonstrated confidence in the technical excellence of InTechnology with the award of the prized LTO accreditation. For IBM customers it means fast-track build of LTO tape libraries by

InTechnology engineers, saving time and cost in installation of new storage solutions.

InTechnology is the only IBM partner in the UK to gain the accreditation, which follows intensive auditing by IBM of InTechnology skills and technical facilities.

In December 2002, InTechnology announced a significant achievement in being recognised as Hewlett-Packard's first Service Delivery SAN Systems Integrator for Enterprise Virtual Array in the UK. This recognition further extends InTechnology's premier capabilities in deploying HP branded implementation services around the HP Storaeworks EVA. HP's latest storage certification symbolises HP's and InTechnology's desire to skill to the highest level to combat the ever-increasing complexity of enterprise data storage solutions.

InTechnology provides extensive presentation, testing and technical facilities for reseller partners to enable them to demonstrate data storage solutions to clients. For small/medium size companies faced with the problem of growing data volumes, solutions designed specifically for their needs can be shown at InTechnology's new £1m IBM TotalStorage Solution Centre. Effective data storage can be a complex issue and the Solution Centre has been launched to help non-specialists on the business and technical issues.

Brocade, the leading supplier of open Fibre Channel fabric solutions that provide the intelligent

backbone for SAN, has awarded its first UK accreditation of Elite Partner to InTechnology. The Brocade Fabric Partner Program is designed to give its partners more assistance in effectively marketing and supporting Brocade solutions.

Working in partnership with Sun Microsystems, InTechnology has over the past year delivered first class data storage solutions to a broad range of end user customers. InTechnology's professional consultants have worked with reseller partners to scope, design and implement data storage solutions built around Sun's new StorEdge family of hardware and software building blocks, matching the right storage solution to the needs of each individual customer.

Managed Services

InTechnology offers a range of Managed Services to businesses seeking to outsource part or all of their IT infrastructure. With new regulations on Data Protection and increasing concerns for Business Continuity in a climate of risk, organisations of all sizes are choosing to have their corporate data secured offsite by InTechnology.

These services are bought on a subscription basis and the sharp rise in numbers of clients in the past year includes major Government Departments and world-class businesses, medium-sized agencies and companies, law firms, consultancies and charities.

Products & services review cont.

Data is backed up on an automated basis, encrypted and sent offsite via InTechnology's private network to a secure Data Centre where it is supervised by teams of storage experts and can be retrieved in seconds. In case of a major disaster, data can be accessed by staff working remotely, ensuring business continuity.

Clients can be confident that the integrity and security of their data is assured at all times and that they have in place a reliable strategy for business continuity.

Because InTechnology has made the major investment in technical skills, secure Data Centres and communications to support these Managed Services, clients can enjoy the benefits without having to invest in their own facilities. Clients also save on staff costs and ongoing hardware costs.

"Clients can be confident that the integrity and security of their data is assured at all times ..."

Services are configured around the specific requirements of individual clients, from SME's to major enterprises.

They include:

- Network Services
- Data Centre Services
- Managed Data Recovery Solutions
- Professional Services

In February 2003 InTechnology invested in a high-speed, low cost communications network, LANnet to bring Managed Services to clients of all sizes around the UK at lower cost.

InTechnology's Data Centres in Harrogate and London offer connectivity and a secure, top-quality environment for holding and storing client data backup, replication or long term storage.

Storage solutions can be replicated at high speed between Data Centres and customer sites utilising the high capacity LANnet infrastructure. Clients gain from secure and immediate storage of all their data, along with instant and flexible access to that data from all their offices connected to the network.

For enterprises facing rapidly growing data volumes, InTechnology offers a long term storage and data archiving service. Regulatory and fiscal requirements mean that businesses increasingly need to store data securely offsite for periods of up to 7 years or longer. InTechnology's archiving service enables pre-selected data to be taken on an automated basis from client site, fed through a private network to a Data Centre and stored securely there for as long as necessary.

Case studies



Trendsetting technology for world class fashion

Harvey Nichols has long been established in its London Knightsbridge headquarters as an international leader in high fashion and style; as the glamorous Harvey Nichols brand has developed with stores around the UK, Harvey Nichols has taken the lead in the field of modern technology too – the Group's business expansion is underpinned securely with InTechnology's Managed Services.

Harvey Nichols IT Service Delivery Manager Steve Ellis realised that business expansion was going to bring problems in communications and consistent data backup across the Harvey Nichols stores; each store has its own system for electronic point of sale and data backup but skilled IT resource to assure procedures is available only in the London headquarters. Up to date and accurate data is vital in the retail world for business operations and planning, so action was required to assure reliable and secure backup of critical business data.

"I could see instantly the benefits of centralised backup with the VBAK service from InTechnology – with our new Virtual Private Network ('VPN') infrastructure in place, we could backup all our servers remotely across the VPN."

The VBAK Plus service from InTechnology now backs up data from all of Harvey Nichols' EPOS systems, office systems at the stores, merchandising systems, financial systems, personnel and payroll systems.

VBAK Plus is a fully managed, online data backup, restoration, archiving and business continuity service. A full copy of client data is retained online in a secure offsite location, enabling immediate restoration of data 24 x 7. Integrity of data is assured through use of sophisticated encryption technology onto a dedicated platform. A simple 'pay-as-you-go, pay-as-you-grow' charging model provides scalability and predictability of costs.

"A major benefit of VBAK Plus has been for our Disaster Recovery strategy," says Steve Ellis. "We have the VPN permanently connected into a Disaster Recovery centre; in case of any disaster, we can decamp to the centre, reconnect back into the stores with the VPN and restore all our data using VBAK Plus."

"The September 11th factor is still very real – we have all our 'crown jewels' as a business in one location – all our major databases and all our vital servers – and we need to know that they are securely backed up in case of disaster."

"Our stores can carry on trading with their own EPOS systems but the whole system would grind to a halt quickly without access to central systems for stock replenishment and data on transactions. With VBAK Plus, all this critical business data is safe."

Building an efficient business solution

The National Housing Federation leads the way in independent social housing throughout England. This important organisation has now built a robust and secure business solution for its data management and backup services, which will assure the integrity of members' data and also serve as a model for the housing associations. InTechnology's Managed Services provide business continuity for this premier organisation and its 1,400 members, managing around 1.8m homes.

Safeguarding the records of members and other corporate data is a key issue for Rob Green, IT Manager at The National Housing Federation. With increasing data volumes generated by the Federation's successful development, Rob became concerned that the data backup system in use was not adequate for present and future requirements. As well as practical concerns about the vulnerability to error of the existing tape-based, manual data backup and backup servers, Rob was also faced with recurring costs for backup media and licences and could see problems ahead with media changes. The Federation is planning a disaster recovery strategy, so that core data needs to be held safely offsite for restore after a disaster, rather than on the Federation premises. Data security at the regional offices was a further worry, with local staff carrying out backups outside the supervision of the IT department.



Rob decided to switch away from traditional tape-based methods of data backup and invest in Managed Services from data storage experts InTechnology. The VBAK service provides automated data backup without the need for manual intervention and extends around all of the Federation's branch offices as well as head office. Data is automatically encrypted at a central point and sent offsite via a private leased line to a secure InTechnology Data Centre. Business continuity is assured as data can be restored in minutes – whether as individual files or an entire application.

"We no longer need to purchase backup media and licences or worry about media changes or backup server upgrades in the future," explained Rob.

"We automatically have off-site storage of backups for Disaster Recovery and all our regional offices can be backed up using the same process with full control maintained within the IT department."

Backup that can keep up with Porsche

In the fast-moving and highly-competitive world of premium sports cars, Porsche stays ahead of the competition through an unremitting focus on top-quality innovation and excellence. Like all other leaders in manufacturing, Porsche keeps up with the pace of tomorrow by accelerating today – to protect its vital business data today and to save on costs, Porsche Cars Great Britain Ltd has invested in VBAK, one of the Managed Services from InTechnology.

"The VBAK system rolls a data backup solution into a disaster recovery solution, killing two birds with one stone," says Mike Rowland, Group IT Manager at Porsche.

Porsche's success is due to a continuous increase in the efficiency of all processes and the streamlining of structures – group-wide. The quality and performance of the famous sports cars has to be matched by the systems that underpin the business.

When Mike Rowland joined Porsche in 2001 as Group IT Manager, he rapidly concluded that two areas needed to be addressed: the manual, tape backup process had inherent integrity problems and there was no adequate disaster recovery strategy in place.

Although Porsche business systems are based at the head office in Germany, the British file servers hold irreplaceable and confidential customer information, together with all current and archived emails, so disaster recovery for the system was a big issue.

"If a server goes down it's absolutely critical that you can rely on your backups 100%, traditional tape media, in my opinion, just has too many inherent problems – our data is so valuable that you can't attach a cost to it!"

Mike was able to show a clear cost justification for investing in the VBAK service and was given the go-ahead for installation of the system at Porsche UK headquarters near Reading.

"VBAK speaks for itself – we compared the initial cost and ongoing subscription against the costs of the tape system with its tapes, disks, cost of offsite storage and the costs of staff time doing the backups and waiting hours for restores. There are lots of high-profile people driving Porsche cars and our customer lists are highly confidential. This coupled with our servicing and warranty information means that our data needs to be 100% reliable and VBAK gives us the comfort factor of knowing that our backups are completed in a secure off-site environment," said Mike Rowland.

Management team

Non-Executive Directors



**The Rt. Hon Lord Parkinson,
non-Executive President, aged 71**

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



**Joe McNally,
non-Executive Director, aged 60**

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



**Charles Scott,
non-Executive Director, aged 54**

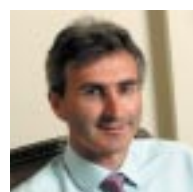
Charles Scott joined the Board in April 2001 as a non-Executive Director. A qualified chartered accountant, he also holds non-Executive directorships with a number of other companies including Adidas-Salomon AG and William Hill plc.

Executive Directors



**Peter Wilkinson,
Executive Chairman, aged 49**

Peter Wilkinson was the founder and Managing Director of STORM and VData, the predecessor businesses of InTechnology. In 2001 he formed Digital Interactive Television Group Limited where he retains a 40% shareholding and is Executive Chairman. He also retains a 40% shareholding in the The New Gadget Shop Limited. Whilst focusing on InTechnology he is also a non-Executive Director and shareholder of The Wireless Group plc, Getmedia plc and Peerless Technology Group plc.



**Charles Cameron,
Chief Executive Officer, aged 41,
appointed 1 July 2002**

Charles Cameron was an Executive Director in the Investment Banking division of Goldman Sachs. Prior to this, he was a Corporate Finance Director at Dresdner Kleinwort Benson where he founded its Technology Advisory team. He has extensive experience in advising quoted companies and assisting with their growth, both organically and via acquisition.

Management team cont.



Andrew Kaberry,
Finance Director, aged 56

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



Richard James,
Company Secretary, aged 42

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



Bryn Sage,
Sales Director, aged 37

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.



Steve Pearce,
Chief Operating Officer and
Business Development Director,
aged 44

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



John Swingewood,
Chief Technical Officer, aged 48

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.

Director's report

The Directors present their annual report and audited financial statements of the Company and the Group for the year ended 31 March 2003.

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 year's performance and the outlook for the current financial year are provided in the Executive Chairman's statement, the Chief Executive Officer's report and Financial review on pages 3 to 9.

Results and dividends

The Directors are unable to recommend the payment of a dividend in respect of the year ended 31 March 2003 (2002: £nil). The Company currently intends to reinvest future earnings to finance the growth of the business.

The loss sustained for the financial year of £7,042,000 (2002: £83,172,000) will be deducted from reserves.

Charitable and political donations

The contributions made by the Group during the year for charitable purposes totalled £16,000 (2002: £19,000). The Group made no political contributions (2002: £nil).

Directors

The Directors of the Company during the year ended 31 March 2003 are shown on pages 14 to 15.

Re-election of Directors

In accordance with the Articles of Association of the Company, one-third of the Directors will retire by rotation. Accordingly, Steve Pearce, John Swingewood and Bryn Sage will retire by rotation and, being eligible, offer themselves for re-election at the forthcoming AGM.

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

Directors' remuneration and interests

The Remuneration report is set out on pages 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.

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.

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

Substantial shareholdings

At 10 June 2003, the Company had received notification that the following are interested in more than 3 per cent of the issued ordinary share capital of the Company:

	Percentage of shares held
Peter Wilkinson	56.77
Artemis Investment Management Limited	9.26
Jon Wood	7.62
Andrew Kaberry	7.15
Steve Pearce	3.58

Going concern

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

Director's report cont.

Employees

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

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

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

Share schemes

Share ownership is at the heart of the Group's remuneration philosophy and the Directors believe that the key to the Group's future success lies in a motivated workforce holding a stake in the Company. The schemes are described in the Board's Remuneration report and details of the options granted under the schemes are set out in note 18 to the financial statements. All permanent employees are eligible to join the schemes.

Research and development

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

Policy and practice on payment of creditors

It is the Group's policy to agree terms and conditions for its business transactions with its suppliers. The Group seeks to abide by the payment terms agreed with suppliers whenever it is satisfied that the supplier has provided the goods or services in accordance with the agreed terms and conditions.

Average creditor days for the year ended 31 March 2003 was 41 days (2002: 41 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 6 August 2003. 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.

Independent auditors

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership ('LLP') from 1 January 2003, PricewaterhouseCoopers resigned on 21 January 2003 and the Directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the Company will be proposed at the AGM.

By order of the Board

Richard James
Company Secretary
10 June 2003

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 these principles, (including those set out in Section 1 of the Principles of Good Governance and Code of Best Practice 'the Combined Code' published by the London Stock Exchange in June 1998), 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.

Board of Directors

The Board of Directors consists of ten members, including a non-Executive President and two other non-Executive Directors.

The roles of President, Executive Chairman and Chief Executive Officer are separated and clearly defined. The activities of the Group are controlled by the Board, which meets throughout the year. There is a formal schedule of matters specifically reserved for the full Board's decision, together with a

policy enabling Directors to take independent advice in the furtherance of their duties at the Group's expense. The Board programme is designed so that Directors have regular opportunity to consider the Group's strategy, policies, budgets, progress reports and financial position and to arrive at a balanced assessment of the Group's position and prospects.

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

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

The Audit Committee Comprises the two non-Executive Directors and the non-Executive President and is chaired by Lord Parkinson. Its duties include a comprehensive review of the annual and interim financial statements before they are presented to the Board for approval. The Audit Committee

meets at least twice a year to review the findings of the external auditors, key accounting policies and judgements. It has unrestricted access to the Company's auditors.

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

Relations with shareholders

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

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

Corporate governance cont.

Internal control

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

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

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

- a. Preparation of budgets and forecasts approved by the Board.
- b. Monthly management accounts, showing comparisons of actual results against budget and prior

year results, are reviewed by the Board. Variances from budget are thoroughly investigated. 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.

In the light of the Turnbull Committee guidance published in September 1999, the Board has continued to enhance its risk control programme, in particular, those elements which relate to ensuring that risk reviews are formally embedded in control systems rather than being the subject of formal annual reviews.

Statement of Directors' responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently as explained on pages 28 to 29 under the heading 'Accounting policies'. They also confirm that reasonable and prudent judgements and estimates have been made in preparing the financial statements for the year ended 31 March 2003, 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
10 June 2003

Remuneration report

The Remuneration Committee comprises the non-Executive Directors:

Joe McNally (Chairman)

The Rt. Hon. Lord Parkinson

Charles Scott

Directors' remuneration

Remuneration of non-Executive Directors

The remuneration of the non-Executive Directors is determined by the Board, with the assistance of independent advice concerning comparable organisations and appointments. The non-Executive Directors do not take part in discussions on their remuneration.

Neither the non-Executive President nor the other non-Executive Directors received any pension or other benefits from the Group, nor did they participate in any of the bonus schemes.

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

Remuneration of Executive Directors

The main aim of the Company's Executive pay policy is to secure the skills and experience needed to meet its strategic business objectives. Furthermore, the

Company aims to align the interests of all employees as closely as possible with the interests of shareholders through share-based incentives.

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

- a. The basic salaries and benefits available to Executive Directors of comparable companies.
- b. The need to attract and retain Directors of an appropriate calibre.
- c. The need to ensure Executive Directors' commitment to the continued success of the Group by means of incentive schemes.

The Company's remuneration policy is to:

- a. Have regard to the Directors' experience and the nature and complexity of their work in order to pay a competitive salary that attracts and retains management of the highest quality.
- b. Link individual remuneration packages to the Group's long term performance through the award of share options and incentive schemes.

- c. Provide post retirement benefits through defined contribution pension schemes.
- d. Provide employment-related benefits including the provision of a company car, (or car allowance), fuel, medical and life insurance and insurance relating to the Directors' duties.

Salaries

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

Pensions

The Executive Directors are members of defined contribution pension schemes, the assets of which are held independently of the Company. The amounts contributed by the Company, (based on salaries excluding bonuses), for the year ended 31 March 2003 were £51,000 (2002: £44,000). The Company does not provide any other post-retirement benefits to the Directors.

Remuneration report cont.

Contracts of service

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

Peter Wilkinson	12 months
Charles Cameron	12 months
Andrew Kaberry	6 months
Richard James	12 months
Steve Pearce	6 months
Bryn Sage	6 months
John Swingewood	12 months

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

Non-Executive Directorships

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

Directors' emoluments

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

	Salary	Bonus	2003 Benefits in kind	Pension contributions	Total	2002 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Executive Directors						
Peter Wilkinson	200	12	33	2	247	239
John Swingewood	157	50	1	8	216	207
Charles Cameron	173	-	2	19	194	-
Andrew Kaberry	150	-	30	12	192	188
Bryn Sage	100	63	15	5	183	189
Richard James	142	20	4	-	166	167
Steve Pearce	110	-	20	5	135	134
	1,032	145	105	51	1,333	1,124
	Fees	Bonus	Benefits in kind	Pension contributions	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Non-Executive Directors						
The Rt. Hon. Lord Parkinson	45	-	-	-	45	45
Joe McNally	20	-	-	-	20	20
Charles Scott	20	-	-	-	20	15
David von Simson	-	-	-	-	-	3
	85	-	-	-	85	83
Total	1,117	145	105	51	1,418	1,207

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

Remuneration report cont.

Directors' interests

Interests in shares

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

	2003		2002	
	Number	Percentage of shares held	Number	Percentage of shares held
Peter Wilkinson	78,403,998	56.8%	79,403,998	57.5%
Andrew Kaberry	9,879,562	7.2%	9,879,562	7.2%
Steve Pearce	4,939,781	3.6%	4,939,781	3.6%
John Swingewood	1,000,000	0.7%	-	-
	94,223,341	68.3%	94,223,341	68.3%

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

Apart from the interests disclosed above and the interests in share options disclosed below, none of the other Directors of the Company at 31 March 2003 were interested at any time in the year in the share capital of the Company or other Group companies.

There have been no other changes in Directors' shareholdings since 31 March 2003.

Interests in share options

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

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

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

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

Further details are provided in note 18.

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

Executive Directors	No. of share options 2003	No. of share options 2002	Exercise price (p)	Earliest exercise date	Expiry date
Richard James	400,000	400,000	150.0	01/09/03	01/04/11
Richard James	400,000	-	52.0	04/07/05	04/07/12
Andrew Kaberry	1,596,399	1,596,399	43.3	23/12/02	23/12/09
Bryn Sage	798,200	798,200	43.3	23/12/02	23/12/09
Bryn Sage	443,769	443,769	1.8	07/01/03	07/01/10
John Swingewood	500,000	500,000	279.0	01/05/04	01/05/11
John Swingewood	500,000	-	65.0	11/06/05	11/06/12
Charles Cameron	750,000	-	52.0	04/07/05	04/07/12
Non-Executive Directors					
Lord Parkinson	221,885	221,885	1.8	07/01/03	07/01/10
Lord Parkinson	203,178	203,178	43.3	23/12/02	23/12/09
Joe McNally	50,000	50,000	337.5	01/11/03	01/11/10
Charles Scott	50,000	50,000	327.5	02/01/04	02/01/11

No Directors have been granted or exercised share options since 31 March 2003.

The market price of the Company's shares at 31 March 2003 was 46.8p (2002: 110.2p) and the range during the year then ended was 38.0p to 117.5p.

Joe McNally

Non-Executive Director

10 June 2003

Independent auditors' report to the members of InTechnology plc

For the year ended 31 March 2003

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

Respective responsibilities of Directors and auditors

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

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

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the United Kingdom Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding Directors' remuneration and transactions is not disclosed.

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

Basis of audit opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts

and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the Company and the Group as at 31 March 2003 and of the loss and cash flows of the Group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Leeds
10 June 2003

Consolidated profit & loss account

For the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Turnover	1	156,899	158,108
Cost of sales		(133,642)	(135,853)
Gross profit		23,257	22,255
Net operating expenses before depreciation, amortisation of goodwill and exceptional items		(19,314)	(19,407)
Depreciation		(4,885)	(3,679)
Amortisation of goodwill		(3,980)	(7,995)
Exceptional costs of German subsidiary	2	(1,645)	-
Exceptional goodwill impairment charge		-	(73,493)
Net operating expenses		(29,824)	(104,574)
Group operating loss		(6,567)	(82,319)
Share of operating loss of associate		-	(353)
Total operating loss		(6,567)	(82,672)
Net interest (payable)/receivable	3	(108)	178
Loss on ordinary activities before taxation	1 & 4	(6,675)	(82,494)
Tax on loss on ordinary activities	5	(367)	(678)
Loss sustained for the financial year	19	(7,042)	(83,172)
EBITDA		3,943	2,848
Loss per share (pence)			
Basic and diluted	7	(5.10)	(60.23)
Adjusted loss per share (pence)			
Basic and diluted	7	(1.03)	(0.96)

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

All of the activities of the Group relate to continuing operations.

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

Consolidated statement of total recognised gains and losses

For the year ended 31 March 2003

	2003 £'000	2002 £'000
Loss sustained for the financial year	(7,042)	(83,172)
Exchange adjustments offset in reserves	-	(16)
Total recognised losses relating to the year	(7,042)	(83,188)
Prior year adjustment on adoption of FRS 19	-	239
Total recognised losses since last annual report	(7,042)	(82,949)

Reconciliation of movements in Group shareholders' funds

For the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Loss sustained for the financial year		(7,042)	(83,172)
Other recognised losses relating to the year		-	(16)
Nominal value of ordinary share capital issued		-	1
Premium on ordinary share capital issued		-	43
Net change in shareholders' funds		(7,042)	(83,144)
Opening shareholders' funds	19	104,489	187,633
Closing shareholders' funds	19	97,447	104,489

Balance sheets

As at 31 March 2003

	Note	Group		Company	
		2003 £'000	2002 £'000	2003 £'000	2002 £'000
Fixed assets					
Intangible assets	8	68,964	72,944	69,244	73,224
Tangible assets	9	12,179	11,811	12,179	11,440
Investment in subsidiary undertakings	10	-	-	7,049	9,677
		81,143	84,755	88,472	94,341
Current assets					
Stock	11	9,225	11,448	9,225	11,448
Debtors					
- due after more than one year	12	-	-	1,455	1,842
- due within one year	12	35,542	40,720	35,542	40,652
		35,542	40,720	36,997	42,494
Cash at bank and in hand		18,155	23,319	18,155	22,665
		62,922	75,487	64,377	76,607
Creditors - amounts falling due within one year	13	(45,109)	(48,584)	(45,109)	(48,457)
Net current assets		17,813	26,903	19,268	28,150
Total assets less current liabilities		98,956	111,658	107,740	122,491
Creditors - amounts falling due after more than one year					
	14	(1,300)	(7,169)	(9,810)	(15,679)
Provisions for liabilities and charges	17	(209)	-	(209)	-
Net assets		97,447	104,489	97,721	106,812
Capital and reserves					
Called up share capital					
- equity	18 & 19	1,381	1,381	1,381	1,381
- non-equity	18 & 19	480	480	480	480
Share premium account	19	188,391	188,391	188,391	188,391
Profit and loss account	19	(92,805)	(85,763)	(92,531)	(83,440)
Shareholders' funds (including non-equity interests)	19	97,447	104,489	97,721	106,812
Shareholders' funds comprise:					
Equity interests		95,207	102,249	95,481	104,572
Non-equity interests		2,240	2,240	2,240	2,240
		97,447	104,489	97,721	106,812

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The financial statements on pages 24 to 44 were approved by the Board of Directors on 10 June 2003 and were signed on its behalf by:

Andrew Kaberry
Finance Director

Consolidated cash flow statement

For the year ended 31 March 2003

	Note	2003 £'000	2002 £'000
Net cash inflow from operating activities	20	2,356	4,047
Returns on investments and servicing of finance			
Interest received		451	786
Interest element of finance lease payments		(105)	(3)
Interest paid		(454)	(605)
Net cash (outflow)/inflow from returns on investments and servicing of finance		(108)	178
Taxation paid		(676)	(1,490)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,911)	(5,308)
Sale of tangible fixed assets		187	117
Net cash outflow from capital expenditure and financial investment		(3,724)	(5,191)
Net cash outflow before use of liquid resources and financing		(2,152)	(2,456)
Management of liquid resources			
Decrease in short term deposits with financial institutions		10,000	5,000
Financing			
Issue of ordinary share capital		-	44
Repayment of secured loans		(2,199)	(1,021)
Capital element of finance lease payments		(813)	(57)
Net cash outflow from financing		(3,012)	(1,034)
Increase in cash in the year	21	4,836	1,510

Accounting policies

The Directors have performed a review of the Group's accounting policies in accordance with FRS 18 'Accounting policies'. This review did not result in any changes in accounting policies because the Directors concluded that the accounting policies adopted by the Group are the most appropriate for its circumstances.

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 have been prepared in accordance with the historical cost convention.

Basis of consolidation

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

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

Goodwill

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

Tangible fixed assets

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

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

- Freehold buildings - 2%
- Leasehold improvements - 20% to 50%
- Office fixtures and fittings - 25% to 50%
- Vehicles and computer equipment - 25% to 50%
- Freehold land is not depreciated.

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

Stocks

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

Revenue recognition

Revenue on the outright sale of equipment and software is recognised on invoice at the time of despatch. Service revenues are recognised evenly 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.

Accounting policies continued

Lease agreements

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

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

Deferred taxation

Full provision is made for deferred taxation resulting from timing differences between profits computed for taxation purposes and profits stated in the financial statements to the extent that there is an obligation to pay more tax in the future as a result of the reversal of those timing differences.

Deferred tax assets are recognised to the extent they are expected to be recoverable in the foreseeable future.

Research and development

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

Pension costs

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

Share schemes

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

Notes to the financial statements

For the year ended 31 March 2003

1 Segmental information

	Turnover by destination		Turnover by source		Loss before taxation by source	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Geographical analysis						
United Kingdom	155,089	157,151	156,888	158,095	(4,922)	(80,522)
Continental Europe	1,313	941	11	13	(1,645)	(1,797)
North America	497	16	-	-	-	-
	156,899	158,108	156,899	158,108	(6,567)	(82,319)
Share of operating loss of associate - United Kingdom					-	(353)
Net interest (payable)/receivable					(108)	178
Total					(6,675)	(82,494)

	Turnover		(Loss)/profit before taxation			
	2003 £'000	2002 £'000	Before goodwill amortisation and exceptional items		After goodwill amortisation and exceptional items	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000	2003 £'000	2002 £'000

Business analysis

SSS	148,681	154,013	8,148	8,823	6,449	7,123
MDS	8,218	4,095	(9,090)	(9,654)	(13,016)	(89,442)
	156,899	158,108	(942)	(831)	(6,567)	(82,319)
Share of operating loss of associate			-	(353)	-	(353)
Net interest (payable)/receivable			(108)	178	(108)	178
Total			(1,050)	(1,006)	(6,675)	(82,494)

Net assets

Geographical analysis

	2003 £'000	Including goodwill 2002 £'000	2003 £'000	Excluding goodwill 2002 £'000
United Kingdom	97,447	103,911	28,483	30,967
Continental Europe	-	578	-	578
Group total	97,447	104,489	28,483	31,545

Business analysis

SSS	33,800	33,940	4,358	2,798
MDS	45,492	47,230	5,970	5,428
	79,292	81,170	10,328	8,226
Cash	18,155	23,319	18,155	23,319
Group total	97,447	104,489	28,483	31,545

Notes to the financial statements continued

For the year ended 31 March 2003

2 Exceptional costs of German subsidiary

The exceptional costs of the German subsidiary represent the loss before taxation incurred of £895,000 (2002: £1,797,000) and a provision for closure costs in InTechnology AG of £750,000 (2002: £nil). The Company was closed on 17 October 2002.

3 Net interest (payable)/receivable

	2003 £'000	2002 £'000
Interest payable on bank loans and overdrafts	(8)	(45)
Interest payable on other loans	(446)	(560)
Interest payable on finance leases	(105)	(3)
	(559)	(608)
Bank interest receivable	451	786
Net interest (payable)/receivable	(108)	178

4 Loss on ordinary activities before taxation

	2003 £'000	2002 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs (note 24)	11,008	10,324
Depreciation of owned tangible fixed assets	4,044	3,609
Depreciation of leased tangible fixed assets	841	70
Amortisation of goodwill	3,980	7,995
Exceptional goodwill impairment charge	-	73,493
Exceptional costs of German subsidiary	1,645	-
Other operating lease rentals	2,205	2,216
Auditors' remuneration - audit	50	58
Auditors' remuneration - non-audit	10	10
(Profit)/loss on disposal of tangible fixed assets	(41)	31

Auditors' remuneration includes £45,000 (2002: £48,000) in respect of audit services and £7,000 (2002: £7,000) in respect of non-audit services provided to the Company. Non-audit services provided to the Group and Company relate to tax compliance.

Notes to the financial statements continued

For the year ended 31 March 2003

5 Tax on loss on ordinary activities

	2003 £'000	2002 £'000
Tax charge comprises:		
United Kingdom corporation tax at 30% (2002: 30%)		
Current	(187)	(599)
Under provision in respect of prior years	(185)	(70)
Total current tax	(372)	(669)
Deferred tax (note 16)	5	(9)
	(367)	(678)

The tax charge on profits before goodwill charges is higher (2002 higher) than the standard rate of corporation tax in the UK. The differences are explained below:

	2003 £'000	2002 £'000
Loss on ordinary activities before taxation	(6,675)	(82,494)
Amortisation of goodwill	3,980	7,995
Exceptional goodwill impairment charge	-	73,493
	(2,695)	(1,006)
At standard rate of corporation tax of 30% (2002: 30%)	(809)	(302)
Effects of:		
Expenses not deductible for tax purposes	544	159
Adjustment to tax charge in respect of previous periods	185	70
Capital allowances for year (in excess of)/lower than depreciation	(41)	55
Overseas tax rates/losses not used	493	539
Other	-	148
	372	669

At 31 March 2003, the Company had accumulated tax losses of approximately £2,973,000 which are available for offset against future trading profits of certain Group operations.

6 Loss of the holding company

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented in these financial statements. The parent Company's loss for the year ended 31 March 2003 was £9,091,000 (2002: £85,383,000).

Notes to the financial statements continued

For the year ended 31 March 2003

7 (Loss)/earnings per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £7,042,000 (2002: £83,172,000) by the weighted average number of ordinary shares in issue during the year of 138,101,518 (2002: 138,089,272).

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

	2003		2002	
	(Loss)/ earnings £'000	(Loss)/ earnings per share pence	(Loss)/ earnings £'000	(Loss)/ earnings per share pence
Loss attributable to ordinary shareholders	(7,042)	(5.10)	(83,172)	(60.23)
Amortisation of goodwill	3,980	2.88	7,995	5.79
Exceptional costs of German subsidiary	1,645	1.19	-	-
Exceptional goodwill impairment charge	-	-	73,493	53.22
Share of operating loss of associate	-	-	353	0.26
Adjusted basic loss per share	(1,417)	(1.03)	(1,331)	(0.96)

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

8 Intangible fixed assets

Group	Goodwill £'000
Cost	
At 31 March 2003 and 1 April 2002	159,908
Amortisation	
At 1 April 2002	86,964
Charge for the year	3,980
At 31 March 2003	90,944
Net book amount at 31 March 2003	68,964
Net book amount at 31 March 2002	72,944
Company	Goodwill £'000
Cost	
At 31 March 2003 and 1 April 2002	158,613
Amortisation	
At 1 April 2002	85,389
Charge for the year	3,980
At 31 March 2003	89,369
Net book amount at 31 March 2003	69,244
Net book amount at 31 March 2002	73,224

Notes to the financial statements continued

For the year ended 31 March 2003

9 Tangible fixed assets

Group	Freehold land and buildings £'000	Leasehold improvements £'000	Office fixtures and fittings £'000	Vehicles and computer equipment £'000	Total £'000
Cost					
At 1 April 2002	3,371	1,405	1,362	12,273	18,411
Additions	199	174	135	4,980	5,488
Disposals	-	-	(18)	(342)	(360)
At 31 March 2003	3,570	1,579	1,479	16,911	23,539
Accumulated depreciation					
At 1 April 2002	188	386	686	5,340	6,600
Charge for the year	137	283	325	4,140	4,885
Exceptional charge for German subsidiary (note 2)	-	-	-	89	89
Disposals	-	-	(8)	(206)	(214)
At 31 March 2003	325	669	1,003	9,363	11,360
Net book amount at 31 March 2003	3,245	910	476	7,548	12,179
Net book amount at 31 March 2002	3,183	1,019	676	6,933	11,811

Company	Freehold land and buildings £'000	Leasehold improvements £'000	Office fixtures and fittings £'000	Vehicles and computer equipment £'000	Total £'000
Cost					
At 1 April 2002	3,371	1,405	1,344	11,780	17,900
Additions	199	174	135	4,955	5,463
Transfer from Group undertaking	-	-	-	285	285
Disposals	-	-	-	(332)	(332)
At 31 March 2003	3,570	1,579	1,479	16,688	23,316
Accumulated depreciation					
At 1 April 2002	188	386	681	5,205	6,460
Charge for the year	137	283	322	4,143	4,885
Disposals	-	-	-	(208)	(208)
At 31 March 2003	325	669	1,003	9,140	11,137
Net book amount at 31 March 2003	3,245	910	476	7,548	12,179
Net book amount at 31 March 2002	3,183	1,019	663	6,575	11,440

Analysis of net book amount of freehold land and buildings

	Group and Company	
	2003 £'000	2002 £'000
Freehold land	1,233	1,213
Freehold buildings	2,012	1,970
	3,245	3,183

The net book amount of Group and Company tangible assets includes an amount of £2,245,000 (2002: £804,000) in respect of assets held under finance leases.

Notes to the financial statements continued

For the year ended 31 March 2003

10 Investments

	Company £'000
Shares in group undertakings	
At 1 April 2002	9,677
Additional investments in German subsidiary:	
25/04/2002	155
22/05/2002	159
24/06/2002	163
26/07/2002	127
22/08/2002	97
Write down in carrying value of German subsidiary	(3,329)
At 31 March 2003	7,049

Investments in group undertakings are stated at cost.

Details of the principal investments at 31 March 2003 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
HOLF Technologies Limited	England	Dormant	100%
VData Limited	England	Dormant	100%
Integrated Technology (Europe) Limited	England	Dormant	100%

11 Stocks

	Group and Company	
	2003 £'000	2002 £'000
Goods for re-sale	9,225	11,448

Notes to the financial statements continued

For the year ended 31 March 2003

12 Debtors

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	-	1,455	1,842
Amounts falling due within one year:				
Trade debtors	26,074	31,925	26,074	31,903
Other debtors	6,657	6,079	6,657	6,080
Deferred tax (note 16)	235	230	235	230
Prepayments and accrued income	2,576	2,486	2,576	2,439
Total	35,542	40,720	36,997	42,494

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

13 Creditors – amounts falling due within one year

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	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank and other borrowings	5,738	2,199	5,738	2,199
Obligations under finance leases	1,156	507	1,156	507
Trade creditors	32,670	38,859	32,670	38,845
Corporation tax	336	640	336	640
Other taxation and social security	1,343	2,714	1,343	2,699
Other creditors	276	453	276	451
Accruals and deferred income	3,590	3,212	3,590	3,116
	45,109	48,584	45,109	48,457

Bank and other borrowings comprise loans due within 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.

14 Creditors – amounts falling due after more than one year

	Group		Company	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Bank and other borrowings	-	5,738	-	5,738
Obligations under finance leases	1,300	1,185	1,300	1,185
Trade creditors	-	246	-	246
Amounts owed to Group undertakings	-	-	8,510	8,510
	1,300	7,169	9,810	15,679

Amounts owed to Group undertakings are unsecured.

Notes to the financial statements continued

For the year ended 31 March 2003

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

Bank and other borrowings are repayable as follows:

	Group and Company Bank and other borrowings		Group and Company Finance leases	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
In one year or less	5,738	2,199	1,156	507
Between one and two years	-	5,738	1,079	631
Between two and five years	-	-	221	554
	5,738	7,937	2,456	1,692

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 year 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 year under review. The year end position reflects these policies and there have been no changes in policies or risks since the year 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 interest bearing deposit.

Liquidity risk is further managed by agreeing separate borrowing facilities for any additional working capital and investment requirements. In accordance with this policy, the Group has negotiated an invoice discounting facility of £946,000 with IBM, which was unused as at 31 March 2003. This facility is provided on a rolling basis and is subject to 60 days notice by either party.

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

Interest rate risk profile of financial assets

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

Currency	Floating rate 2003 £'000	Floating rate 2002 £'000
	Sterling	18,137
Dollar	4	-
Euro	14	654
	18,155	23,319

The financial assets relate to cash at bank and bear interest based on LIBOR. There are no fixed rate financial assets (2002: £nil).

Notes to the financial statements continued

For the year ended 31 March 2003

15 Financial instruments continued

Interest rate risk profile of financial liabilities

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

	2003 £'000	2002 £'000
Currency – sterling		
Floating rate bank and other borrowings	5,738	7,937
Fixed rate finance leases	2,456	1,692
Total	8,194	9,629
Weighted average fixed interest rate	9.14%	6.64%
Weighted average period for which rate is fixed	2.1 years	3.1 years

Financial liabilities include secured loan arrangements with IBM and finance leases 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 committed facilities available as at 31 March, in respect of which all conditions have been met at that date, were as follows:

	2003 £'000	2002 £'000
Expiring within one year	946	2,500

Non-equity shares

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

Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than by a forced or liquidation sale, and excludes accrued interest. The fair value of financial assets and liabilities as at 31 March 2003 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.

Notes to the financial statements continued

For the year ended 31 March 2003

16 Deferred tax asset

	Group and Company £'000
At 1 April 2002	230
Credited to the profit and loss account	5
At 31 March 2003	235

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

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

Group and Company	Amount recognised		Amount not recognised	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Accelerated capital allowances	-	-	322	270
Short term timing differences	235	230	-	-
Losses carried forward	-	-	892	892
	235	230	1,214	1,162

Based on current capital expenditure plans, the Group does not expect fixed asset timing differences to reverse in the foreseeable future, hence no deferred tax liability has been recognised in respect of accelerated capital allowances. In addition, in the light of medium term forecasts prepared, the Group does not at present consider it more likely than not that suitable taxable profits will be available to offset the losses carried forward, hence no deferred tax asset has been recognised in respect of losses carried forward. In accordance with FRS 19 'Deferred tax', the Directors will continue to assess whether deferred tax assets should be recognised in respect of these items.

17 Provisions for liabilities and charges

	Group and Company Lease commitments £'000
At 1 April 2002	-
Charged to the profit and loss account	750
Utilised in the year	(541)
At 31 March 2003	209

The remaining provision at 31 March relates to lease commitments for the unoccupied offices of the German subsidiary, which was closed on 17 October 2002. It is expected that these payments will arise for the period to January 2003 by which time it is anticipated the offices will be re-occupied.

Notes to the financial statements continued

For the year ended 31 March 2003

18 Called up share capital

	Company	
	2003 £'000	2002 £'000
Authorised		
252,000,000 Ordinary shares of 1p each	2,520	2,520
48,000,000 Deferred shares of 1p each	480	480
Total	3,000	3,000
	2003 £'000	2002 £'000
Allotted, called up and fully paid		
138,101,518 Ordinary shares of 1p each	1,381	1,381
48,000,000 Deferred shares of 1p each	480	480
Total	1,861	1,861

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

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Share options

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

During the year the Company did not issue any shares in respect of the exercise of employee share options (2002: 101,589 shares).

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
	2003	2002			
HOLF scheme	7,775,912	7,877,501	43.3	23/12/02	23/12/09
VData scheme	5,425,081	5,425,081	1.8	07/01/03	07/01/10
InTechnology scheme	1,730,963	-	50.5	19/07/05	19/07/12
InTechnology scheme	1,150,000	-	52.0	04/07/05	04/07/12
InTechnology scheme	500,000	-	65.0	11/06/05	11/06/12
InTechnology scheme	1,344,000	1,619,000	150.0	24/07/03 - 15/03/04	24/07/10 - 15/03/11
InTechnology scheme	718,000	2,341,386	172.0	20/12/04	20/12/11
InTechnology scheme	570,000	570,000	279.0	15/03/04 - 01/05/04	15/03/11 - 01/05/11
InTechnology scheme	50,000	50,000	327.5	02/01/04	02/01/11
InTechnology scheme	50,000	50,000	337.5	01/11/03	01/11/10
	19,313,956	17,932,968			

Further details of the share option schemes in operation are given under the heading 'Interests in share options' in the Remuneration Report on pages 20 to 22.

Notes to the financial statements continued

For the year ended 31 March 2003

19 Shareholders' funds

Group	Ordinary share capital £'000	Deferred shares £'000	Share premium account £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 April 2002	1,381	480	188,391	(85,763)	104,489
Loss sustained for the financial year	-	-	-	(7,042)	(7,042)
At 31 March 2003	1,381	480	188,391	(92,805)	97,447

Company	Ordinary share capital £'000	Deferred shares £'000	Share premium account £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 April 2002	1,381	480	188,391	(83,440)	106,812
Loss sustained for the financial year	-	-	-	(9,091)	(9,091)
At 31 March 2003	1,381	480	188,391	(92,531)	97,721

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

	2003 £'000	2002 £'000
Group operating loss	(6,567)	(82,319)
Depreciation of tangible fixed assets	4,885	3,679
Depreciation of tangible fixed assets - exceptional costs of German subsidiary (note 2)	89	-
Goodwill amortisation	3,980	7,995
Exceptional goodwill impairment charge	-	73,493
(Profit)/loss on disposal of tangible fixed assets	(41)	31
Decrease/(increase) in stocks	2,223	(2,235)
Decrease/(increase) in debtors	5,183	(2,017)
(Decrease)/increase in creditors and provisions	(7,396)	5,420
Net cash inflow from operating activities	2,356	4,047

Notes to the financial statements continued

For the year ended 31 March 2003

21 Reconciliation of movement in net funds

	2003 £'000	2002 £'000
Increase in cash in the year	4,836	1,510
Net cash outflow from decrease in finance leases	813	57
Decrease in short term deposits	(10,000)	(5,000)
Cash outflow from repayment of debt	2,199	1,021
Change in net funds resulting from cash flows	(2,152)	(2,412)
Non-cash changes:		
Inception of new finance leases	(1,577)	(1,749)
Other non-cash changes in secured loans	-	(47)
Movement in net funds in the year	(3,729)	(4,208)
Net funds at start of year	13,690	17,898
Net funds at end of year	9,961	13,690

22 Analysis of net funds

	At 1 April 2002 £'000	Cashflow £'000	Other non-cash changes £'000	At 31 March 2003 £'000
Cash at bank and in hand	13,319	4,836	-	18,155
Short term deposits	10,000	(10,000)	-	-
Finance leases	(1,692)	813	(1,577)	(2,456)
Debt due after more than one year	(5,738)	-	5,738	-
Debt due within one year	(2,199)	2,199	(5,738)	(5,738)
Net funds	13,690	(2,152)	(1,577)	9,961

23 Directors' emoluments

A detailed analysis of Directors' individual emoluments, together with information on pensions, including that of the highest paid Director, is given under the headings 'Remuneration of Executive Directors', 'Salaries', 'Pensions' and 'Directors' emoluments', in the Remuneration report.

	2003 £'000	2002 £'000
Aggregate emoluments	1,282	1,080
Company contributions to defined contribution pension schemes	51	44
Sums paid to third parties for directors' services	85	83
	1,418	1,207

During the year, retirement benefits were accruing to all seven (2002: six) Executive Directors under defined contribution pension schemes.

Notes to the financial statements continued

For the year ended 31 March 2003

24 Employee information

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

By category	2003 Number	2002 Number
Sales	75	75
Technical	59	52
Operations	59	59
Administration	49	46
	242	232

Staff costs for the persons above were:

	2003 £'000	2002 £'000
Wages and salaries	9,699	9,135
Social security costs	1,143	1,049
Pension costs	166	140
	11,008	10,324

25 Financial commitments

At 31 March 2003 the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other assets	
	2003 £'000	2002 £'000	2003 £'000	2002 £'000
Expiring within one year	98	185	110	166
Expiring within one to two years	825	393	110	108
Expiring within two to five years	268	783	-	-
Expiring after five years	944	873	-	-
	2,135	2,234	220	274

Notes to the financial statements continued

For the year ended 31 March 2003

26 Post balance sheet event

On 10 April 2003 InTechnology announced that it had reached agreement with Articon-Integralis AG to acquire the share capital of its subsidiaries making up the specialist network and information security distributor business, Allasso, for an initial consideration of €25.0m (£17.2m)¹, with potential deferred consideration of up to €3.8m (£2.6m)¹. The consideration for the acquisition will be paid in cash and will be financed from InTechnology's internal cash resources and new borrowing facilities.

Allasso is Europe's leading specialist distributor of IT security products, with over 220 staff and operations in six countries. In the year ended 31 December 2002 Allasso reported proforma revenues of €152.0m (£104.8m)¹ and EBITDA of €10.5m (£7.2m)¹. EBIT was €8.3m (£5.7m)¹.

Completion is expected on 31 July 2003, and will be subject to Articon-Integralis shareholder approval at a shareholder meeting on 23 June 2003.

Note

¹ An exchange rate of £1 to €1.45 is assumed.

27 Related party transactions

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

Peter Wilkinson is a shareholder in British Sky Broadcasting plc ('BSkyB'). InTechnology has sold services totalling £149,000 (2002: £166,000) to BSkyB in the year. As at 31 March 2003, InTechnology was owed £15,000 (2002: £nil) by BSkyB.

Peter Wilkinson is a shareholder in the ultimate parent company of Planetfootball.com Limited, BSkyB. InTechnology has sold services totalling £197,000 (2002: £377,000) to Planetfootball.com Limited in the year. As at 31 March 2003, InTechnology was owed £37,000 (2002: £146,000) by Planetfootball.com Limited.

Peter Wilkinson is a non-Executive Director of and Peter Wilkinson, Richard James and John Swingewood are shareholders in The New Gadget Shop Limited. InTechnology has sold services totalling £73,000 (2002: £81,000) to The New Gadget Shop Limited in the year. There were no amounts outstanding at 31 March 2003 (2002: £14,000).

Peter Wilkinson is Executive Chairman of, Richard James is a Director of and Peter Wilkinson, Richard James and John Swingewood hold beneficial interests in shares in Digital Interactive Television Group Limited. InTechnology has sold services totalling £800,000 (2002: £206,000) to Digital Interactive Television Group Limited in the year. As at 31 March 2003, InTechnology was owed £265,000 (2002: £65,000) by Digital Interactive Television Group Limited.

Peter Wilkinson is a non-Executive Director and shareholder in and John Swingewood is a Director and shareholder in Getmedia plc. InTechnology has sold services totalling £60,000 (2002: £25,000) to Getmedia plc in the year. As at 31 March 2003, InTechnology was owed £8,000 (2002: £5,000) by Getmedia plc.

The Company has maintained current accounts at various stages during the year with Peter Wilkinson and Andrew Kaberry. The maximum amounts owed to the Company under these arrangements were £20,198 (2002: £21,630) and £15,368 (2002: £13,926) respectively. Both amounts were fully repaid during the year and there were no amounts outstanding in respect of these loans as at 31 March 2003.

28 Ultimate controlling party

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

Notice of Annual General Meeting

The Directors hereby give notice that the Company will hold its Annual General Meeting ('AGM') at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA at 11am on 6 August 2003 for the following purposes:

Ordinary business:

Resolution 1

To receive and adopt the report of the Directors, the report of the independent auditors of the Company and the audited financial statements for the year ended 31 March 2003.

Resolution 2

To reappoint Steve Pearce as a Director, who retires by rotation in accordance with Article 92 of the Articles of Association and who, being eligible, offers himself for re-appointment as a Director.

Resolution 3

To reappoint John Swingewood as a Director, who retires by rotation in accordance with Article 92 of the Articles of Association and who, being eligible, offers himself for re-appointment as a Director.

Resolution 4

To reappoint Bryn Sage as a Director, who retires by rotation in accordance with Article 92 of the Articles of Association and who, being eligible, offers himself for re-appointment as a Director.

Special business:

To consider and, if thought fit, to pass the following Resolutions. The Directors will propose Resolutions 5 and 7 as ordinary resolutions and Resolution 6 as a special resolution.

Resolution 5

That the Directors be and are generally and unconditionally authorised pursuant to section 80 of the Companies Act 1985 (the 'Act') to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the Act) up to an aggregate nominal amount of £460,338.39, provided that such authority is for a period expiring 5 years from the date of this Resolution 5, and save that the Company may before such expiry make an offer or agreement which would or might require the Directors to allot relevant securities after such expiry and the Directors may allot relevant securities in pursuance of any such offer or agreement as if the authority which this Resolution 5 confers had not expired. The authority which this Resolution 5 confers shall be in substitution to all subsisting authorisations under section 80 of the Act (to the extent unused) which are hereby revoked.

Resolution 6

That, subject to the passing of Resolution 5, the Directors be and are empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority which Resolution 5 confers as if section 89(1) of the Act did not apply to any such allotment provided that this power shall be limited to the allotment of equity securities:

(a) in connection with or the subject of an offer or invitation, including a rights issue or open or equivalent offer to holders of ordinary shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as near as maybe) to the respective holdings of such shares, but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in any territory; and

(b) otherwise than pursuant to subparagraph (a) above up to an aggregate nominal amount of £69,050.75,

Notice of Annual General Meeting continued

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

Resolution 7

In accordance with Sections 379 and 388(3) of the Act that PricewaterhouseCoopers LLP be reappointed auditors of the Company, (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers), to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that, pursuant with section 390A of the Act, their remuneration be fixed by the Directors.

10 June 2003

By order of the Board

Richard James

Director and Company Secretary
for and on behalf of InTechnology plc

Registered Office:

Nidderdale House

Beckwith Knowle

Otley Road

Harrogate

HG3 1SA

Notes:

- 1 A member of the Company (a 'Shareholder') entitled to attend and vote at the AGM may appoint one or more proxy (or proxies) to attend (and on a poll) vote in his stead. Any person (whether a Shareholder or not) may be appointed to act as a proxy.
- 2 If a proxy is appointed for use at the AGM, the form of proxy as issued by the Board must be used. This form of proxy is enclosed herewith reply-paid. All forms of proxy, together with the power of attorney or other authority (if any) under which it is executed, or a notarially certified copy of such power or authority, must be deposited at the Company's registrars at the following address at least 48 hours before the time for holding the AGM (i.e., by no later than 11.a.m. on 4 August 2003) or any adjournment thereof: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.
- 3 Completion and return of a form of proxy will not preclude a Shareholder from attending and voting at the AGM in person in respect of which the proxy is appointed (or at any adjournment of the AGM) if such Shareholder subsequently decides to do so.
- 4 The Company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 (2001 S.I. No. 3755), specifies that only those Shareholders registered on the register of members of the Company at 11 a.m. on 4 August 2003 (or, if the AGM is adjourned, in the register of members of the Company 48 hours before the time of any adjourned AGM) shall be entitled to attend and vote at the AGM in respect of the number of shares in the Company registered in the name of such Shareholders at that time. Changes to entries on the register of members after that time shall be disregarded in determining the rights of any person to attend or vote at the AGM.
- 5 Pursuant to sections 324 and 325 and paragraph 29, Part IV, Schedule 13 to the Act, the register of Directors' interests in the Company and a copy of the service agreements between the Company and its Directors will be available to the public for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice to the time and date of the AGM (including any adjournment thereof) and also on the date and at the place of the AGM from 15 minutes before the AGM to its conclusion.
- 6 Pursuant to rule 18 of the AIM rules this Notice and the annual audited accounts will be available for inspection, free of charge, at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) for a period of one month from the date of this Notice.
- 7 Biographical details of the Directors who are proposed for reappointment at the AGM are set out on pages 14 to 15 of the Annual Report and Accounts of the Company for the year 31 March 2003.

Form of proxy for InTechnology plc

(Incorporated and registered in England and Wales under number 03916586) (the 'Company')

For use by holders of ordinary shares of 1p each in the Company (the 'Shareholders') at the annual general meeting of the Company to be held at the Company's registered office at Nidderdale House, Otley Road, Beckwith Knowle, Harrogate, HG3 1SA at 11am on Wednesday, 6 August 2003 (the 'AGM'). Please read the Notice of AGM and the notes to this Proxy Form.

I/We*,

(please insert the name of the Shareholder(s)* in full in BLOCK CAPITALS)

of

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

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

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

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

* Delete as appropriate

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

	For	Against	Vote Withheld
1. Receipt and adoption of Directors' report and financial statements and auditors report.			
2. Re-appointment of Mr Steve Pearce.			
3. Re-appointment of Mr John Swingewood.			
4. Re-appointment of Mr Bryn Sage.			
5. Ordinary Resolution – That the Directors are authorised to allot relevant securities.			
6. Special Resolution – That statutory pre-emption provisions are disapplied and the Directors are authorised to allot relevant securities for cash.			
7. Ordinary Resolution – That PricewaterhouseCoopers LLP be reappointed auditors of the Company, (having previously been appointed by the Board to fill the casual vacancy arising by reason of the resignation of PricewaterhouseCoopers), to hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that their remuneration be fixed by the Directors.			

Dated 2003

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

Notes

1 Who can be a proxy?

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

2 Joint Shareholders

In the case of joint Shareholders the vote of the senior who tenders a vote whether in person or by proxy will be accepted to the exclusion of the votes of the other joint Shareholders. For this purpose seniority is determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.

3 Corporate Shareholders

To be valid a Shareholder that is a corporation this proxy form must be executed under that corporate Shareholder's common seal or be signed on its behalf by an attorney or officer duly authorised.

4 What is required for the proxy to be effective

To be effective, this proxy form must be:

(a) duly executed;

(b) deposited at the Company's registrars at the following address: Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU not later than 48 hours before the time for holding the AGM (i.e. by no later than 11 a.m. on 4 August 2003) or any adjournment thereof; and

(c) deposited together, if appropriate, with the power of attorney or other authority (if any) under which it is executed or a notarially certified copy of such power or, where the form has been signed by an officer on behalf of a corporation, a notarially certified copy of the authority under which it is signed.

5 Alterations

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

6 Proxy's discretion

In the absence of any directions your proxy may vote or abstain as the proxy thinks fit. On any motion to amend the resolution, to propose a new resolution, to adjourn the AGM, or on any other motion put to the AGM, the proxy will act at his/her/their discretion. Please note that if the 'Vote Withheld' box is marked with an 'X', the Shareholder will not be counted in the calculation of votes 'For' and 'Against' and the Shareholder will not be taken to have given his/her/their discretion to the proxy on how to vote.

7 Multiple proxies

A Shareholder may appoint more than one proxy to attend. When two or more valid but differing instruments of proxy are delivered in respect of the same share for use at the same meeting and in respect of the same matter, the one which is last validly delivered (regardless of the date of its execution) shall be treated as replacing and revoking the other or others as regards that share. If the Company is unable to determine which instrument was last validly delivered, none of them shall be treated as valid in respect of that share.

8 Shareholder attendance at the AGM

The completion and return of this proxy form will not prevent you from attending in person and voting at the AGM or at any adjournment thereof should you subsequently decide to do so.

9 Record date

As provided by Regulation 41 of the Uncertificated Securities Regulations 2001, only those members of the Company registered in the register of members of the Company 48 hours before the time set for the AGM (i.e. 11 a.m. on 4 August 2003) shall be entitled to attend and vote at the AGM in respect of the number of shares registered in their name at that time (or if the AGM is adjourned 48 hours before such adjourned AGM). Changes to entries on the relevant register of members of the Company after that time shall be disregarded in determining the rights of any person to attend or vote at the AGM.

10 Register of Directors' interests and Director's service agreements

Pursuant to sections 324 and 325 and paragraph 29, Part IV, Schedule 13 to the Act, the register of Directors' interests in the Company and a copy of the service agreements between the Company and its Directors will be available to the public for inspection at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) from the date of this Notice to the time and date of the AGM (including any adjournment thereof) and also on the date and at the place of the AGM from 15 minutes before the AGM to its conclusion.

11 Inspection of Shareholder documents

Pursuant to rule 18 of the AIM rules this Notice and the annual audited accounts will be available for inspection, free of charge, at the registered office of the Company during usual business hours on any weekday (Saturdays, Sundays and public holidays excluded) for a period of one month from the date of the Notice.

12 Definitions

Unless otherwise defined herein, capitalised terms shall have the meaning ascribed to such terms in the notice of annual general meeting sent to Shareholders and enclosed with this document.

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BUSINESS REPLY SERVICE
License No. MB122



First Fold

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

Second Fold



Corporate information

For the year ended 31 March 2003

Board of Directors:

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

Registered office & 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

Registrar and transfer office:

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

Principal offices:

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

Southern Data Centre

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

London Office

InTechnology plc
1 Threadneedle Street
London EC2R 8BE

Principal bankers:

Barclays Bank plc
Parliament Street
York YO1 1XD

Financial advisers and brokers:

Dresdner Kleinwort
Wasserstein Limited
PO Box 560
20 Fenchurch Street
London EC2P 3DB

Brokers:

West LB Panmure Limited
Woolgate Exchange
25 Basinghall Street
London EC2V 5HA

Independent auditors:

PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds LS1 4JP

Solicitors:

Norton Rose
Kempson House
Camomile Street
London EC3A 7AN

