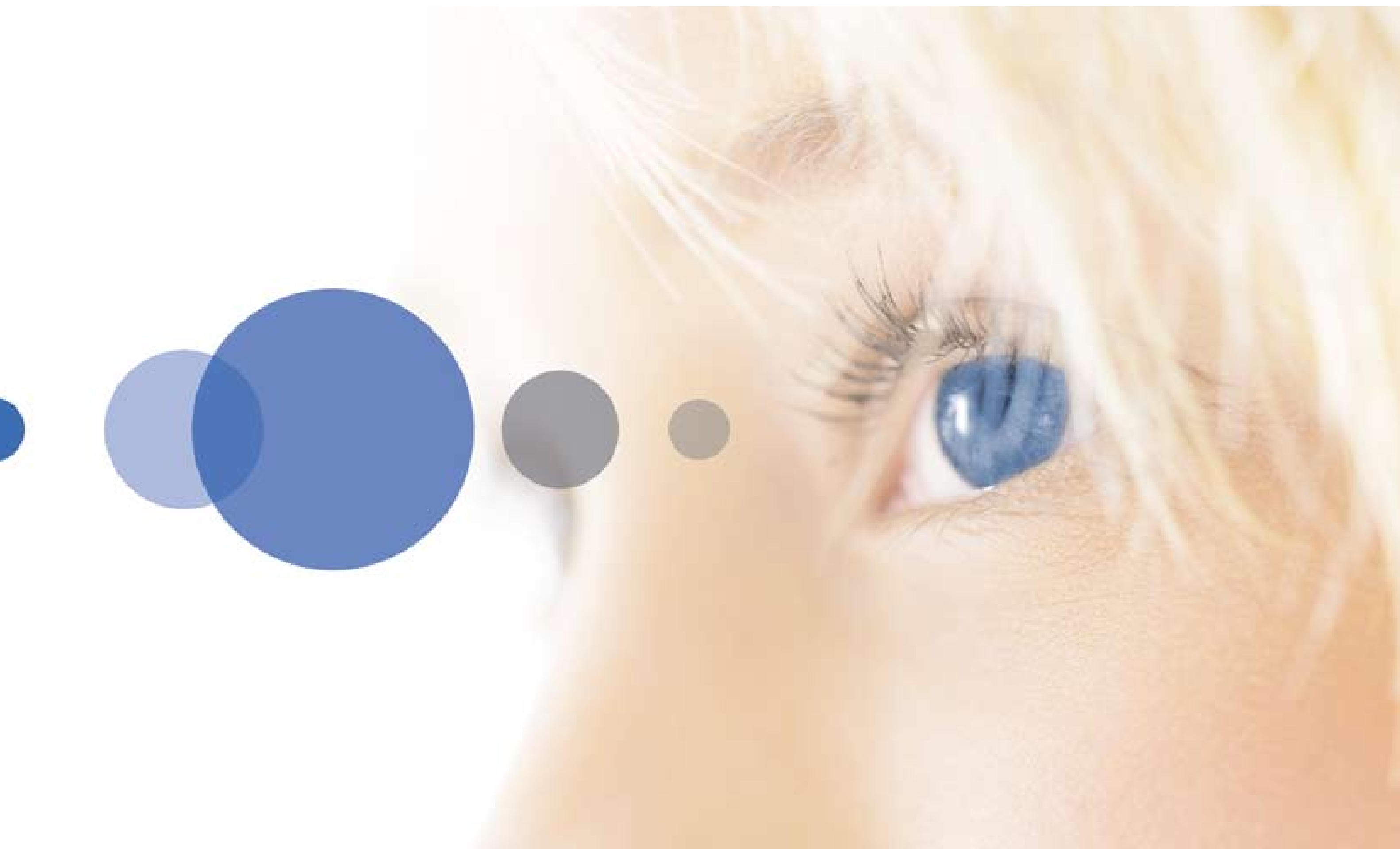
inTechnology



Annual report and financial statements 2007

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Highlights for the year ended 31 March 2007

Intelligent Business Strategies

Operational Highlights

Transformational year

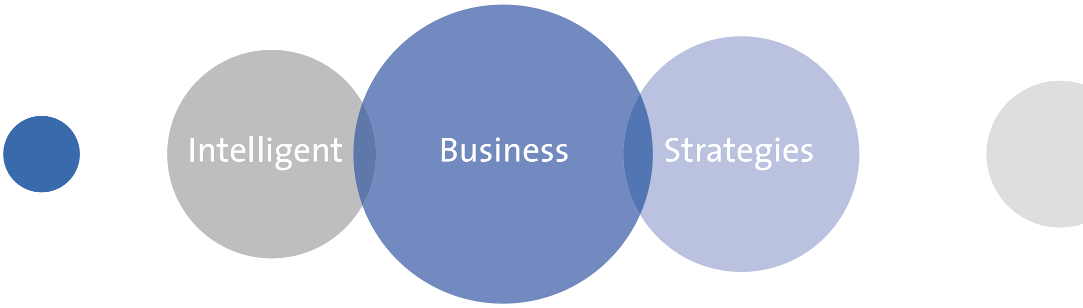
- Focus on high margin Managed Services business;
- Strategy to exit Distribution businesses completed through the disposal of UK Distribution in December 2006 for £41m;
- Strategic £4m investment for 43% stake in Mobile Tornado Group plc in October 2006 enabled entry into mobile "Push To Talk" market;
- Strengthening of new strategic focus through acquisition of EEscape Holdings Ltd for £3m in January 2007.

Financial Highlights

Group performance

- Turnover reduced to £186.0m (2006: £284.7m) due to disposal of distribution businesses;
- Managed Services turnover increased to £33.0m (2006: £25.3m);
- Group operating profit before amortisation of goodwill and exceptional items £4.5m (2006: £3.7m);
- Operating profit after exceptional costs of £0.5m (2006: £6.5m loss);
- Loss after tax of £15.9m (2006: £11.8m), distribution operations accounted for £11.8m (2006: £8.7m) of the Group loss;
- Net cash of £10.3m following distribution sale (2006: £19.5m net debt);
- Net tangible assets of £25.6m (2006: £14.0m).

Chairman's introduction



The past year has seen the transformation of InTechnology from a distribution dominated business to a specialist in data and voice Managed Services. I am pleased that the Company has ended the year with a strengthened balance sheet, with net cash of £10.3m (2006: £19.5m net debt), and is now in a strong position for sustained growth and profitability in the future.

The pressure on the margins on our Distribution division, to which I referred to last year, continued unabated during the early part of the year. Operating costs had been reduced to help alleviate the situation and profitability restored. Nevertheless, when we were approached informally during the summer of 2006 by companies interested in acquiring our Distribution business, the Directors took the view that a sale would be in the best interest of the Company and its shareholders. A sale was negotiated and completed during December for a consideration of £41 million cash.

Therefore, as a result of the disposal of the Distribution division, your Company is now purely a Managed Services business and I am pleased that the future success of InTechnology now rests solely on the expanding and profitable Managed Services business.

To expand these managed services, during the second half of the year, two important investments were made:

- In October 2006, a 43 per cent investment was made in Mobile Tornado Group plc, costing £4m. This takes our Group into mobile telephony; a promising high growth market for its Managed Services.

- In January 2007, the whole issued capital of EEscape Holdings Ltd, and its trading subsidiary Evoxus Ltd, was acquired. This enables your company to offer a full range of telephony services to businesses as well as selling VoIP technologies.

Chairman's introduction continued

Our Group turnover reduced from £284.7m to £186.0m, but much of both figures arise from discontinued operations. Our Managed Services revenues increased to £33.0m from £25.3m.

Group operating profit before amortisation of goodwill and exceptional items was £4.5m (2006: £3.7m). The Managed Services business contributed £1.5m of this (2006: £1.7m). This small reduction was affected by certain one-off costs. Exceptional costs were £nil (2006: £5.5m). The loss on the sale of Distribution businesses was £6.1m (2006: £3.7m). The operating profit for the Group after exceptional costs was £0.5m (2006: £6.5m loss).

Our objective for the coming year is clear. It is to continue growth in our Managed Services businesses.

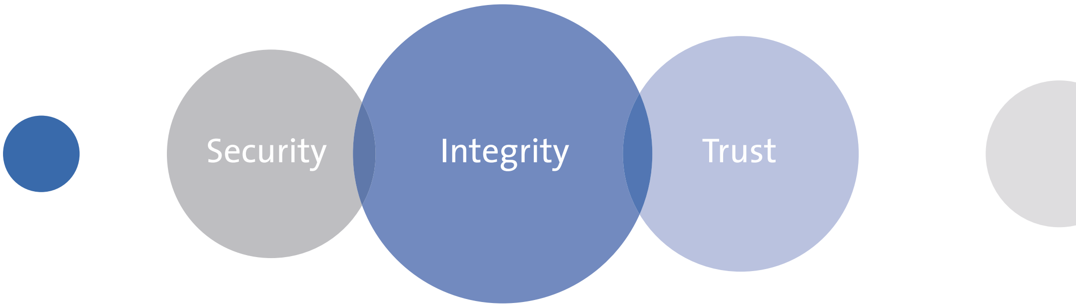
Management focus is entirely on expanding the data and voice services from which the company has already demonstrated its ability to earn higher margins from its recurring revenues.

I would like to thank the staff whose loyalty, energy and professional skills have kept pace with the many developments in the Company in the past year and also our partners in all areas of the business.

I look forward to an exciting and successful year ahead.

Lord Parkinson
Chairman
29 June 2007

Chief Executive Officer's report



Overview

This financial year has been one of great change at InTechnology and we ended the year solely as a Managed Services business for Data and Voice. We completely exited the Distribution sector and made a key strategic investment and an acquisition, both of which strengthen our Managed Voice Services ("MVS") business. The cash proceeds from the sale of all Distribution businesses strengthened our balance sheet and resulted in the Company having net cash of £10.3m instead of net debt as in the previous year.

The management team's key focus is to grow revenues and increase operating margins.

Trading and operating performance

- **From the continuing operations of the Managed Services business:**

- Turnover increased 30 per cent to £33.0m from £25.3m. Turnover from the acquisition accounted for £3.8m (12 weeks).
- Earnings before interest, tax, amortisation of goodwill and exceptional charges were £1.5m (2006: £1.7m) and exceptional charges were £nil (2006: £1.0m).

- **From the discontinued operations of Specialist Distribution:**

- Turnover was £153.0m (2006: £259.4m).
- Earnings before interest, tax, amortisation of goodwill and exceptional charges were £3.0m (2006: £2.0m).

Please note that the 2007 results include nine months trading to 29 December 2006 and are only for UK Specialist Distribution. 2006 comparatives include twelve months trading for UK and European Specialist Distribution.

- The sale of UK Specialist Distribution caused a write down of goodwill of £5.8m

and because goodwill is not an eligible cost for taxation purposes there is a corporation tax charge of £7.0m. A final charge was made of £0.4m (2006: £3.7m) relating to the disposal of the continental European subsidiaries on 31 March 2006.

- Group operating profit was £0.5m (2006: £6.5m loss) and the share of operating loss of our associated company, Mobile Tornado Group plc, "Mobile Tornado" was £0.8m loss (2006: £nil).

Chief Executive Officer's report continued

- Net interest expense was £1.1m (2006: £2.2m). The Group net cash on 31 March 2007 was £10.3m (2006: £19.5m net debt) which reflects the receipts from the disposal of the Distribution businesses.

Disposal of Specialist Distribution divisions

Following the disposal of the continental European Distribution business on 31 March 2006 we received approaches during the summer months to purchase the UK Specialist Distribution division. A sale for a cash consideration of £41m was concluded on 29 December 2006, therefore completing InTechnology's withdrawal from all Distribution activities.

In many of my reports over the past few years I have highlighted that Distribution was a difficult business to maintain, never mind to grow. There has been relentless pressure from Vendors leading to margin erosion, and a recognised trend towards consolidation in the distribution sector and in our customer base. These factors left me convinced that it was the right time to exit from this business. The sale to a European subsidiary of Arrow Electronics Inc., a USA distributor, was efficiently transacted and completion accounts have now been agreed.

All our offices in continental Europe were either transferred to the purchaser or sub-let. In the UK, the purchaser accepted the lease liabilities of the offices in Theale and Threadneedle Street, London. The latter was also used by our Managed Services staff so we have leased an office suite at 17 St Helen's Place, off Bishopsgate in the City of London. The purchaser also entered into a lease of our Harrogate freehold land and buildings, and we are concluding sale negotiations of this freehold which will enhance our net cash position when the contract is completed.

Acquisition and investment

Mobile Tornado Group plc

On 23 October 2006, we invested £4m cash in Mobile Tornado, listed on AIM, giving InTechnology a 43 per cent holding. Predating this investment both myself and Richard James, Director of Legal Affairs and Company Secretary, together held a further 16 per cent as private investors. I became non-executive Chairman of Mobile Tornado and Richard James became a Director.

Mobile Tornado owns intellectual property ("IP") in an exciting part of the mobile and telco sector. Its technology is developed in Israel and its sales and marketing activities are global. The technology is in the Push To Talk ("PTT") market, and subsets for PTT include Push To Video, Instant Messaging, Push to Mail, and Mobile Tornado is currently developing applications with major infrastructure providers for the new emerging Internet protocol Multimedia Subsystem

("IMS") platform. Our £4m cash investment enables Mobile Tornado to further develop its IP and secure sales contracts.

PTT is of particular interest to InTechnology. Since the investment we have spent considerable time and effort in developing a PTT managed service because Mobile Tornado had designed it primarily for an operator. We plan to launch in the UK our PTT managed service in July and already have considerable interest from a number of large volume clients. Agreement has been reached with Mobile Tornado for them to use the InTechnology PTT infrastructure for their other managed service customers throughout Europe for a fixed cost per user per month licence fee.

Evoxus Limited ("Evoxus")

In last year's Annual Report, we announced the creation of a new sales division to strengthen our position in the rapidly expanding IP Voice market. In order to further strengthen our position in the converging voice and data market we acquired for £3m cash the whole issued share capital of EEscape Holdings Ltd and its trading subsidiary Evoxus. In addition we repaid shareholder and other debt of £3.6m. The total cash investment was £6.6m and we took on working capital debt of £1.5m.

Evoxus has recurring third party revenues of approximately £15m per annum derived primarily from the sale and management of phone minutes. It has an established infrastructure in place to manage large volumes of phone calls and this complements our new IP Voice product.

Since the acquisition we have successfully integrated the Evoxus business with our own Managed Voice Services sales division and are growing its range of voice services including the PTT managed service. The enlarged Managed Voice Services business has already achieved success in cross selling its products to our data services customers.

Managed Services ("MS")

MS revenues increased by 30 per cent to £33.0m. Revenues from the acquisition of Evoxus were £3.8m. Operating profit before amortisation of goodwill and exceptional charges was £1.5m (2006: £1.7m) and this reduction was caused by three one-off factors:

- There is an eighteen month programme finishing in September 2007 to migrate our VBAK customers onto a new technology platform. The cost of this last year was £0.5m.
- The operating costs of the new Managed Voice Services sales and support teams created in May 2006 were £1.0m. Customer contracts were won but recognised revenues will only be achieved in the new financial year.

Chief Executive Officer's report continued

- Certain general and administrative costs have been allocated between MS and the Distribution division. Following the sale of UK Distribution on 29 December 2006 the operating costs of the remaining MS division increased by £0.3m.

Our recurring annualised revenues at 31 March 2007 were £48.3m (2006: £28.5m) of which the Evoxus third party revenues were £15.0m. Our churn of contracts not renewed or lost for financial reasons was reduced to 6.6 per cent (2006: 9.7 per cent).

In last year's report I mentioned the reorganisation that was underway in the MS division:

- The consolidation of the Harrogate offices from three separate buildings into one dedicated MS facility adjacent to our northern data centre. This was successfully completed on time.
- The reorganisation of the sales forces into new business and customer care teams. This change, together with investment in new CRM and ERP systems, has had great impact and assisted the reduction in contract churn. We are far closer to our user base than we have ever been and, considering that this is our key asset in an annuity stream business, I intend to make sure it stays this way.

During the year and with the sale of the Distribution business underway I carried out a major review of the MS business. The result is as follows:

- InTechnology is completely focussed on its MS business without the constant distraction and resource demanding Distribution business. As a result, we now market our services direct to the end-user whereas in past years we were prevented by the perceived threats to the Distribution business and so marketed everything via partners. We can now maximise the opportunities from a user base of nearly 500 customers with new products and services.
- We are now able to offer replication storage hardware with associated services within our Data Services product portfolio. This is another direct consequence of disposing of UK Distribution.
- Recognising the continuing convergence of data and voice our new Managed Voice Services division required more strength and depth. The acquisition of Evoxus and managed services opportunity from the investment in Mobile Tornado now enables InTechnology to offer very compelling services offerings to the market.

Our centre of expertise for data is our Harrogate head office and that of voice in Reading, the offices of Evoxus. The new London office supports both.

- To enable an increase in operating margins we must not only win and secure new business, but increase productivity. To do the latter we have embarked on an ambitious investment project to review and then automate all business processes. One target will be to limit the growth rate in staff numbers, currently 183, to well below the percentage increases in revenues.
- We will create a new professional services division to maximise consultancy opportunities in our user base and will continue to invest in customer support, provisioning and service delivery.

Board

Steve Pearce resigned on 29 December 2006 following the disposal of our UK Distribution division to become its Managing Director. Steve had been with us since 1995 and held senior management roles in Managed Services and latterly UK Distribution. We shall miss the enthusiasm and commitment that he brought to the business and wish him well for the future.

Mark Lower joined the Board on 23 May 2006, but resigned on 5 January 2007 in order to pursue other interests.

Debt

Our net cash at 31 March 2007 stood at £10.3m (2006: £19.5m net debt), thanks largely to the disposal of all Distribution businesses.

Net cash will be increased by the proposed sale of our freehold land and buildings and receipt of all final Distribution sale consideration, less the final payment of the corporation tax arising on the sale of UK Distribution net assets.

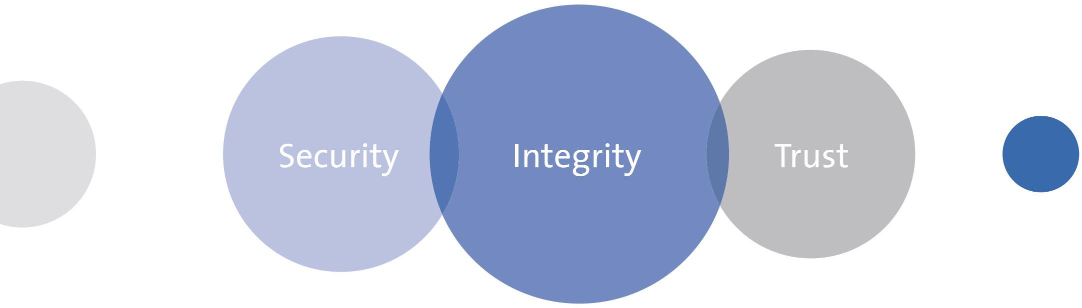
Outlook

We start the new year in good shape with new products to be launched during this year in both Data and Voice divisions. The balance sheet is strengthened and the Evoxus acquisition has increased our recurring annualised revenues to £48.3m at the start of the year.

The enlarged Managed Services business has great opportunities and it is our challenge to achieve these. The year has commenced in line with our expectations and therefore the Board remains confident of the outcome for this new year.

Peter Wilkinson
Chief Executive Officer
29 June 2007

Financial review



The table below compares this year's results against prior year and provides a summary of the results by profit centre:

	Revenue		EBITAE (i)				Group operating profit/(loss)	
	2007	2006 Restated	2007		2006 Restated		2007	2006 Restated
	£m	£m	£m	Operating margin (ii)	£m	Operating margin (ii)	£m	£m
Continuing operations	**33.0**	25.3	**1.5**	4.5%	1.7	6.7%	**(0.9)**	(1.5)
Discontinued operations (iii)	**153.0**	259.4	**3.0**	2.0%	2.0	0.8%	**1.3**	(5.0)
Group	**186.0**	284.7	**4.5**	2.4%	3.7	1.3%	**0.4**	(6.5)

Note:
(i) EBITAE comprises earnings before interest, taxation, amortisation of goodwill and exceptional items
(ii) Operating margin is the percentage of EBITAE to Revenue
(iii) Discontinued operations relate to the UK and European Specialist Distribution businesses disposed of on 29 December 2006 and 31 March 2006 respectively.

Exceptional costs

There were no exceptional costs in the year in respect of reorganisation activity (2006: £5.5m).

Disposal of all Distribution businesses

The past year has experienced the complete withdrawal of InTechnology from all Distribution activities. On 29 December 2006 the UK Distribution division trade and net assets were sold for £41m cash. This caused a write down of goodwill of £5.8m after agreeing final completion accounts with the acquirer. UK taxation law does not allow goodwill as an eligible cost when a division is sold and there is therefore a corporation tax charge of £7.0m on its sale, of which approximately 60 per cent had been paid by 31 March 2007.

Last year we reported the sale of the continental European Distribution subsidiaries causing a loss on sale of £3.7m. It has been necessary to provide a final £0.4m to this loss on sale of subsidiaries largely caused by difficulties in collecting certain trade debtors and also by adverse movements in exchange rates to sterling.

Acquisitions and investments

Mobile Tornado Group plc

On 23 October 2006 we acquired for £4m cash a 43 per cent stake in Mobile Tornado Group plc, which is also listed on the AIM market. The commercial and strategic reasons for this investment are referred to in the CEO report.

InTechnology accounts for this as an Associated company in accordance with FRS9 and our share of the losses for the period from investment to our financial year end were £781,000. The

Group balance sheet investment in associate of £3,301,000 is the net investment less the share of trading losses and goodwill amortisation.

Future trading results of Mobile Tornado Group are dependent on its ability to realise revenues from its intellectual property in mobile telephony.

EEscape Holdings Ltd

On 9 January 2007 we acquired for cash all the issued share capital of EEscape Holdings Ltd and also repaid all of its shareholder and certain other loans. The total cash paid including repayment of shareholders and loans was £6.6m. Evoxus Ltd, the major trading subsidiary of EEscape Holdings Ltd, has bank and financial lease borrowings of approximately £1.5m which have been retained.
Again, the CEO report describes the commercial and strategic reasons for this acquisition.

Evoxus Ltd has estimated tax losses of approximately £17m which can potentially be utilised against future trading profits of Managed Voice Services.

Managed Services

The Managed Services division achieved increased revenues of £33.0m (2006: £25.3m), of which £3.8m was from the acquisition of Evoxus, and EBITAE of £1.5m (2006: £1.7m). Operating loss was £0.9m (2006: £1.5m loss). In the coming year we aim to build on this and have reorganised teams within Managed Services to increase focus on winning new business while continuing to service our strong existing customer base. The Group revenues are now predominantly comprised from three year term contracts giving far better forward visibility than the Distribution business, which previously dominated Group total revenues. In addition gross and net operating margins in Managed Services are much

higher than the Distribution business and we have last year already earned better gross and net operating margins as a percentage of revenues in Managed Services than the sold Distribution business. Our Key Performance Indicators are revenue growth and net EBITAE.

Financial review continued

The Group carries high fixed UK costs comprising of staff, network, data centres and offices costs, together with substantial annual depreciation costs. For the last two financial years Managed Services has been profitable at EBITAE. Our growth plans are based on controlling total costs and increasing revenues and gross margins, thus improving net operating margins.

Goodwill

We conducted an impairment review of the carrying value of goodwill arising on the acquisition of VData Limited in July 2000 together with EEscape Holdings Ltd in January 2007.

We have considered the recoverable amounts by reference to the net present value of estimated current and future cash flows of the relevant income generating units. The value in use has been derived from discounted cash flow projections that cover the 5 years from 1 April 2007. After this 5-year period, the projections use a long-term growth rate. Our confidence in the long-term success of our Managed Services business indicates that no impairment write down is necessary this year.

Cash flow and liquidity

The Group achieved a net cash inflow from operating activities of £12.4m (2006: £10.7m). Cash at bank and in hand at the year-end was £12.8m (2006: £12.7m) and net funds were £10.3m (2006: £19.5m net debt). This change from net debt to net cash was largely attributed to the sale proceeds of the Distribution businesses during the year. The proposed sale of our freehold land and buildings in Harrogate will improve net cash during the first half of the new financial year.

Taxation

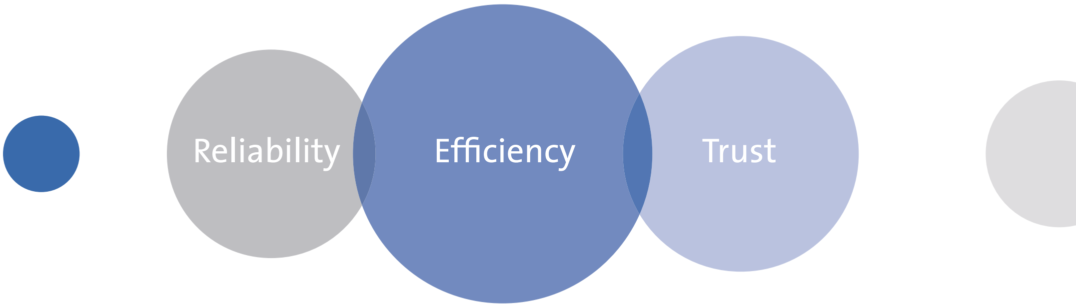
In addition to the tax charge of £7.0m arising on the sale of the UK Distribution assets, there is also a tax charge of £1.3m (2006: £0.5m credit) on the loss on ordinary activities before taxation of £7.6m (2006: £12.4m) which is higher than the UK rate of 30% because of non-deductible costs; primarily goodwill amortisation and loss on sale of assets and subsidiary undertakings. This was offset in part by the utilisation of tax losses arising in prior years in respect of the Managed Services division. A full reconciliation of the tax charge is provided in note 6 to the financial statements.

Financial instruments

The Group's policy is that no trading in financial instruments is undertaken. The Group's financial instruments comprise borrowings, cash and liquid resources and various items that arise directly from its operations. The main risks arising from these are interest rate risk and liquidity risk. Following the disposal of all Distribution businesses the Group no longer has a major exposure to foreign currency risk.

Andrew Kaberry
Finance Director
29 June 2007

Management team



Non-Executive Directors

The Rt. Hon Lord Parkinson, Chairman and Senior non-executive Director, aged 75

Lord Parkinson was appointed to the Board in July 2000 as a non-executive Director and is Chairman of the Audit Committee and a member of the Remuneration Committee. Lord Parkinson is a Member of the House of Lords and was a Member of Parliament from 1970 to 1992, during which time he held a number of senior ministerial positions including Secretary of State for Trade and Industry, Energy and Transport. He was Chairman of the Conservative Party from 1981 to 1983 and again from 1997 to 1998. A qualified chartered accountant, Lord Parkinson was a Partner in Westwake Price (City Chartered Accountants) for 10 years and is currently Chairman and Director of a number of other companies including Jarvis Group Limited, Huntswood plc and Le Carbone UK Group of Companies.

Joe McNally, non-executive Director, aged 64

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 58

Charles Scott joined the board in April 2001 as a non-executive Director. A chartered accountant, he is currently Chairman of William Hill plc and a Director of 3 other companies.

Executive Directors

Peter Wilkinson, Chief Executive Officer, aged 53

Peter Wilkinson founded STORM in 1983 and VData in 1998 and both these businesses were sold to InTechnology plc in 2000 (in which he retains a 56% shareholding). Peter was appointed to the Board of InTechnology in July 2000. In 1995, he started Planet Online Limited, the internet service provider, which was subsequently sold to Energis in 1998. He retained Planetfootball.com which was reversed into Sports Internet Group plc in 1999 and subsequently sold to BSkyB plc in 2000. In 1998, Peter invented the free ISP model Freeserve, the internet access service which was launched by Dixons Group plc. Peter is non-executive Chairman of Mobile Tornado Group plc, an AIM listed telecoms technology company, and holds a 13% stake. InTechnology acquired a 43% stake in Mobile Tornado Group in October 2006.

Management team continued

Andrew Kaberry, Finance Director, aged 60

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

Bryn Sage, Sales Director, aged 41

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.

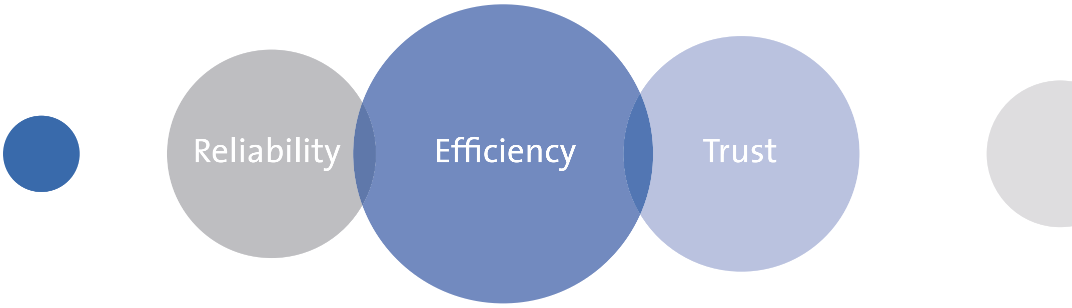
Richard James, Company Secretary, aged 46

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.

Jason Firth, Director of Professional Services, aged 36

Jason Firth joined InTechnology in July 2003 as Customer Services Director before joining the Board in September 2005 as Director of Professional Services. He first worked alongside Peter Wilkinson in 1995 at Planet Online Limited and headed up the technical team at Planetfootball.com and then became Technical Director of Sports Internet Group plc before it was sold to BSkyB plc in 2000 where he subsequently went on to be Technical Director of SkySports.com.

Directors' report



The Directors present their annual report and audited financial statements of the Company and the Group for the year ended 31 March 2007.

Principal activities

InTechnology plc is a UK specialist data and voice technology Group providing advanced services to end users both in the commercial and public sectors.

Business review

The information that fulfils the requirements of the Business Review can be found in the Chief Executive Officer's report and Financial review on pages 4 to 11 which are incorporated within this report by reference.

Results and dividends

The Directors are unable to recommend the payment of a dividend in respect of the year ended 31 March 2007 (2006: £nil). The Company currently intends to reinvest future earnings to finance the growth of the business.

The loss sustained for the financial year of £15,935,000 (2006: £11,846,000) will be deducted from reserves.

Charitable and political donations

The contributions made by the Group during the year for charitable purposes totalled £2,610 (2006: £26,000), including children's charities £1,860. The Group made no political contributions (2006: £nil).

Directors

The Directors of the Company during the year ended 31 March 2007, together with brief biographies, are shown on pages 12 to 13, with the exception of Stephen Pearce who resigned as a director on 29 December 2006 and Mark Lower who resigned as a director on 5 January 2007.

Re-election of Directors

In accordance with the Articles of Association of the Company, Directors will retire by rotation. Accordingly, Charles Scott, Joe McNally and the Rt. Hon. Lord Parkinson (aged 75) 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 24. It includes details of Directors' remuneration, interests in the shares of the Company, share options and pension arrangements. The Company's Register of Directors' Interests, which is open to inspection at the Company's registered office, contains full details of Directors' shareholdings and options to subscribe for shares.

The Board's Corporate Governance report, including the Directors' statement on responsibilities for the preparation of financial statements, is set out on pages 17 to 19.

Directors' report continued

Details of related party transactions involving Directors of the Company are given in note 28 to the financial statements.

Substantial shareholdings

At 29 June 2007, 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	55.6%
Artemis Investment Management Limited	9.7%
Jon Wood	7.4%
Andrew Kaberry	5.2%
Gartmore Investment Management	3.6%
Canada Life	3.2%

Going concern

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

Employees

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

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

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

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

Share schemes

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

Research and development

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

Policy and practice on payment of creditors

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

In the year ended 31 March 2007 average creditor days for the Group and Company were 16 days (2006: 27 days) and 22 days (2006: 32 days) respectively.

Environment

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

Annual General Meeting

The next AGM of the Company will be held on 7 August 2007. Details of the business to be proposed at the AGM are contained within the Notice of Meeting, which is set out on pages 62 to 67.

Independent auditors

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

By order of the Board

Richard James
Company Secretary
29 June 2007

Corporate governance

InTechnology plc is an AIM listed company and is not therefore required to comply with the Principles of Good Governance and Code of Best Practice, the 'FRC Combined Code on Corporate Governance'. The following disclosures are made voluntarily.

Principles of Corporate Governance

The Board recognises the value of good corporate governance as a positive contribution to the well being of the business and believes in applying these principles, (including those set out in Section 1 of the Combined Code), in a sensible and pragmatic manner.

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

Board of Directors

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

The roles of Chairman and Chief Executive Officer are separated and clearly defined. The activities of the 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 Chairman and is chaired by Lord Parkinson. Its duties include a comprehensive review of the annual and interim financial statements before they are presented to the Board for approval. The Audit Committee meets at least twice a year to review the findings of the external auditors, key accounting policies and judgements. It has unrestricted access to the Company's auditors.

The Remuneration Committee

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

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 Chairman and the Chairmen of the Board committees.

Internal control

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

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

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

a. Preparation of budgets and forecasts approved by the Board.

b. Monthly management accounts, showing comparisons of actual results against budget and prior year results, are reviewed by the Board. Variances from budget are thoroughly investigated and discussed at monthly Board meetings. Where lapses in internal control are detected, these are rectified.

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

Corporate governance continued

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

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

Statement of Directors' responsibilities

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

The Directors confirm that suitable accounting policies have been used and applied consistently as explained on pages 32 to 35 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 2007, 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.

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

By order of the Board

Richard James
Company Secretary
29 June 2007

Remuneration report

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

The Remuneration Committee comprises the non-executive Directors:

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

Directors' remuneration

Remuneration of non-executive Directors

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

The non-executive Chairman and Directors have interests in share options as disclosed on page 24.

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,

Remuneration report continued

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

Salaries

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

Pensions (audited)

The executive Directors are members of defined contribution pension schemes, the assets of which are held independently of the Company. The amounts contributed by the Company (based on salaries excluding bonuses) for the year ended 31 March 2007 were £40,000 (2006: £64,000). The Company does not provide any other post-retirement benefits to the Directors.

Contracts of service

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

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

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

Non-Executive Directorships

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

Directors' emoluments (audited)

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

	2007 Salary £'000	Bonus £'000	Pay in lieu of notice £'000	Benefits in kind £'000	Pension contributions £'000	Total £'000	2006 Total £'000
Executive Directors							
Peter Wilkinson	212	-	-	39	2	**253**	248
Bryn Sage	110	72	-	17	5	**204**	191
Andrew Kaberry	150	-	-	33	12	**195**	191
Richard James	150	-	-	17	-	**167**	167
Jason Firth	100	-	-	21	5	**126**	79
Stephen Pearce (9 months)	113	-	-	17	6	**136**	180
Mark Lower (7 months)	100	17	30	12	10	**169**	-
John Swingewood	-	-	-	-	-	**-**	70
Charles Cameron	-	-	-	-	-	**-**	228
	935	**89**	**30**	**156**	**40**	**1,250**	**1,354**

	Fees £'000	Bonus £'000	Pay in lieu of notice £'000	Benefits in kind £'000	Pension contributions £'000	Total £'000	Total £'000
Non-Executive Directors							
The Rt. Hon. Lord Parkinson	50	-	-	-	-	**50**	50
Joe McNally	30	-	-	-	-	**30**	30
Charles Scott	30	-	-	-	-	**30**	30
	110	**-**	**-**	**-**	**-**	**110**	**110**
Total	**1,045**	**89**	**30**	**156**	**40**	**1,360**	**1,464**

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

Remuneration report continued

Directors' interests

Interests in shares

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

		2007 and 2006
	Number	Percentage of shares held
Peter Wilkinson	78,403,998	55.6%
Andrew Kaberry	7,379,562	5.2%
	85,783,560	**60.8%**

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 2007 held interests at any time in the year in the share capital of the Company or other Group companies.

There have been no other changes in Directors' shareholdings since 31 March 2007.

Interests in share options (audited)

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 notes 18 and 19.

The Company has also introduced an Inland Revenue approved Save As You Earn scheme ('SAYE'). SAYE options will be exercisable on completion of an associated savings contract. The SAYE options may be granted at a discount of up to 20% to the market price of the Company's shares on the day prior to the day of invitation, as permitted by the rules of the scheme.

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

Executive Directors	No. of share options 2007 and 2006	Exercise price (p)	Earliest exercise date	Expiry date
Andrew Kaberry	1,596,399	43.3	23/12/02	23/12/09
Bryn Sage	798,200	43.3	23/12/02	23/12/09
Bryn Sage	443,769	1.8	07/01/03	07/01/10
Richard James	800,000	38.5	03/07/09	03/07/16

Non-Executive Directors	No. of share options 2007 and 2006	Exercise price (p)	Earliest exercise date	Expiry date
Lord Parkinson	221,885	1.8	07/01/03	07/01/10
Lord Parkinson	203,178	43.3	23/12/02	23/12/09
Joe McNally	50,000	337.5	01/11/03	01/11/10
Charles Scott	50,000	327.5	02/01/04	02/01/11

The market price of the Company's shares at 31 March 2007 was 38.0p (2006: 40.5p) and the range during the year then ended was 34.5p to 44.0p.

Joe McNally
Non-Executive Director
29 June 2007

Independent auditors' report to the members of InTechnology plc

for the year ended 31 March 2007

We have audited the group and parent company financial statements (the "financial statements") of InTechnology plc for the year ended 31 March 2007 which comprise the Consolidated profit and loss account, the Statement of Group total recognised gains and losses, the Note of Group historical cost losses, the Reconciliation of movements in Group shareholders' funds, the Group and Company balance sheets, the Consolidated cash flow statement, the Accounting policies and the related notes. These financial statements have been prepared under the accounting policies set out therein. We have also audited the information in the Directors' Remuneration report that is described as having been audited.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities. The directors are also responsible for preparing the Directors' Remuneration report.

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

We report to you our opinion as to whether the financial statements give a true and fair view and whether the parts of the Directors' Remuneration report to be audited are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' report includes that specific information presented in the Chief Executive Officer's report and the Financial review that is cross referred from the Business Review section of the Directors' Report. We also report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read other information contained in the Annual Report, and consider whether it is consistent with the audited financial statements. This other information comprises only the Chairman's introduction, Chief Executive Officer's report, the Financial review, the Management Team, the Directors' report, the Corporate Governance report and the unaudited part of the Directors' Remuneration report. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements and the parts of the Directors' Remuneration report to be audited. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements and the parts of the Directors' Remuneration Report to be audited 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 and the parts of the Directors' Remuneration Report to be audited.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 March 2007 and of the group's loss and cash flows for the year then ended;
- the financial statements and the parts of the Directors' Remuneration report to be audited have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and
Registered Auditors
Leeds
29 June 2007

Consolidated profit and loss account

for the year ended 31 March 2007

	Note	2007 £'000	2006 (Restated) £'000
Turnover			
Continuing operations			
- Existing		29,203	25,334
- Acquisitions		3,790	-
Discontinued operations		153,030	259,395
		186,023	284,729
Less: Share of turnover of associate		(13)	-
Group turnover	1	186,010	284,729
Cost of sales	2	(148,632)	(235,656)
Gross profit		**37,378**	**49,073**
Net operating expenses before depreciation, amortisation of goodwill and exceptional items		(28,115)	(39,623)
Depreciation		(4,805)	(5,716)
Amortisation of goodwill		(3,994)	(4,732)
Exceptional costs of reorganisation:			
- Continuing operations		-	(950)
- Discontinued operations		-	(4,541)
Net operating expenses	2	(36,914)	(55,562)
Group operating profit/(loss)			
Continuing operations		(804)	(1,532)
Acquisitions		(60)	-
Discontinued operations		1,328	(4,957)
Group operating profit/(loss)	1	**464**	**(6,489)**
Share of operating loss of associate		(781)	-
Total operating loss		**(317)**	**(6,489)**
Loss on sale of business assets	3	(5,752)	-
Loss on sale of subsidiary undertakings	3	(373)	(3,661)
Net interest payable			
- Group	4	(1,164)	(2,226)
- Associate		17	-
Loss on ordinary activities before taxation		**(7,589)**	**(12,376)**
Tax on loss on ordinary activities		(1,347)	530
Tax on sale of business assets		(6,999)	-
	6	(8,346)	530
Loss sustained for the financial year		**(15,935)**	**(11,846)**
Loss per share (pence)			
Basic and diluted	8	(11.23)	(8.39)

Statement of Group total recognised gains and losses for the year ended 31 March 2007

	2007 £'000	2006 (Restated) £'000
Loss sustained for the financial year		
- Group	(15,171)	(11,846)
- Associate	(764)	-
	(15,935)	**(11,846)**
Prior year adjustment - FRS 20 'Share-based Payment'	(407)	-
Total recognised gains and losses since last annual report	**(16,342)**	**(11,846)**

Note of Group historical cost losses

for the year ended 31 March 2007

	2007 £'000	2006 (Restated) £'000
Reported loss on ordinary activities before taxation	**(7,589)**	**(12,376)**
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	51	108
Historical cost loss on ordinary activities before taxation	**(7,538)**	**(12,268)**
Historical cost loss for the year retained after taxation	**(15,884)**	**(11,738)**

Reconciliation of movements in Group shareholders' funds

for the year ended 31 March 2007

	Note	2007 £'000	2006 (Restated) £'000
Loss sustained for the financial year		(15,935)	(11,846)
Employee share option adjustment		248	264
Proceeds of ordinary share capital issued		8	-
Premium on ordinary share capital issued		175	-
Net change in shareholders' funds		**(15,504)**	**(11,582)**
Opening shareholders' funds (as previously reported)	20	78,913	90,574
Prior year adjustment - FRS 20 'Share-based Payment'		174	95
Opening shareholders' funds (restated)	20	79,087	90,669
Closing shareholders' funds	20	**63,583**	**79,087**

Balance sheets

as at 31 March 2007

		Group		Company	
		2007	2006 (Restated)	2007	2006 (Restated)
	Note	£'000	£'000	£'000	£'000
Fixed assets					
Intangible assets	9	38,027	65,104	30,393	66,084
Tangible assets	10	9,611	10,424	8,982	10,422
Investment in subsidiary and associate undertakings	11	-	-	14,188	7,049
Interest in associate	11	3,301	-	-	-
		50,939	**75,528**	**53,563**	**83,555**
Current assets					
Stocks	12	92	6,622	41	6,622
Debtors					
- due after more than one year	13	-	-	1,455	1,455
- due within one year	13	16,863	88,518	17,411	89,075
		16,863	88,518	18,866	90,530
Cash at bank and in hand		12,782	12,719	12,723	12,661
		29,737	107,859	31,630	109,813
Creditors - amount falling due within one year	14	(16,499)	(100,285)	(11,939)	(100,787)
Net current assets		**13,238**	**7,574**	**19,691**	**9,026**
Total assets less current liabilities		**64,177**	**83,102**	**73,254**	**92,581**
Creditors - amounts falling due after more than one year	15	(594)	(4,015)	(8,944)	(12,525)
Net assets		**63,583**	**79,087**	**64,310**	**80,056**
Capital and reserves					
Called up share capital	18 & 20	1,899	1,891	1,899	1,891
Share premium account	20	188,843	188,668	188,843	188,668
Revaluation reserve	20	1,595	1,646	1,595	1,646
Share option reserve	20	829	581	829	581
Profit and loss account	20	(129,583)	(113,699)	(128,856)	(112,730)
Shareholders' funds		**63,583**	**79,087**	**64,310**	**80,056**

The financial statements on pages 27 to 61 were approved by the Board of Directors on 29 June 2007 and were signed on its behalf by:

Andrew Kaberry

Finance Director

Consolidated cash flow statement

for the year ended 31 March 2007

	Note	2007 £'000	2006 £'000
Net cash inflow from operating activities	21	**12,437**	**10,667**
Returns on investments and servicing of finance			
Interest received		204	92
Interest element of finance lease payments		(194)	(232)
Interest paid		(1,074)	(2,008)
Net cash outflow from returns on investments and servicing of finance		**(1,064)**	**(2,148)**
Taxation paid		**(4,990)**	**(822)**
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(3,145)	(2,077)
Sale of business assets		39,998	-
Sale of tangible fixed assets		72	67
Net cash inflow/(outflow) from capital expenditure and financial investment		**36,925**	**(2,010)**
Acquisitions and disposals			
Purchase of subsidiary undertakings	11	(3,000)	-
Borrowings acquired with subsidiary undertakings		(5,143)	-
Sale of subsidiary undertakings		4,630	-
Cash disposed of on sale of subsidiary undertakings		-	(2,185)
Investment in associated undertaking	11	(4,000)	-
Net cash outflow for acquisitions and disposals		**(7,513)**	**(2,185)**
Net cash inflow before financing		**35,795**	**3,502**
Financing			
Issue of ordinary share capital		183	-
Capital element of finance lease payments		(1,457)	(1,706)
Net (decrease)/increase in borrowings		(34,455)	431
Net cash outflow from financing		**(35,729)**	**(1,275)**
Increase in cash in the year	22 & 23	**66**	**2,227**

Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the main accounting policies which have been applied consistently (except as explained below) is set out as follows.

Changes in accounting policies

The Group has adopted FRS 20, 'Share-based Payment'. The adoption of this standard represents a change in accounting policy and the comparative figures have been restated accordingly. The effects of the change on net operating expenses and the tax credit for the year ended 31 March 2006 are summarised as follows:

The Group operates a number of equity-settled, share-based compensation plans. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets). Non-market vesting conditions are included in assumptions about the number of options that are expected to vest. At each balance sheet date, the group revises its estimates of the number of options that are expected to vest. It recognises the impact of the revision to original estimates, if any, in the profit and loss account, with a corresponding adjustment to equity. The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

	Net operating expenses £'000	Tax credit £'000
Year ended 31 March 2006		
As previously stated	(55,298)	451
Restated	(55,562)	530

The net effect of the change in policy in the year ended 31 March 2006 is to increase net operating expenses by £264,000, increase the tax credit on the loss on ordinary activities by £79,200 and increase the loss sustained for the financial year by £184,800.

The cumulative effect of implementing the policy is to increase Group reserves at 31 March 2006 by £174,000 (2005: £95,000). The changes are summarised as follows:

	Share option reserve £'000	Profit and loss £'000	Shareholders' funds £'000
Year ended 31 March 2006			
As previously stated	-	(112,389)	79,816
Restated	581	(112,796)	79,990
Year ended 31 March 2005			
As previously stated	-	(100,836)	91,477
Restated	317	(101,058)	91,572

Accounting policies continued

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 in the company and 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 with the exception of freehold land & buildings (which are held at valuation), 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% to 25%
Leasehold improvements	20%
Office fixtures and fittings	10% to 50%
Vehicles and computer equipment	20% to 50%

Freehold land is not depreciated

Surpluses arising on the revaluation of tangible fixed assets are credited to a revaluation reserve. On subsequent disposal of a revaluated asset, the revaluation surplus relating to this asset is transferred to the profit and loss account reserve.

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

Investments

Investments in subsidiary undertakings are stated at cost less any provision for impairment.

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

The Group only recognises revenue on the sale of equipment when the goods are received by the customer and when there are no unfulfilled obligations that affect the customer's final acceptance of the equipment. Service revenues are recognised over the period to which the service relates. Unrecognised service revenue and associated costs of sale are included as deferred income and deferred cost respectively in the balance sheet.

Foreign currencies

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

The results of overseas subsidiary undertakings are translated at the average exchange rate for the year. The assets and liabilities of such undertakings are translated at year end exchange rates. Any resulting exchange differences are taken to reserves and are reported in the statement of total recognised gains and losses. Exchange differences arising on borrowings in foreign currency financing overseas investments are taken to reserves to the extent they offset exchange differences in the investment.

All other exchange differences are taken to the profit and loss account.

Lease agreements

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

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

Accounting policies continued

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 or right to pay less tax, in the future as a result of the reversal of those timing differences. Deferred tax is not provided where a timing difference arises from the revaluation of fixed assets for which there is no binding agreement to sell.

Deferred tax assets are recognised to the extent that they are considered more likely than not to be recoverable in the foreseeable future. Deferred tax assets and liabilities are not discounted.

Research and development

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

Pension costs

The Company operates a defined contribution pension scheme for employees and directors. The assets of the scheme are held separately from those of the Company. The annual contributions payable are charged to the profit and loss account on an accruals basis. 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. In addition the Group operates a SAYE scheme that is offered on similar terms to all employees.

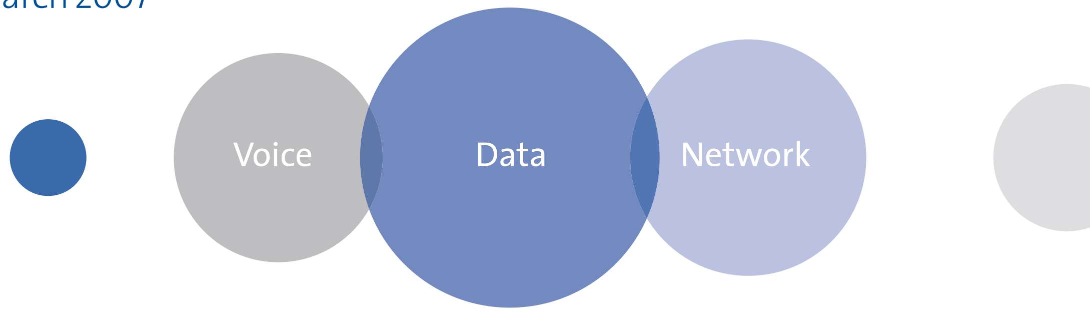
The fair value of options granted after 1 April 2003 is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options granted is measured using an option pricing model, taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest except where variations are due only to share prices not achieving the threshold for vesting.

Debt issue costs

Debt issue costs are capitalised and offset against the loans to which they relate. The costs are amortised over the term of the loan.

Notes to the financial statements

for the year ended 31 March 2007



1 Segmental information

	Turnover by destination		Turnover by source		Operating profit/(loss) by source	
	2007	2006	2007	2006	2007	2006 (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Geographical analysis						
United Kingdom	185,911	210,944	186,023	214,966	(317)	(1,149)
Continental Europe	102	72,488	-	69,763	-	(5,340)
North America	10	555	-	-	-	-
South and Central American	-	151	-	-	-	-
Africa	-	455	-	-	-	-
Asia	-	136	-	-	-	-
Total						
- Group	**186,010**	**284,729**	**186,010**	**284,729**	**464**	**(6,489)**
- Associate	**13**	**-**	**13**	**-**	**(781)**	**-**
	186,023	**284,729**	**186,023**	**284,729**	**(317)**	**(6,489)**

	Turnover		Operating profit/(loss) Before goodwill amortisation and exceptional items		Operating profit/(loss) After goodwill amortisation and exceptional items	
	2007	2006	2007	2006 (Restated)	2007	2006 (Restated)
	£'000	£'000	£'000	£'000	£'000	£'000
Business analysis						
Continuing operations						
- Managed Services						
- Group	32,980	25,334	1,503	1,699	(864)	(1,532)
- Associate	13	-	(668)	-	(781)	-
Discontinued operations						
- Specialist Distribution	153,030	259,395	2,955	2,035	1,328	(4,957)
Total	**186,023**	**284,729**	**3,790**	**3,734**	**(317)**	**(6,489)**

Notes to the financial statements continued

1 Segmental information continued

Net assets/(liabilities)	Including goodwill 2007 £'000	2006 (Restated) £'000	Excluding goodwill 2007 £'000	2006 (Restated) £'000
Geographical analysis				
United Kingdom	65,656	79,210	27,629	14,106
Continental Europe	(118)	(123)	(118)	(123)
Middle East	(1,955)	-	(1,955)	-
Total				
- Group	**62,812**	**79,087**	**24,785**	**13,983**
- Associate	**771**	**-**	**771**	**-**
	63,583	**79,087**	**25,556**	**13,983**
Business analysis				
Continuing operations				
- Managed Services (excluding cash)				
- Group	50,964	22,065	12,937	(10,608)
- Associate	(163)	-	(163)	-
Discontinued operations				
- Specialist Distribution (excluding cash)	-	44,303	-	11,872
	50,801	66,368	12,774	1,264
Cash	12,782	12,719	12,782	12,719
Total				
- Group	**62,812**	**79,087**	**24,785**	**13,983**
- Associate	**771**	**-**	**771**	**-**
	63,583	**79,087**	**25,556**	**13,983**

Analyses by business are based on the Group's management structure. Turnover between segments is immaterial.

The segmental analysis above excludes net interest payable of £1,164,000 (2006: £2,226,000) which is not analysed by business segment.

2 Cost of sales, gross profit and administrative expenses

	Continuing £'000	Acquisitions £'000	Discontinued £'000	2007 Total £'000	Continuing (Restated) £'000	Discontinued (Restated) £'000	2006 Total (Restated) £'000
Turnover	29,203	3,777	153,030	**186,010**	25,334	259,395	284,729
Cost of sales	(9,059)	(2,738)	(136,835)	**(148,632)**	(6,733)	(228,923)	(235,656)
Gross profit	20,144	1,039	16,195	**37,378**	18,601	30,472	49,073
Administrative expenses	(14,599)	(850)	(12,666)	**(28,115)**	(12,206)	(27,417)	(39,623)
Depreciation	(4,069)	(162)	(574)	**(4,805)**	(4,696)	(1,020)	(5,716)
Amortisation of goodwill	(2,280)	(87)	(1,627)	**(3,994)**	(2,281)	(2,451)	(4,732)
Exceptional costs of reorganisation	-	-	-	**-**	(950)	(4,541)	(5,491)
Net operating expenses	(20,948)	(1,099)	(14,867)	**(36,914)**	(20,133)	(35,429)	(55,562)
Group operating profit/(loss)	(804)	(60)	1,328	**464**	(1,532)	(4,957)	(6,489)

3 Loss on sale of business assets and subsidiaries

	2007 £'000	2006 £'000
Cash proceeds	41,000	-
Less: Net assets disposed with distribution business	(15,582)	-
Costs associated with the disposal	(305)	-
Accelerated employee share option adjustments	(61)	-
Gain on disposal of net tangible assets	25,052	-
Goodwill disposed with distribution business	(30,804)	-
Loss on sale of business assets	**(5,752)**	**-**
Taxation	**(6,999)**	**-**
Loss on sale of subsidiary undertakings	**(373)**	**(3,661)**

On 29 December 2006 the Group sold the trade, net tangible assets and goodwill of its United Kingdom distribution business for a consideration of £41,000,000 in cash. £1,000,000 of the consideration remains unpaid at the year end and will be paid on agreement of the completion accounts. The sale resulted in a loss on disposal of £5,752,000 but because goodwill is not an allowable cost for taxation purposes there is a corporation tax charge on disposal of £6,999,000.

On 31 March 2006 the Group had substantially sold its European operations which resulted in a provisional loss on disposal of €5,246,000 (£3,661,000) dependent on collection of debtors and the fair valuation of stock to be finalised on 31 March 2007. An additional loss on sale of subsidiary undertakings of £373,000 has been recognised on the disposal of the European operations.

As a result of the material change in the nature and focus of the Group's operations that this disposal represented, the UK Distribution operations have been shown as discontinued operations in the financial statements (2006: the European operations were classified as discontinued operations).

Cost of sales attributed to continuing operations were £11,797,000 and discontinued operations were £136,835,000. Net operating expenses attributed to continuing operations were £22,047,000 and discontinued operations were £14,867,000.

Notes to the financial statements continued

4 Net interest payable

	2007 £'000	2006 £'000
Interest payable on bank loans and overdrafts	(2)	(76)
Interest payable on other loans	(1,072)	(1,935)
Amortisation of debt issue costs	(100)	(75)
Interest payable on finance leases	(194)	(232)
	(1,368)	(2,318)
Bank interest receivable	204	92
Net interest payable	**(1,164)**	**(2,226)**

5 Loss on ordinary activities before taxation

	2007 £'000	2006 £'000
Loss on ordinary activities before taxation is stated after charging/(crediting):		
Staff costs (note 26)	15,453	25,475
Depreciation of owned tangible fixed assets (note 10)	3,517	4,311
Depreciation of leased tangible fixed assets (note 10)	1,288	1,405
Exceptional costs or reorganisation - fixed asset depreciation	-	332
Amortisation of goodwill (note 9)	3,994	4,732
Other operating lease rentals	2,343	4,038
Exceptional operating lease rentals	-	1,180
Net exchange loss on foreign currency borrowings	-	5
(Profit)/loss on disposal of tangible fixed assets	(36)	331

Services provided by the group's auditor and network firms

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

	2007 £'000	2006 £'000
Fees payable to company auditor for the audit of parent company and consolidated accounts	70	147
Non-audit services		
Fees payable to the company's auditor and its associates for other services:		
Other services pursuant to legislation	9	9
Tax services	84	33
Other services	12	6
	175	**195**

6 Tax on loss on ordinary activities

	2007 £'000	2006 (Restated) £'000
Tax charge comprises:		
United Kingdom corporation tax at 30% (2006: 30%)		
Current	(8,136)	(600)
Over provision in respect of prior years	-	207
UK current tax	(8,136)	(393)
Overseas current tax	-	(62)
Overseas over provision in respect of prior years	-	7
Total current tax	(8,136)	(448)
Deferred tax current year - origination and reversal of timing differences	(75)	32
Deferred tax in respect of prior years	(135)	946
	(8,346)	**530**

The tax charge is higher (2006: higher) than the standard rate of corporation tax in the UK. The differences are explained as follows:

	2007 £'000	2006 (Restated) £'000
Loss on ordinary activities before taxation	(7,589)	(12,376)
At standard rate of corporation tax of 30% (2006: 30%)	(2,277)	(3,713)
Effects of:		
Amortisation of goodwill	1,232	1,409
Expenses not deductible for tax purposes	-	3
Adjustment to tax charge in respect of previous periods	-	(214)
Capital allowances for year lower than depreciation	275	489
Other permanent differences	2,094	473
Deferred tax not recognised	197	879
Taxable gain on disposal of distribution business	6,999	1,104
Disallowable exceptional costs	-	475
Utilisation of losses	(384)	(536)
Prior year adjustment	-	79
Other timing differences	-	-
	8,136	**448**

At 31 March 2007, the Group had accumulated tax losses of £17,000,000 (2006: £1,188,000) which should be available for offset against future trading profits of certain Group operations.

Notes to the financial statements continued

7 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 2007 was £16,177,000 (2006: £11,980,000).

8 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £15,935,000 (2006: £11,846,000) by the weighted average number of ordinary shares in issue during the year of 141,885,401 (2006: 141,111,944).

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

	2007 Basic and diluted		2006 Basic and diluted	
	(Loss)/ earnings	(Loss)/ earnings per share	(Loss)/ earnings (Restated)	(Loss)/ earnings per share (Restated)
	£'000	pence	£'000	pence
Loss attributable to ordinary shareholders				
- Continuing operations	(4,139)	(2.92)	(6,889)	(4.88)
- Discontinued operations	(11,796)	(8.31)	(4,957)	(3.51)
Total loss attributable to ordinary shareholders	(15,935)	(11.23)	(11,846)	(8.39)
Employee share option adjustment	131	0.09	185	0.13
Amortisation of goodwill	2,796	1.97	3,312	2.35
Exceptional costs of reorganisation	-	-	5,491	3.89
Loss on sale of business assets (note 3)	5,734	4.04	-	-
Tax on sale of business assets (note 3)	6,999	4.93	-	-
Loss on sale of subsidiary undertakings (note 3)	373	0.26	3,661	2.59
Share of operating loss of associate	764	0.54	-	-
Adjusted basic earnings per share	**862**	**0.61**	**803**	**0.57**

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 22 'Earnings per share'.

9 Intangible fixed assets

	Goodwill £'000
Group	
Cost	
At 1 April 2006	169,119
Additions (note 24)	7,721
Disposals	(43,217)
At 31 March 2007	**133,623**
Amortisation	
At 1 April 2006	104,015
Charge for the year	3,994
Disposals	(12,413)
At 31 March 2007	**95,596**
Net book amount at 31 March 2007	**38,027**
Net book amount at 31 March 2006	65,104

	Goodwill £'000
Company	
Cost	
At 1 April 2006	168,518
Disposals	(42,616)
At 31 March 2007	**125,902**
Amortisation	
At 1 April 2006	102,434
Charge for the year	4,009
Disposals	(10,934)
At 31 March 2007	**95,509**
Net book amount at 31 March 2007	**30,393**
Net book amount at 31 March 2006	66,084

Notes to the financial statements continued

10 Tangible fixed assets

	Freehold land & buildings £'000	Leasehold improvements £'000	Office fixtures & fittings £'000	Vehicles & computer equipment £'000	Total £'000
Group					
Cost or valuation					
At 1 April 2006	3,850	1,862	1,324	27,774	34,810
Acquisitions	-	-	73	7,371	7,444
Additions	7	659	35	3,408	4,109
Disposals	(1)	(990)	(852)	(14,218)	(16,061)
At 31 March 2007	**3,856**	**1,531**	**580**	**24,335**	**30,302**
Accumulated depreciation					
At 1 April 2006	211	1,543	1,236	21,396	24,386
Acquisitions	-	-	63	6,601	6,664
Charge for the year	154	211	59	4,381	4,805
Disposals	(1)	(798)	(837)	(13,528)	(15,164)
At 31 March 2007	**364**	**956**	**521**	**18,850**	**20,691**
Net book amount at 31 March 2007	**3,492**	**575**	**59**	**5,485**	**9,611**
Net book amount at 31 March 2006	3,639	319	88	6,378	10,424

	Freehold land & buildings £'000	Leasehold improvements £'000	Office fixtures & fittings £'000	Vehicles & computer equipment £'000	Total £'000
Company					
Cost or valuation					
At 1 April 2006	3,850	1,862	1,319	27,466	34,497
Additions	7	659	33	3,401	4,100
Disposals	(1)	(990)	(852)	(14,218)	(16,061)
At 31 March 2007	**3,856**	**1,531**	**500**	**16,649**	**22,536**
Accumulated depreciation					
At 1 April 2006	211	1,543	1,236	21,085	24,075
Charge for the year	154	211	57	4,221	4,643
Disposals	(1)	(798)	(837)	(13,528)	(15,164)
At 31 March 2007	**364**	**956**	**456**	**11,778**	**13,554**
Net book amount at 31 March 2007	**3,492**	**575**	**44**	**4,871**	**8,982**
Net book amount at 31 March 2006	3,639	319	83	6,381	10,422

The net book amount of Group and Company tangible fixed assets includes an amount of £1,723,000 (2006: £2,005,000) in respect of assets held under finance leases.

10 Tangible fixed assets continued

Analysis of net book amount of freehold land and buildings

	Group and Company 2007 £'000	2006 £'000
Freehold land	1,200	1,200
Freehold buildings	2,292	2,439
	3,492	**3,639**

The freehold land and buildings occupied by the Company were revalued by external valuers King Sturge LLP at 31 March 2005 on the basis of existing use value, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom.

No deferred tax is provided on timing differences arising from the revaluation of fixed assets unless, by the balance sheet date, a binding commitment to sell the asset has been entered into and it is unlikely that any gain will be rolled over.

If the assets were stated on a historical cost basis, the amounts would be:

	Group and Company					
			2007			2006
	Freehold land £'000	Freehold buildings £'000	Total £'000	Freehold land £'000	Freehold buildings £'000	Total £'000
Cost	**339**	**2,416**	**2,755**	339	2,416	2,755
Accumulated depreciation	**-**	**(865)**	**(865)**	-	(762)	(762)
Net book value based on historical cost	**339**	**1,551**	**1,890**	339	1,654	1,993

Notes to the financial statements continued

11 Investments in subsidiaries and associates

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Shares in group undertakings				
At 1 April	-	-	7,049	19,180
Additions in the year				
Subsidiary: EEscape Holdings Limited	-	-	3,074	-
Associate: Mobile Tornado Group plc	-	-	4,065	-
Disposals	-	-	-	(12,131)
At 31 March	**-**	**-**	**14,188**	**7,049**
Interests in associates				
Additions				
- Net assets	(1,085)	-	-	-
- Goodwill	5,150	-	-	-
Share of losses suffered	(651)	-	-	-
At 31 March				
- Net assets	(1,736)	-	-	-
- Goodwill	5,150	-	-	-
	3,414	**-**	**-**	**-**
Accumulated amortisation of goodwill				
At 1 April	-	-	-	-
Charge for the year	(113)	-	-	-
At 31 March	**(113)**	**–**	**–**	**–**
Net book amount at 31 March				
- Net assets	(1,736)	-	-	-
- Goodwill	5,037	-	-	-
Total fixed asset investments	**3,301**	**-**	**14,188**	**7,049**

Investments in Group undertakings are stated at cost. As permitted by section 133 of the Companies Act 1985, where the relief afforded under section 131 of the Companies Act 1985 applies, cost is the aggregate of the nominal value of the relevant number of the companies shares and the fair value of any other consideration given to acquire the share capital of the subsidiary undertakings. The directors consider that to give full particulars of all subsidiary undertakings would lead to a statement of excessive length. A list of principal subsidiary undertakings and associates is given on page 46.

The goodwill arising on the associates acquired is being amortised on a straight-line basis over 20 years. This is the period over which the directors estimate that values of the underlying businesses are expected to exceed the values of the underlying assets.

11 Investments in subsidiaries and associates continued

Details of the principal investments at 31 March 2007 in which the Group or Company holds more than 20% of the nominal value of ordinary share capital are as follows:

Subsidiary undertakings	Country of incorporation or registration	Nature of business	Year end	Group proportion held	Company proportion held
EEscape Holdings Limited	England	Telecoms	31 March	100%	100%
Evoxus Limited	England	Telecoms	31 March	100%	-
Call-Link Communications Limited	England	Telecoms	31 March	100%	-
Mobile Tornado Group plc	England	Telecoms	30 June	43%	43%
Allasso AG	Switzerland	Dormant	31 March	100%	100%
Allasso Limited	England	Dormant	31 March	100%	100%
HOLF Technologies Limited	England	Dormant	31 March	100%	100%
VData Limited	England	Dormant	31 March	100%	100%
Integrated Technology (Europe) Limited	England	Dormant	31 March	100%	100%

12 Stocks

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Goods for re-sale	**92**	6,622	**41**	6,622

13 Debtors

	Group		Company	
	2007 £'000	2006 (Restated) £'000	2007 £'000	2006 (Restated) £'000
Amounts falling due after more than one year:				
Amounts owed by Group undertakings	-	-	1,455	1,455
Amounts falling due within one year:				
Trade debtors	7,434	57,636	5,015	57,479
Other debtors	3,451	9,878	3,451	10,781
Deferred tax asset (note 17)	1,968	2,178	1,968	2,178
Corporation tax	-	380	-	380
Prepayments and accrued income	3,685	3,855	2,948	3,805
Deferred cost of sales	325	14,591	-	14,257
Amounts owed by Group undertakings	-	-	4,029	195
	16,863	88,518	17,411	89,075
Total	**16,863**	**88,518**	**18,866**	**90,530**

Amounts owed by group undertakings are unsecured.

Notes to the financial statements continued

14 Creditors - amounts falling due within one year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Other borrowings	1,181	22,040	-	22,040
Loan from Peter Wilkinson	-	4,943	-	4,943
Obligations under finance leases	691	1,173	586	1,173
Trade creditors	3,667	42,932	2,482	42,840
Corporation tax	2,766	-	2,766	-
Other taxation and social security	904	4,372	706	4,385
Other creditors	210	1,256	190	1,256
Accruals	5,885	6,466	4,721	6,513
Deferred income	1,195	17,103	488	16,728
Amounts owed to Group undertakings	-	-	-	909
	16,499	**100,285**	**11,939**	**100,787**

15 Creditors - amounts falling due after more than one year

	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Loan from Peter Wilkinson	-	3,707	-	3,707
Obligations under finance leases	594	308	434	308
Amounts owed to Group undertakings	-	-	8,510	8,510
	594	**4,015**	**8,944**	**12,525**

Amounts owed to Group undertakings are unsecured.

Other borrowings and finance leases are repayable as follows:

Other borrowings	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
In one year or less	1,181	22,040	-	22,040
Between one and two years	-	-	-	-
	1,181	**22,040**	**-**	**22,040**

Loan from Peter Wilkinson	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
In one year or less	-	5,000	-	5,000
Between one and two years	-	3,750	-	3,750
Between two and five years	-	-	-	-
Unamortised debt issue costs	-	(100)	-	(100)
	-	**8,650**	**-**	**8,650**

15 Creditors - amounts falling due after more than one year continued

Finance Leases	Group		Company	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
In one year or less	691	1,173	586	1,173
Between one and two years	456	266	351	266
Between two and five years	138	42	83	42
	1,285	**1,481**	**1,020**	**1,481**

16 Financial instruments

The main financial risks faced by the Group include interest rate risk, liquidity risk and foreign currency risk. The Board reviews and agrees policies for managing each of these risks.

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

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 a sterling invoice discounting facility of £1,750,000 with Barclays Bank (2006: £24,496,000 with IBM), of which £1,181,000 (2006: £19,385,000) was used as at 31 March 2007. This facility is provided on a rolling basis and is subject to 3 months notice by either party.

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

Interest rate risk profile of financial assets

The interest rate profile of the financial assets of the Group comprise cash of £12,782,000 as follows:

	Floating rate	
	2007 £'000	2006 £'000
Currency		
Sterling	11,853	11,593
US dollar	76	488
Euro	853	638
	12,782	**12,719**

The sterling, US dollar and euro financial assets relate to cash at bank and bear interest based on GBP LIBOR, US dollar LIBOR and EURIBOR respectively. There are no fixed rate financial assets (2006: £nil).

Notes to the financial statements continued

16 Financial instruments continued

Interest rate risk profile of financial liabilities

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

	Sterling		Euro		Total	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Floating rate other borrowings	1,181	21,458	-	582	1,181	22,040
Fixed rate loan from Peter Wilkinson	-	8,650	-	-	-	8,650
Fixed rate finance leases	1,285	1,481	-	-	1,285	1,481
Deferred shares	480	480	-	-	480	480
Contingent consideration (zero interest)	-	-	-	-	-	-
Total	**2,946**	**32,069**	**-**	**582**	**2,946**	**32,651**
Weighted average fixed interest rate	10.84%	8.67%	-	-	10.84%	8.67%
Weighted average period for which rate is fixed	1.2 years	1.3 years	-	-	1.2 years	1.3 years
Weighted average period to maturity on which no interest is paid	-	-	-	-	-	-

Financial liabilities include secured finance leases and are detailed in note 15. The floating rate sterling loan bears interest by reference GBP LIBOR and is repayable as set out in note 15.

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:

	2007 £'000	2006 £'000
Expiring within one year	3,769	5,111

Fair value

Fair value is the amount at which a financial instrument could be exchanged in an arm's length transaction between informed and willing parties, other than by a forced or liquidation sale, and excludes accrued interest. The fair values of financial assets and liabilities as at 31 March 2007 approximate to the book value at those dates based on comparison with similar instruments available from alternative providers.

16 Financial instruments continued

Currency exposure

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

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

	2007 £'000	2006 £'000
Functional currency of operation: Sterling		
US dollar (liabilities)/assets (net)	(105)	(2,795)
Euro assets (net)	829	20,788
	724	17,993
Functional currency of operation: Euro		
US dollar liabilities (net)	(89)	(89)
Sterling assets (net)	-	-
	(89)	(89)

Hedges

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

17 Deferred tax asset

	Group and Company £'000
At 1 April 2006 (as previously reported)	2,004
Prior year adjustment	174
At 1 April 2006 (restated)	2,178
Credited to the profit and loss account (note 6)	(210)
At 31 March 2007	**1,968**

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.

Notes to the financial statements continued

17 Deferred tax asset continued

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

Group	Amount recognised 2007 £'000	Amount recognised 2006 (Restated) £'000	Amount not recognised 2007 £'000	Amount not recognised 2006 (Restated) £'000
Depreciation in excess of capital allowances	1,719	1,424	779	-
Short term timing differences	249	389	53	-
Pensions	-	9	3	-
Losses carried forward	-	356	5,404	-
	1,968	**2,178**	**6,239**	**-**

Company	Amount recognised 2007 £'000	Amount recognised 2006 (Restated) £'000	Amount not recognised 2007 £'000	Amount not recognised 2006 (Restated) £'000
Depreciation in excess of capital allowances	1,719	1,424	-	-
Short term timing differences	249	389	-	-
Pensions	-	9	-	-
Losses carried forward	-	356	-	-
	1,968	**2,178**	**-**	**-**

No provision has been made for deferred tax on revalued property. The tax on the gains arising would only become payable if the property were sold without rollover relief being available. The tax which would be payable under such circumstances is estimated to be £526,000 (2006: £526,000). These assets are expected to be used in the continuing operations of the business and, therefore, no tax is expected to be paid in the foreseeable future.

18 Called up share capital

	Company 2007 £'000	Company 2006 £'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**

	2007 £'000	2006 £'000
Allotted, called up and fully paid		
141,885,401 (2006: 141,111,944) Ordinary shares of 1p each	1,419	1,411
48,000,000 Deferred shares of 1p each	480	480
Total	**1,899**	**1,891**

18 Called up share capital continued

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.

Potential issues of ordinary shares

Certain employees hold options to subscribe for shares in the Company at prices ranging from 1.8p to 337.0p under the share option schemes.

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

Name of scheme	No. of shares 2007	2006	Exercise price (pence)	Earliest exercise date	Expiry date
HOLF scheme	5,465,284	7,165,594	43.3	23/12/02	23/12/09
VData scheme	2,214,104	2,803,090	1.8	07/01/03	07/01/10
InTechnology scheme	1,204,321	1,527,463	50.5	19/07/05	19/07/12
InTechnology scheme	-	1,150,000	52.0	04/07/05	04/07/12
InTechnology scheme	808,000	1,178,000	61.0	01/08/06	01/08/13
InTechnology scheme	500,000	500,000	65.0	15/07/03-11/06/05	15/07/06-11/06/12
InTechnology scheme	-	600,000	150.0	01/09/03-09/10/03	01/09/10-09/10/10
InTechnology scheme	177,000	212,000	172.0	15/03/04-20/12/04	15/03/11-20/12/11
InTechnology scheme	500,000	570,000	279.0	15/03/04-01/05/04	15/03/11-01/05/11
InTechnology scheme	50,000	50,000	327.0	02/01/04	02/01/11
InTechnology scheme	50,000	50,000	337.0	01/11/03	01/11/10
InTechnology SAYE scheme	301,305	1,067,643	50.0	01/04/08	01/10/08
InTechnology scheme	70,000	70,000	46.0	21/06/08	21/06/15
InTechnology scheme	1,200,000	-	38.5	03/07/09	03/07/16
InTechnology scheme	2,050,000	-	37.0	12/07/09	12/07/16
	14,590,014	**16,943,790**			

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 24

Notes to the financial statements continued

19 Share based payments

Options are granted with a fixed exercise price equal to the market price of the shares under option at the date of grant. The contractual life of an option is 10 years. Options granted will become exercisable on the third anniversary of the date of grant. Exercise of an option is subject to continued employment except for those employees who were transferred with the disposal of the Specialist Distribution division. These employees have been given until 29 December 2007 to exercise their options. Options were valued using the Black-Scholes option-pricing model. No performance conditions were included in the fair value calculations. The fair value per option granted and the assumptions used in the calculations are as follows:

Grant date	01/08/2003	01/04/2005	21/06/2005	03/07/2006	12/07/2006
Share price at grant date (pence)	61.0	50.0	46.0	38.5	37.0
Exercise price (pence)	61.0	50.0	46.0	38.5	37.0
Number of employees	7	34	1	2	7
Shares under option	1,578,000	301,305	70,000	1,200,000	2,050,000
Vesting period (years)	3	3	3	3	3
Expected volatility	71%	22%	23%	34%	34%
Option life (years)	10	10	10	10	10
Expected life (years)	5	5	5	5	5
Risk-free rate	5.37%	5.37%	5.37%	5.37%	5.37%
Expected dividends expressed as a dividend yield	0.00%	0.00%	0.00%	0.00%	0.00%
Fair value per option (pence)	0.36	0.23	0.26	0.19	0.19

The expected volatility is based on historical volatility over the last three years. The expected life is the average expected period to exercise. The risk-free rate of return is the yield on zero-coupon UK government bonds of a term consistent with the assumed option life. A reconciliation of option movements over the year to 31 March 2007 is shown below:

	2007		2006	
	Number '000	Weighted average exercise price pence	Number '000	Weighted average exercise price pence
Outstanding at 1 April	16,944	55.0	16,313	55.5
Granted	3,250	37.5	1,620	49.8
Forfeited	(4,831)	54.8	(989)	64.0
Exercised	(773)	23.6	-	-
Outstanding at 31 March	14,950	49.8	16,944	55.0
Exercisable at 31 March	10,969	53.5	14,628	54.9

19 Share based payments continued

The weighted average fair value of options granted in the year was £609,650 (2006: £372,895).

	2007				2006			
Range of exercise prices	Weighted average exercise price	Number of shares	Weighted average remaining life:		Weighted average exercise price	Number of shares	Weighted average remaining life:	
(pence)	(pence)	('000)	Expected	Contractual	(pence)	('000)	Expected	Contractual
0.0-50.0	33.7	11,301	1.2	4.9	33.5	11,106	-	5.0
50.0-100.0	56.8	2,512	0.3	5.3	55.4	4,355	2.2	10.9
100.0-150.0	-	-	-	-	150.0	600	-	-
150.0-200.0	172.0	177	-	5.0	172.0	212	1.2	7.2
200.0-250.0	-	-	-	-	-	-	-	-
250.0-300.0	279.0	500	-	4.0	279.0	570	-	5.7
300.0-350.0	332.0	100	-	4.0	332.0	100	-	5.0

The weighted average share price during the period for options exercised over the year was 23.6p. The total charge for the year relating to employee share based payment plans was £248,000 (2006: £264,000), all of which related to equity-settled share based payment transactions. After deferred tax, the total charge was £173,600 (2006: £184,800).

Notes to the financial statements continued

20 Shareholders' funds

Group	Ordinary share capital £'000	Deferred shares £'000	Share premium account £'000	Revaluation reserve £'000	Share option reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 April 2006 as previously reported	1,411	480	188,668	1,646	-	(113,292)	78,913
Prior year adjustment	-	-	-	-	581	(407)	174
At 1 April 2006 (restated)	1,411	480	188,668	1,646	581	(113,699)	79,087
Issue of shares to satisfy employee share options	8	-	175	-	-	-	183
Employee share option adjustment	-	-	-	-	248	-	248
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	-	-	-	(51)	-	51	-
Loss sustained for the year	-	-	-	-	-	(15,935)	(15,935)
At 31 March 2007	**1,419**	**480**	**188,843**	**1,595**	**829**	**(129,583)**	**63,583**

Company	Ordinary share capital £'000	Deferred shares £'000	Share premium account £'000	Revaluation reserve £'000	Share option reserve £'000	Profit & loss account £'000	Total shareholders' funds £'000
At 1 April 2006 as previously reported	1,411	480	188,668	1,646	-	(112,323)	79,882
Prior year adjustment	-	-	-	-	581	(407)	174
At 1 April 2006 (restated)	1,411	480	188,668	1,646	581	(112,730)	80,056
Issue of shares to satisfy employee share options	8	-	175	-	-	-	183
Employee share option adjustment	-	-	-	-	248	-	248
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	-	-	-	(51)	-	51	-
Loss sustained for the year	-	-	-	-	-	(16,177)	(16,177)
At 31 March 2007	**1,419**	**480**	**188,843**	**1,595**	**829**	**(128,856)**	**64,310**

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

	2007 £'000	2006 (Restated) £'000
Continuing operations		
Operating loss	(864)	(1,149)
Depreciation of tangible fixed assets	4,231	5,417
Goodwill amortisation	2,367	2,281
Exceptional costs of reorganisation - fixed asset depreciation	-	83
(Profit)/loss on disposal of tangible fixed assets	(35)	331
Exchange movements	(17)	44
Share option non-cash change	164	70
Decrease in stocks	211	469
Decrease/(increase) in debtors	4,081	(4,726)
Decrease in creditors and provisions	(4,734)	(333)
Net cash inflow from continuing operations	**5,404**	**2,487**
Discontinued operations		
Operating profit/(loss)	1,328	(5,340)
Depreciation of tangible fixed assets	574	299
Goodwill amortisation	1,627	2,451
Exceptional costs of reorganisation - fixed asset depreciation	-	249
Share option non-cash change	23	194
Profit on disposal of tangible fixed assets	(1)	-
Exchange movements	34	(39)
Decrease in stocks	6,374	4,758
Decrease in debtors	56,172	1,882
(Decrease)/increase in creditors and provisions	(59,098)	3,726
Net cash inflow from discontinued operations	**7,033**	**8,180**
Net cash inflow from operating activities	**12,437**	**10,667**

Notes to the financial statements continued

22 Reconciliation of movement in net debt

	2007 £'000	2006 £'000
Increase in cash in the year	66	2,227
Net cash outflow from decrease in finance leases	1,457	1,706
Net cash outflow/(inflow) from repayment of debt	34,455	(431)
Change in net debt resulting from cash flows	35,978	3,502
Non-cash changes:		
Exchange movements	(3)	(36)
Inception of new finance leases	(964)	(656)
Finance leases on disposal	-	13
Borrowings acquired on purchase of subsidiary undertakings	(5,143)	-
Debt issue costs	(100)	(75)
Movement in net debt in the year	29,768	2,748
Net debt at start of year	(19,452)	(22,200)
Net funds/(debt) at end of year	**10,316**	**(19,452)**

23 Analysis of net debt

	At 1 April 2006 £'000	Cashflow £'000	Acquisition (excluding cash & overdrafts) £'000	Disposals £'000	Exchange movements £'000	Other non-cash changes £'000	At 31 March 2007 £'000
Cash at bank and in hand	12,719	66	-	-	(3)	-	12,782
Finance leases	(1,481)	1,457	(297)	-	-	(964)	(1,285)
Debt due after more than one year	(3,707)	3,707	-	-	-	-	-
Debt due within one year	(26,983)	30,748	(4,846)	-	-	(100)	(1,181)
Net debt	**(19,452)**	**35,978**	**(5,143)**	**-**	**(3)**	**(1,064)**	**10,316**

Notes to the financial statements continued

24 Acquisitions

The group purchased EEscape Holdings Limited on 9 January 2007 for a total consideration of £3.0m. The total adjustments required to the book values of the assets and liabilities acquired in order to present the net assets at fair values in accordance with group accounting principles were £137,000, details of which are set out together with the resultant amount of goodwill arising.

EEscape Holdings Limited contributed £162,000 to the group's net operating cash flows, received £51,000 of interest, £nil in respect of taxation and utilised £8,000 for capital expenditure.

In its last financial year to 31 March 2006, EEscape Holdings Limited made a loss after tax of £2.0m. For the period since that date to the date of acquisition, EEscape Holdings Limited management accounts show:

	£'000
Turnover	12,030
Operating profit	91
Loss before taxation	(149)
Taxation	-

	Book value £'000	Consistency of accounting policy £'000	Other £'000	Fair value £'000
Tangible fixed assets	1,042	(92)	(169)	781
Investments	-			-
Stock	55			55
Debtors	3,088			3,088
Cash	2			2
Creditors	(8,697)	104	20	(8,573)
Net assets acquired	**(4,510)**	**12**	**(149)**	**(4,647)**
Goodwill arising on acquisition				7,721
Consideration				3,074
Discharged by:				
Cash consideration				3,000
Costs associated with the acquisition				74
				3,074

The fair value adjustment for alignment of accounting policies reflects the restatement of assets and liabilities in accordance with the group's policies including: the removal of capitalised development costs (£92,000).

25 Directors' emoluments

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

	2007 £'000	2006 £'000
Aggregate emoluments	1,180	1,103
Company contributions to defined contribution pension schemes	40	64
Compensation paid to past director for loss of office	30	187
Sums paid to third parties for directors' services	110	110
	1,360	**1,464**

During the year, retirement benefits were accruing to five (2006: seven) executive Directors under defined contribution pension schemes.

26 Employee information

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

By category	2007 Number	2006 Number
Sales	95	208
Technical	40	109
Operations	67	103
Administration	102	95
	304	**515**

Staff costs for the persons above were:

	2007 £'000	2006 £'000
Wages and salaries	13,233	21,420
Social security costs	1,783	3,448
Pension costs	189	343
Cost of employee share schemes (note 19)	248	264
	15,453	**25,475**

27 Financial commitments

At 31 March 2007, the Group had annual commitments under non-cancellable operating leases as follows:

	Land and buildings		Other assets	
	2007 £'000	2006 £'000	2007 £'000	2006 £'000
Expiring within one year	115	-	63	187
Expiring within one to two years	593	217	18	37
Expiring within two to five years	251	1,943	-	-
Expiring after 5 years	1,276	1,110	-	-
	2,235	**3,270**	**81**	**224**

Notes to the financial statements continued

28 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, the Chief Executive Officer of the Group, made a loan of £15,000,000 to InTechnology repayable over a 4 year period commencing 31 July 2003. The loan was fully repaid during the year. The loan accrued interest at a fixed rate of 8% per annum. Arrangement fees of £300,000 paid to Peter Wilkinson in respect of the loan have been capitalised and have been amortised to the profit and loss account over the period of the loan in accordance with FRS 4. The loan outstanding at 31 March 2007 was £nil (2006: £8,750,000) and related interest payments in the year were £537,000 (2006: £851,000).

Peter Wilkinson is a shareholder in the ultimate parent company of Planetfootball.com Limited, BSkyB. InTechnology has sold services totalling £204,000 (2006: £233,000) to Planetfootball.com Limited in the year. As at 31 March 2007, InTechnology was owed £nil (2006: £nil) by Planetfootball.com Limited.

Peter Wilkinson is a shareholder in YooMedia plc. InTechnology has sold services totalling £361,000 (2006: £628,000) to YooMedia plc in the year. As at 31 March 2007, InTechnology was owed £364,000 (2006: £661,000) by YooMedia plc.

Richard James is a Director and was a shareholder in EEscape Holdings Limited which was wholly acquired by InTechnology on 9 January 2007. Under the terms of the acquisition Richard James received approximately £280,000 in relation to the sale of his shares in EEscape Holdings Limited and the repayment of his shareholder loan of £46,500. The directors of InTechnology consider, that having consulted its Nominated Advisor, that the terms of the acquisition were fair and reasonable insofar as InTechnology's shareholders were concerned. InTechnology sold services totalling £382,000 to EEscape Holdings Limited and its subsidiaries up to the date of acquisition (2006: £455,000 12 months).

Peter Wilkinson and Richard James are shareholders in Mobile Tornado Group plc, an AIM listed company. On 29 October 2006 InTechnology subscribed £4 million cash for 43.38 percent of the enlarged share capital of Mobile Tornado Group and subsequently Peter Wilkinson was appointed its non-executive Chairman and Richard James a Director. InTechnology has sold services totalling £81,000 (2006: £2,500) to Mobile Tornado Group in the year. As at 31 March 2007 InTechnology was owed £36,000 (2006: £1,000) by Mobile Tornado Group.

The Company has maintained a current account at various stages during the year with Andrew Kaberry. The maximum amount owed to the Company under this arrangement was £207,519 (2006: £206,072). This amount was fully repaid during the year and there was no amount outstanding in respect of this advance as at 31 March 2007.

Included within other debtors are amounts owing from members of the Company's management team; Natalie Duffield £7,600 (2006: £10,000).

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

29 Ultimate controlling party

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

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT InTechnology plc (the "**Company**") will hold its Annual General Meeting at Central House, Beckwith Knowle, Otley Road, Harrogate, HG3 1UG at 10 a.m. on 7 August 2007 (the "**AGM**") for the following purposes:

As ordinary business:

Resolution 1

To receive and adopt the report of the directors of the Company (the "**Directors**"), the report of the independent auditors of the Company and the financial statements of the Company for the year ended 31 March 2007.

Resolution 2

To re-appoint The Rt. Hon Lord Parkinson as a director of the Company (a "**Director**"), who retires by rotation in accordance with Article 92 of the Articles of Association of the Company (the "**Articles**" and each article thereto, an "**Article**") and who, being eligible, offers himself for re-appointment as a Director.

Resolution 3

To re-appoint Charles Scott as a Director, who retires by rotation in accordance with Article 92 and who, being eligible, offers himself for re-appointment as a Director.

Resolution 4

To re-appoint Joe McNally as a Director, who retires by rotation in accordance with Article 92 and who, being eligible, offers himself for re-appointment as a Director.

As special business:

To consider and, if thought fit, pass the following resolutions, with resolutions 5 to 7 (in each case, inclusive) being proposed as ordinary resolutions and resolutions 8 to 9 (in each case, inclusive) being proposed as special resolutions:

Resolution 5

In accordance with Sections 739 and 388(3) of the Companies Act 1985, as amended (the "**CA 1985**") that PricewaterhouseCoopers LLP be and is hereby re-appointed auditors of the Company and hold office until the conclusion of the next general meeting at which accounts are laid before the Company and that, pursuant with section 390A of the CA 1985, their remuneration be fixed by the Directors.

Resolution 6

That in substitution for all subsisting authorities to the extent unused the Directors be and are hereby generally and unconditionally authorised pursuant to section 80 of the CA 1985 to exercise all the powers of the Company to allot relevant securities (within the meaning of section 80 of the CA 1985) up to an aggregate nominal amount of £618,851.48, provided that such authority shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution 6, save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot relevant securities in pursuance of any such offer or agreement. References in this resolution to the CA 1985, or to sections of the CA 1985, shall, where the context requires and where appropriate, include references to the Companies Act 2006 (the "**CA 2006**") and any corresponding or similar sections of the CA 2006, it being the intention that, to the extent permitted by law, the authority contained in this resolution shall continue in full force and effect notwithstanding any repeal of the CA 1985 or any relevant part or section thereof.

Resolution 7

That the Company be and is hereby authorised, subject to and in accordance with the provisions of the CA 2006, to send, convey or supply all types of notices, documents or information to the members by means of electronic equipment for the processing (including, without limitation, by means of digital compression), storage and transmission of data, using wires, radio optical technologies, or any other electromagnetic means, including (without limitation) by making such notices, documents or information available on a website.

Resolution 8

That, subject to the passing of Resolution 6, in substitution for all subsisting authorities to the extent unused the Directors be and they are hereby empowered, pursuant to section 95 of the CA 1985, to allot equity securities (within the meaning of section 94 of the CA 1985) for cash pursuant to the authority given by Resolution 6 and/or to allot equity securities where such allotment constitutes an allotment of securities by virtue of section 94(3A) of the CA 1985, as if section 89(1) of the CA 1985 did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities (excluding any shareholder holding shares as treasury shares):

Notice of Annual General Meeting continued

(a) in connection with an offer of such securities by way of a rights issue or other issue in favour of holders of Ordinary Shares in the Company where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be practicable) to their respective holdings of Ordinary Shares (but subject to such exclusions or other arrangements as the Directors may deem necessary or expedient in relation to fractional entitlements or any legal or practical problems under the laws of, or the requirements of any regulatory body or any stock exchange in, any territory or otherwise howsoever); and

(b) otherwise than pursuant to sub-paragraph (a) above, up to an aggregate nominal amount of £70,942.70,

and shall expire at the conclusion of the next Annual General Meeting of the Company after the passing of this Resolution 8, save that the Company may before such expiry make an offer or agreement which would or might require equity securities to be allotted after such expiry and notwithstanding such expiry the Directors may allot equity securities in pursuance of such offer or agreement. References in this Resolution 8 to the CA 1985, or to sections of the CA 1985, shall, where the context requires and where appropriate, include references to the CA 2006 and any corresponding or similar sections of the CA 2006, it being the intention that, to the extent permitted by law, the authority contained in this resolution shall continue in full force and effect notwithstanding any repeal of the CA 1985 or any relevant part or section thereof.

Resolution 9

That the Articles be altered by:

(a) the insertion of the words "AND THE COMPANIES ACT 2006" following the words "THE COMPANIES ACTS 1985 TO 1989" on page 1;

(b) the insertion of the words "and subsequently amended by Special Resolution passed on 7 August 2007" after the words "...passed on 24 July 2000" on page 1;

(c) the insertion of the following new definitions in Article 2:

(i) ""**address**" includes a number or address used for the purposes of sending or receiving documents or information by electronic means;"

(ii) ""**authenticated**" means (subject to section 1146 CA 2006) authenticated in such manner as the Board may in its absolute discretion determine;"

(iii) ""**CA 2006**" means the Companies Act 2006 (to the extent in force);"

(iv) ""**Companies Acts**" means the CA 1985, CA 2006 and, where the context requires, every other statute from time to time in force concerning companies and affecting the company;" and

(v) ""**electronic form**" and "**electronic means**" have the meanings given to them in section 1168 CA 2006;";

(d) the deletion of the words ", subject to paragraph 2.3 of this Article, the Companies Act 1985 and where, the context so requires, every other statute from time to time in force concerning companies and affecting the Company (including, without limitation, the Regulations)" and substitution therefor of the words "the Companies Act 1985" in the definition of CA 1985 in Article 2;

(e) the deletion of the words "section 352 CA 1985" and substitution therefor of the words "the Companies Acts" in the definition of Register in Article 2;

(f) the deletion of the words "1995 (SI No 3272) including any modification thereof and rules made thereunder or any regulations in substitution therefor made under section 207 Companies Act 1989 for the time being in force" and substitution of the words "2001 (SI 2001 No 3755) as amended from time to time and any provisions of or under the Companies Acts which supplement or replace such Regulations" in the definition of Regulations in Article 2;

(g) the deletion of the words "CA 1985" and substitution therefor of the words "the Companies Acts" in the definitions of Seal and Secretary in Article 2 and in Articles 2.4, 3.1, 4.2.10, 4.2.12, 4.3, 5.3.2, twice in 6, 7, 8, twice in 10, 14, 30, 32, twice in 37, 44.1.4, 46, 47, 50, 51, 54.2, 65.1, 70.1, 79, twice in 88, 93, 97, twice in 98.1.2, 100.1.2, 109, 110, 116, 118, 119, 120, 131, 137, 140.2, 141, 142.1, 142.2, 143, 144, 155, 156, twice in 169, 170 and 171;

(h) the insertion of the words ", including (subject to the provisions of the Companies Acts) in electronic form" at the end of the definition of writing or written in Article 2;

(i) the deletion of the word "executed" and substitution therefor of the word "authenticated" wheresoever it appears in Article 3.2;

(j) the insertion of the following words after the word "tickets" in Article 69.1:

"or electronic means, or any combination thereof";

(k) the deletion of the existing Article 74.1.1 and the substitution of the following Article 74.1.1:

"74.1.1 be in writing in any common form or in such other form as the Board may approve, and

(i) if in writing but not in electronic form, under the hand of the appointer or of his attorney duly authorised in writing or, if the appointer is a corporation, under its common seal or under the hand of some officer or attorney or other person duly authorised in that behalf; and

(ii) if in writing and in electronic form, submitted by or on behalf of the appointed and authenticated;";

(l) the deletion of the word "signed" and substitution therefor of the word "authenticated" in Article 75.1, 126.3, 127.1.2 (twice), 127.1.3 (twice), 127.1.4, and 129.2;

(m) the insertion of the words "in the case of an instrument in writing (including, whether or not the appointment of proxy is in electronic form, any such power of attorney or other authority)" at the start of Article 75.1.1;

(n) the insertion of a new Article after Article 75.1.1 in the following form:

"75.1.1A in the case of an appointment in electronic form, where an address has been specified for the purpose of receiving documents or information in electronic form:

(i) in the notice convening the meeting; or

(ii) in any instrument of proxy sent out by the Company in relation to the meeting; or

(iii) in any invitation in electronic form to appoint a proxy issued by the Company in relation to the meeting,

be received at such address not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the appointment proposes to vote; or"

(o) the deletion of the words "section 212 CA 1985" and substitution therefor of the words "section 793 CA 2006 (a "**Section 793 Notice**")" in Article 80.1;

(p) the deletion of the words "section 212 CA 1985" and substitution therefor of the words "Section 793 Notice" in Articles 80.2.2, 80.3, 80.5 and 80.6.1;

(q) the deletion of the words "section 212 CA 1985" and substitution therefor of the words "section 793 CA 2006" in Articles 80.6.2 and 80.7;

(r) the deletion of the word "notice" and substitution therefor of the words "Section 793 Notice" in Article 80.6.3;

(s) the deletion of the words "section 428 CA 1985" and substitution therefor of the words "section 974 CA 2006" in Article 80.6.5(a);

(t) the deletion of the words "as defined in section 207 Financial Services Act 1986" in Article 80.6.5(b);

(u) the deletion of Article 96;

(v) the insertion of the words "or, if in electronic form, received by" after the words "writing delivered to" and before the words "the Secretary at the Office" in Article 100.1;

(w) the insertion of the words "or, if in electronic form, received by" after the words "writing delivered to" and before the words "the Secretary at the Office" in Article 98.1.1;

(x) the insertion of the words "or, in the case of notices in electronic form, any address given by him to the Company for that purpose," after the words

Notice of Annual General Meeting continued

"Company for this purpose" and before the words "but he shall not" in Article 122;

(y) the deletion of the words "facsimile transmissions" and substitution therefor of the words "communication in electronic form" in Articles 126.1 and 126.2;

(z) the deletion of the word "executed" and substitution therefor of the word "authenticated" in Article 127.1.1;

(aa) the deletion of the words ", including executions evidenced by means of facsimile transmission" from the end of Article 127.1.1;

(bb) the deletion of the words "Part VI CA 1985" and substitution therefor of the words "Part 22 CA 2006" in Article 133.1.4;

(cc) the renumbering of Article 158 as Article 158.1;

(dd) the insertion of the following Article 158.2:

"158.1 The provisions of Article 158.1 shall apply mutatis mutandis to any reports or accounts supplied by means of a website.";

(ee) the insertion of the words "or made available on a website in accordance with the Companies Acts," after the words "...sent by post to the member";

(ff) the deletion of the existing Article 160 and substitution therefor of the following Article 160;

"160.1 Notwithstanding anything to the contrary in these Articles, any notice or document to be given, sent, issued, deposited, served, delivered or lodged (or the equivalent) to or by any person pursuant to these Articles (other than a notice calling a meeting of the Directors) shall be in writing and any such notice or document shall be deemed given, sent, issued, deposited, served, delivered or lodged, or the equivalent where it is sent in electronic form, to an address for the time being notified for that purpose to the person giving the notice, but subject always to the provisions of Article 163.1A and, in the case of notices or other documents sent in electronic form, subject to and in accordance with the provisions of the Companies Acts.

160.2 Subject to the Companies Acts, any document or information is validly sent or supplied by a Company if it is made available on a website.

160.3 Where a document or information is sent or supplied to the Company by a person on behalf of another, the Company may require reasonable evidence of the authority of the former to act on behalf of the latter.

160.4 Any amendment or revocation of a notification given to the Company under this Article shall only take effect if in writing, authenticated by the member and on actual receipt by the Company thereof.

160.5 An electronic communication shall not be treated as received by the Company if it is rejected by computer virus protection arrangements.";

(gg) the insertion of the words ", or subject to and in accordance with the Companies Acts, by sending it in electronic form to an address for the time being notified to the Company by the member or by making it available on a website." after the words "by the member concerned" and before the words "In the case of a member" in Article 161.1;

(hh) the insertion of the words ", or subject to and in accordance with the provisions of the Companies Acts, of an address to which notices or documents may be sent in electronic form," after the words "documents may be given to him" and before the words "he shall be entitled to have" in Article 161.3;

(ii) the insertion of the words "or subject to and in accordance with the provisions of the Companies Acts, an address to which notices may be sent in electronic form." at the end of Article 161.4;

(jj) the insertion of the following new Articles after Article 163.1:

"163.1A Any notice or other document addressed to a member shall, if sent using electronic means, be deemed to have been served or delivered at the expiration of 48 hours after the time it was first sent. In proving such service or delivery it shall be conclusive to prove that the address used for the electronic communication was correct and that the electronic communication was properly dispatched by the Company, unless the Company is aware that there has been a failure of delivery of such notice or document following at least two attempts in which case such notice or document shall be sent to the member at his registered address or address for service in the United Kingdom provided that the date of deemed service or delivery shall be 48 hours from the despatch of the original electronic communication in accordance with this Article.

163.1B In calculating a period of hours for the purposes of this Article, no account shall be taken of any part of a day that is not a working day (as defined in section 1173 CA 2006).";

(kk) the deletion of the words "notice given by the Company under section 212 CA 1985" and substitution therefor of the words "Section 793 Notice" in Article 164; and

(ll) the insertion of the words "Subject to the Companies Acts and to any other provision of these Articles," at the beginning of Article 166.

Dated 6 July 2007

By order of the Board

Richard James

Director and Company Secretary

for and on behalf of InTechnology plc

Registered Office:

Central House

Beckwith Knowle

Otley Road

Harrogate

HG3 1UG

Notice of Annual General Meeting continued

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. To be effective, a form 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 by no later than 10 a.m. on 5 August 2007 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 (or at any adjournment thereof) in person in respect of which the proxy is appointed 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 10 a.m. on 5 August 2007 (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 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 This Notice, the accompanying Form of proxy 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 12 to 13 of the Annual Report and Financial Statements of the Company for the year ending 31 March 2007.

8 If the Chairman, as a result of any proxy appointments, is given discretion as to how the votes the subject of those proxies are cast and the voting rights in respect of those discretionary proxies, when added to the interests in the Company's securities already held by the Chairman, result in the Chairman holding such number of voting rights that he has a notifiable obligation under the Disclosure and Transparency Rules, the Chairman will make the necessary notifications to the Company and the Financial Services Authority. As a result, any member holding 3% or more of the voting rights in the Company who grants the Chairman a discretionary proxy in respect of some or all of those voting rights and so would otherwise have a notification obligation under the Disclosure and Transparency Rules, need not make a separate notification to the Company and the Financial Services Authority.

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 Central House, Beckwith Knowle, Otley Road, Harrogate, HG3 1UG at 10 a.m. on 7 August 2007 (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 witheld. (See note 6).

		FOR	AGAINST	VOTE WITHELD
1	Receipt and adoption of Directors' report and financial statements and independent auditors' report.	☐	☐	☐
2	Re-appointment of The Rt. Hon Lord Parkinson.	☐	☐	☐
3	Re-appointment of Charles Scott.	☐	☐	☐
4	Re-appointment of Joe McNally.	☐	☐	☐
5	Ordinary Resolution - That PricewaterhouseCoopers LLP be reappointed auditors of the Company, to hold office until the conclusion of the next general meeting at which the accounts are laid before the Company and that their remuneration be fixed by the Directors.	☐	☐	☐
6	Ordinary Resolution to authorise the Directors to allot relevant securities.	☐	☐	☐
7	Ordinary Resolution to approve the Company sending communications to shareholders by electronic means.	☐	☐	☐
8	Special Resolution to disapply statutory pre-emption provisions.	☐	☐	☐
9	Special Resolution to amend the Articles to comply with the Companies Act 2006.	☐	☐	☐

Dated ____________ 2007

Signed ____________ (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 in the case of 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 by **no later than 10 a.m. on 5 August 2007** 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. 10 a.m. on 5 August 2007) 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 Director's service agreements 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 adjornment 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 This Form of proxy, the accompanying Notice of the AGM 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.

THIRD FOLD AND TUCK IN

BUSINESS REPLY SERVICE
License No. MB122

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

FIRST FOLD

SECOND FOLD

Corporate information

Board of Directors:

The Rt. Hon. Lord Parkinson	Non-executive Chairman
Joe McNally	Non-executive Director
Charles Scott	Non-executive Director
Peter Wilkinson	Chief Executive Officer
Richard James	Director & Company Secretary
Andrew Kaberry	Finance Director
Bryn Sage	Sales Director
Jason Firth	Director of Professional Services

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

Registrar and transfer office:
Capita IRG plc
Bourne House
34 Beckenham Road
Beckenham
Kent
BR3 4TU

Principal bankers:
Barclays Bank plc
Parliament Street
York
YO1 1XD

Nominated adviser and broker:
Panmure Gordon & Co. plc
155 Moorgate
London
EC2M 6XB

Independent auditors:
PricewaterhouseCoopers LLP
Benson House
33 Wellington Street
Leeds
LS1 4JP

Solicitors:
Norton Rose
Kempson House
Camomile Street
London
EC3A 7AN

Company registration number:
3916586

Internet address:
www.intechnology.co.uk

Corporate information continued

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