

Registered number:
03916586

INTECHNOLOGY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2019



INTECHNOLOGY PLC

COMPANY INFORMATION

Directors Charles Scott (non-executive)
Peter Wilkinson (CEO)
Andrew Kaberry
Bryn Sage

Company secretary Andrew Kaberry

Registered number 03916586

Registered office Cardale House
Cardale Court
Beckwith Head Road
Harrogate
HG3 1RY

Independent auditors Saffery Champness LLP
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HG1 5RX

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LS1 1NX

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GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2019

Introduction

Our trading subsidiary companies have made steady progress towards our overall Group objective of operating profits and generating cash flows.

Wi-Fi services and Telecom services both further reduced their operating losses, which are discussed later.

Digital Healthcare prior year results were favourably enhanced by a novated contract. By excluding this the results show a fourfold increase of revenues and a reduction in operating losses to almost breakeven.

I continue to make further loans to the Group and at 31 March 2019 loans and accrued interest total £13.2m and have increased to date.

Financial key performance indicators

• Revenues:	£4.7m	(2018 : £6.0m)
• Group operating loss (before goodwill impairment charge):	£5.0m	(2018 : £4.5m)
• Loss attributable to owners of the parent Company:	£9.5m	(2018 : £4.0m)
• Cash:	£1.4m	(2018 : £0.9m)
• Debt:	£13.9m	(2018 : £10.4m)

Debt comprises finance leases in InTechnology Wi-Fi Limited of £0.7m (2018 : £0.5m) and loans to InTechnology plc of £13.2m (2018 : £9.9m) from Holf Investments Limited, a company controlled by Peter Wilkinson.

Prior period adjustment

These financial statements contain the effect of a prior period adjustment in relation to misstatements in the consolidated balance sheet. More details are set out in note 37.

Share issue on 8 August 2018.

On 8 August 2018 the board issued to Peter Wilkinson 50 million ordinary shares in consideration for unpaid interest and fees accruing from loans made to the company. After this share issue Peter Wilkinson owns 65 per cent of the company, previously 56 per cent.

InTechnology Wi-Fi Limited change of name

On 31 July 2019 InTechnology Wi-Fi Limited changed its name to InTechnology Smart Cities Limited

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Business review

Wi-Fi (InTechnology Smart Cities Limited-94.3% subsidiary)

- Revenues: £0.1m (2018 : £0.4m)
- Operating loss: £2.4m (2018 : £2.8m)

Wi-Fi continues to decrease operating losses with tight controls over operating costs.

Wi-Fi's business model has changed following market feedback from UK Local Authorities. Wi-Fi now sells and maintains systems to Local Authorities, still using open tender bidding. Previously, Wi-Fi tendered for concessionary systems maintaining ownership. This change has clear cashflow savings.

Discussions with Local Authorities has identified a demand for a software platform to handle multiple streams of large data as towns and cities adopt initiatives for 'Smart Cities' and IoT.

Digital Health is developing its core platform for patient care, involving multiple streams of high volume data for Smart Cities and IoT.

To better reflect these market changes InTechnology Wi-Fi Limited has changed its name on 30th July 2019 to InTechnology Smart Cities Limited.

Digital Healthcare (Inhealthcare Limited-93.5% subsidiary)

- Revenue: £1.6m (2018 : £2.9m)
- Operating loss: £0.02m (2018 : £0.2m profit)

Recognised revenues of our ongoing Digital Health platform were £1.6m compared to £0.4m in 2018. 2018 also included the novated management services contracts of £2.5m which was reported last year.

The operating loss of £0.02m reduced from £0.2m in 2018. 2018 also included a profit of £1.7m from the novated Managed Services Contracts.

Sales contracts secured during the year were £1.0m. Overall a good year as Digital Healthcare eliminated operating losses with some excellent sales contracts, most of which were recognised as revenue in the year.

We now have a mature core technology which continues to be enhanced to meet NHS regional requirements.

There have been positive changes in NHS England, published in its long term plans, which provides a more receptive environment for our Digital Healthcare technology. Basically it gives an ongoing regional approach to adopting change as opposed to the small scale local approach of the last several years. This should drive our contract values higher across NHS England.

We have had good success in Northern Ireland and a very good reception in Scotland for our Patient Self-Monitoring of Conditions platform. We also expect our first contract in Wales this new year.

Last year we announced that we had hosted our platform on AWS. This now puts us in a prime position to move our platform outside of the UK either by ourselves or with a partner. However, we utilise all our resources on first delivering sustainable profitability and cash flows in the UK market.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Mobile Tornado Group plc "MT" (51% subsidiary)

• Revenues:	£3.0m (2018 : £2.5m)
• Operating loss:	£1.2m (2018 : £1.5m)
• Loss after finance costs and taxation	£1.4m (2018 : £0.6m)

MT has continued to further develop and enhance its Push-To-Talk over cellular ("PoC") system following on from its tremendous technical achievements made in the previous year and now confidently enters technical trials of its enterprise products and receiving very good feedback from users.

MT is a 'tech company' rather than a global systems integrator as it does not have the resources to be the latter.

MT continues to win sales especially in EMEA and South America. Revenues increased 18 per cent and, whilst still incurring operating losses for the full year, it did achieve operating profits in some months.

In August 2019 MT raised cash of £0.7m by a Placing of new ordinary shares and InTechnology plc. converted £0.7m of debt owed by MT for new ordinary shares thus maintaining its 51 per cent shareholding.

Principal risks and uncertainties

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

Competitive pressures

All our businesses operate in a competitive environment.

To mitigate these competitive pressures, the Company targets niche sectors of the Digital Healthcare, Wi-Fi systems and telecoms markets, and develops and refines its services to demonstrate a competitive edge to its existing and potential customers.

The Digital Healthcare's target market is in its early stage and is primarily the NHS, which has seen major structural changes. Although there is a degree of uncertainty and resistance to change within the market, the Company feels that by putting together a strong management team, by conducting significant market research, and by performing successful trials within the NHS, it has a compelling proposition to offer.

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

Staff costs

As a services business, total staff costs are approximately 34% of our total operating costs. The Company could be hindered by a shortage or inability to recruit and retain qualified and experienced staff.

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

Economy

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

To mitigate this risk, the Company will contract for all services on medium term contracts in order to have contracted future revenues.

**GROUP STRATEGIC REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Risk assessment

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

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

Outlook

The commentary delivered to you last year regarding the outlook for the Group is still pertinent.

Your board of directors continue to regularly review all three trading subsidiaries. The board recognises the difficulties and risks inherent in each business as to the quantum of future revenues and as to the timing of them.

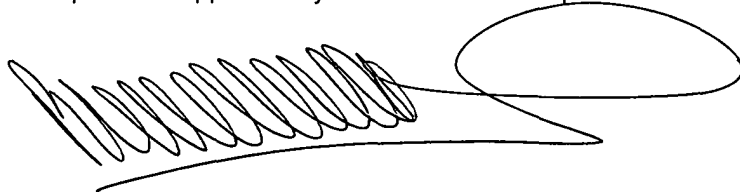
The board has confidence that each business will eventually achieve sustainable profits and generate positive cash flows. Each business has made progress in the year under review and continues to into this new year in terms of product development and marketing to each clearly identified niche market. However, the overall group has not attained operating profit and the directors have to make judgments on the size of each market and the time it will take to reach positive and sustainable cash flows and therefore the further amount of working capital required.

The board regularly reviews the Group's cash flow to ensure there is sufficient working capital to meet liabilities as they fall due. Each business is subject to key assumptions being tested and the timing of key events. Financial forecasts adopted by the board indicate that the group can meet its obligations as they fall due with a guarantee of support from Peter Wilkinson. As the overall group has not yet achieved sustainable profitability nor generates positive cash flows any adverse variance from the forecasts can also be offset by a sale of the whole or a part interest in any of the three subsidiaries to make up the shortfall and enable the group to meet its liabilities as they fall due.

Our staff

I wish to thank on your behalf all of our staff in the UK and Israel for their continued hard work and commitments to achieving our objectives. I also thank all our partners in all areas of the business.

This report was approved by the board on 26 September 2019 and signed on its behalf.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke, followed by a large oval shape.

Peter Wilkinson (CEO)
Director

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2019

The directors present their report and the financial statements for the year ended 31 March 2019.

Directors' responsibilities statement

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

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

In preparing the financial statements the directors are required to:

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

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

Principal activity

InTechnology plc provides Digital Health services, Wi-Fi system and Smart City Apps to the UK markets and telecom services to the global market.

Business review

The information that fulfils the requirements of the Business Review can be found in the Strategic report on pages 1 to 4. Our review of the principal risks and uncertainties of the business is set out on pages 3 to 4.

Results and dividends

The loss for the year, after taxation and minority interests, amounted to £9,459,000 (2018 - loss £3,970,000).

Accordingly, no dividend will be paid. (2018 - £nil).

Directors

The directors who served during the year were:

Charles Scott (non-executive)
Peter Wilkinson (CEO)
Andrew Kaberry
Bryn Sage

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Political contributions

The contributions made by the Group during the year for charitable purposes totalled £nil (2018 : £nil). The Group made no political contributions (2018: £nil).

Environmental matters

The Group will seek to minimise adverse impacts on the environment from its activities, whilst continuing to address health, safety and economic issues. The Group has complied with all applicable legislation and regulations.

Future developments

The Group continues to strive to gain new sales contracts in all its businesses.

Research and development activities

The Group continues to undertake the development of new products with the objective of increasing future profitability. The cost to the Group is written off to the Statement of comprehensive income as incurred.

Employee involvement

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

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

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

The Group continues to give full and fair consideration to applications for employment made by disabled persons, having regard to their respective aptitudes and abilities.

The policy includes, where practicable, the continued employment of those who may become disabled during their employment and the provision of training and career development and promotion, where appropriate.

**DIRECTORS' REPORT (CONTINUED)
FOR THE YEAR ENDED 31 MARCH 2019**

Substantial shareholdings

The Company has received notification that the following six shareholders are interested in 2.5% or more of the issued ordinary share capital of the Company (totalling 93.6%):

Percentage of shares held	
Peter Wilkinson	65.1%
Artemis fund managers	10.7%
Jon Wood	8.2%
Lombard Odier fund managers	3.9%
Andrew Kaberry	3.2%
Herald fund managers	2.5%

Disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' Report is approved has confirmed that:

- so far as the director is aware, there is no relevant audit information of which the Company and the Group's auditors are unaware, and
- the director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the Company and the Group's auditors are aware of that information.

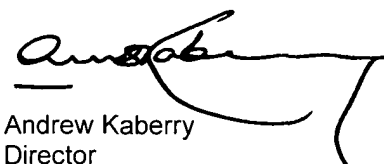
Post balance sheet events

In August 2019 Mobile Tornado Group plc. raised cash of £0.7m by a Placing of new ordinary shares and InTechnology plc. converted £0.7m of debt owed by MT for new ordinary shares thus maintaining its 51% shareholding.

Auditors

Saffery Champness LLP were appointed as auditor to the group and in accordance with section 485 of the Companies Act 2006, a resolution proposing that they be re-appointed will be put at a General Meeting.

This report was approved by the board on 26 September 2019 and signed on its behalf.



Andrew Kaberry
Director

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTECHNOLOGY PLC

Opinion

We have audited the financial statements of InTechnology Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2019 which comprise the consolidated statement of financial position, the company statement of financial position, the consolidated statement of comprehensive income, the consolidated statement of changes in equity, the company statement of changes in equity, the consolidated statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union and, as regards the parent company financial statements, as applied in accordance with the provisions of the Companies Act 2006.

In our opinion:

- the financial statements give a true and fair view of the state of affairs of the group and of the parent company as at 31 March 2019 and of the group's loss for the period then ended; and
- the group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union; and
- the parent company financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union and as applied in accordance with the provisions of the Companies Act 2006; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the group and the parent company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTECHNOLOGY PLC

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Directors' Report.

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

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise

INDEPENDENT AUDITORS' REPORT TO THE SHAREHOLDERS OF INTECHNOLOGY PLC

from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Jonathan Davis (Senior Statutory Auditor)

for and on behalf of
Saffery Champness LLP

Chartered Accountants and Statutory Auditors

Mitre House
North Park Road
Harrogate
HG1 5RX

26/9/ 2019

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 MARCH 2019**

	Note	2019 £000	2018 £000
Turnover	4	4,736	5,993
Cost of sales		(664)	(2,536)
Gross profit		4,072	3,457
Administrative expenses		(9,060)	(7,959)
Net impairment losses on financial and contract assets		(2,761)	-
Operating loss	6	(7,749)	(4,502)
Interest receivable and similar income	11	2	2
Interest payable and expenses	12	(2,440)	(1,528)
Loss before taxation		(10,187)	(6,028)
Tax on loss	13	(97)	1,220
Loss for the financial year		(10,284)	(4,808)
Total comprehensive income for the year		(10,284)	(4,808)
(Loss) for the year attributable to:			
Non-controlling interests		(825)	(838)
Owners of the parent Company		(9,459)	(3,970)
		(10,284)	(4,808)

There were no recognised gains and losses for 2019 or 2018 other than those included in the consolidated statement of comprehensive income.

The notes on pages 18 to 51 form part of these financial statements.

**CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019**

	Note	2019 £000	2018 As restated £000
Fixed assets			
Intangible assets	14	3,965	6,726
Tangible assets	15	835	1,209
		<u>4,800</u>	<u>7,935</u>
Current assets			
Stocks	17	91	113
Debtors	18	2,351	5,149
Cash at bank and in hand	19	1,449	910
		<u>3,891</u>	<u>6,172</u>
Creditors: amounts falling due within one year	20	(3,705)	(3,904)
Contract liabilities	21	(60)	-
		<u>Net current assets</u>	<u>2,268</u>
		126	
Total assets less current liabilities		<u>4,926</u>	<u>10,203</u>
Creditors: amounts falling due after more than one year	22	(15,111)	(11,408)
		<u>Net liabilities</u>	<u>(1,205)</u>
		(10,185)	
Capital and reserves			
Called up share capital	28	2,443	1,943
Share premium account	30	5,765	5,015
Profit and loss account	30	(14,890)	(5,485)
Equity attributable to owners of the parent Company		<u>(6,682)</u>	<u>1,473</u>
Non-controlling interests		(3,503)	(2,678)
		<u>(10,185)</u>	<u>(1,205)</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2019.


Andrew Kaberry
Director

The notes on pages 18 to 51 form part of these financial statements.

COMPANY STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2019

	Note	2019 £000	Restated 2018 £000
Fixed assets			
Tangible assets	15	182	65
Investments	16	15,920	15,920
		<u>16,102</u>	<u>15,985</u>
Current assets			
Debtors	18	3,432	7,147
Cash at bank and in hand	19	124	141
		<u>3,556</u>	<u>7,288</u>
Creditors: amounts falling due within one year	20	(666)	(972)
Net current assets		<u>2,890</u>	<u>6,316</u>
Total assets less current liabilities		<u>18,992</u>	<u>22,301</u>
Creditors: amounts falling due after more than one year	22	(22,698)	(19,477)
Net assets excluding pension asset		<u>(3,706)</u>	<u>2,824</u>
Net (liabilities)/assets		<u>(3,706)</u>	<u>2,824</u>
Capital and reserves			
Called up share capital	28	2,443	1,943
Share premium account	30	5,765	5,015
Profit and loss account	30	(11,914)	(4,134)
		<u>(3,706)</u>	<u>2,824</u>

As permitted by s408 Companies Act 2006, the company has not presented its own profit and loss account and related notes. The company's loss for the year was £3,140,000 (2018 – loss £21,031,000).

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 26 September 2019.


Andrew Kaberry
Director

The notes on pages 18 to 51 form part of these financial statements.

INTECHNOLOGY PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019**

	Called up share capital	Share premium account	Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2018	1,943	5,015	(5,485)	1,473	(2,678)	(1,205)
Comprehensive income for the year						
Loss for the year	-	-	(9,459)	(9,459)	(825)	(10,284)
Equity settled share based payments			54	54		54
Total comprehensive income for the year	-	-	(9,405)	(9,405)	(825)	(10,230)
Shares issued during the year	500	750	-	1,250	-	1,250
Total transactions with owners	500	750	-	1,250	-	1,250
At 31 March 2019	<u>2,443</u>	<u>5,765</u>	<u>(14,890)</u>	<u>(6,682)</u>	<u>(3,503)</u>	<u>(10,185)</u>

The notes on pages 18 to 51 form part of these financial statements.

INTECHNOLOGY PLC

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018**

	Called up share capital	Share premium account	Restated Profit and loss account	Equity attributable to owners of parent Company	Non- controlling interests	Total equity
	£000	£000	£000	£000	£000	£000
At 1 April 2017	1,921	5,015	(1,515)	5,421	(2,678)	2,743
Comprehensive income for the year						
Loss for the year	-	-	(3,970)	(3,970)	-	(3,970)
Total comprehensive income for the year	-	-	(3,970)	(3,970)	-	(3,970)
Shares issued during the year	22	-	-	22	-	22
Total transactions with owners	22	-	-	22	-	22
At 31 March 2018	<u>1,943</u>	<u>5,015</u>	<u>(5,485)</u>	<u>1,473</u>	<u>(2,678)</u>	<u>(1,205)</u>

The notes on pages 18 to 51 form part of these financial statements.

In the prior year accounts there was a separate reserve for share options. In the year to 31 March 2019 the Directors have decided to include this within the profit and loss account. As such a prior year adjustment has been made to the statement of changes in equity for both the Groups and Company.

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2019

	Called up share capital	Share premium account	Restated Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2018	1,943	5,015	(4,134)	2,824
Comprehensive income for the year				
Loss for the year	-	-	(7,780)	(7,780)
Contributions by and distributions to owners				
Shares issued during the year	500	750	-	1,250
At 31 March 2019	2,443	5,765	(11,914)	(3,706)

COMPANY STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 MARCH 2018

	Called up share capital	Share premium account	Restated Profit and loss account	Total equity
	£000	£000	£000	£000
At 1 April 2017	1,943	5,015	16,897	23,855
Comprehensive income for the year				
Loss for the year	-	-	(21,031)	(21,031)
Total comprehensive income for the year	-	-	(21,031)	(21,031)
Total transactions with owners	-	-	-	-
At 31 March 2018	1,943	5,015	(4,134)	2,824

The notes on pages 18 to 51 form part of these financial statements.

**CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2019**

	2019	2018
	£000	£000
Cash flows from operating activities		
Loss for the financial year	(10,284)	(4,808)
Adjustments for:		
Impairment of intangible assets	2,761	-
Depreciation of tangible assets	634	606
Loss on disposal of tangible assets	(54)	-
Taxation charge	521	(1,220)
Decrease/(increase) in stocks	22	(113)
Decrease/(increase) in debtors	1,897	(238)
Increase in creditors	43	4,787
Corporation tax recovered	380	1,329
Net cash (outflow)/generated from operating activities	(3,646)	343
Cash flows from investing activities		
Purchase of tangible fixed assets	(266)	(328)
Sale of tangible fixed assets	60	-
Net cash outflow from investing activities	(206)	(328)
Cash flows from financing activities		
Issue of ordinary shares	1,250	-
Additional loan	3,345	-
Repayment of/new finance leases	176	92
Net cash used in financing activities	4,771	92
Net increase in cash and cash equivalents	539	107
Cash and cash equivalents at beginning of year	910	803
Cash and cash equivalents at the end of year	1,449	910
Cash and cash equivalents at the end of year comprise:		
Cash at bank and in hand	1,449	910
	1,449	910

The notes on pages 18 to 51 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

1. Accounting Policies

General information

InTechnology plc provides managed services to the Digital Healthcare sector, telecoms sectors and Wi-Fi services to sports stadia, towns and cities.

The Company is an unlisted public company incorporated and domiciled in the United Kingdom under the Companies Act 2006. The address of its registered office is Cardale House, Cardale Court, Beckwith Head Road, Harrogate, North Yorkshire HG3 1RY.

The registered number of the Company is 03916586.

2. Accounting policies

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

2.1 Basis of preparation of financial statements

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and as endorsed by the European Union (EU), and those parts of the Companies Act 2006 applicable to those reporting under IFRS. The financial statements have been prepared under the historical cost convention.

The financial statements are stated in sterling, which is the Group's functional and presentational currency. Unless otherwise noted, the amounts shown in these financial statements are in thousands of pounds sterling (£'000).

The Company has elected not to present a Company Profit & Loss Account in accordance with the exemption under section 408 of the Companies Act 2006.

Going Concern

Notwithstanding the loss incurred in the year and the consolidated net liabilities position held, the Directors continue to prepare the accounts of the Group and Company on a Going Concern basis.

The Directors have compiled financial forecasts for the Group and all operating subsidiaries which include detailed profit and loss, balance sheet and cash flow projections. These demonstrate the ability of the Group to continue in operational existence for at least 12 months post the date of approval of these financial statements.

Importantly, the above assessment of the Board takes into account a written undertaking from Peter Wilkinson, as major shareholder and Director, that he will continue to support the Group and subsidiary companies over the course of the forecast period through the provision of working capital where required.

As a result of the above support, and the continued improvement in operating results of the Group's operating companies, the Directors continue to prepare the financial statements on a Going Concern basis.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2.2 Basis of consolidation

The consolidated financial statements present the results of the Company and its own subsidiaries ("the Group") as if they form a single entity. Intercompany transactions and balances between group companies are therefore eliminated in full.

The consolidated financial statements incorporate the results of business combinations using the purchase method. In the Statement of Financial Position, the acquiree's identifiable assets, liabilities and contingent liabilities are initially recognised at their fair values at the acquisition date. The results of acquired operations are included in the Consolidated Statement of Comprehensive Income from the date on which control is obtained. They are deconsolidated from the date control ceases.

2.3 Estimates

Accounting estimates and judgements

The Group's critical accounting policies under IFRSs have been set out by the board with the approval of the Audit Committee. The application of these policies requires estimates and assumptions to be made concerning the future and judgements to be made on the applicability of policies to particular situations. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Under IFRSs an estimate or judgement may be considered critical if it involves matters that are highly uncertain, or where different estimation methods could reasonably have been used, or if changes in the estimate that would have a material impact on the Group's results are likely to occur from period to period. The Directors assess that there are no critical judgements required when preparing the Group's financial statements.

2.4 Group Financial Statements

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that are presently exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements.

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group.

Acquisition-related costs are expensed as incurred. Identifiable assets acquired, and liabilities and contingent liabilities assumed, in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest. The excess of the cost of acquisition over the Group's share of identifiable net assets acquired is recorded as goodwill.

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

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with the equity owners of the Group.

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

Associates

Associated undertakings are those companies in which the Group has a beneficial interest of between 20% and 50% in the equity capital and where the Group exercises significant influence over commercial and financial policy decisions.

The consolidated statement of comprehensive income includes the Group's shares of post-acquisition profits or losses after tax and the Group's share of other recognised gains or losses, and the Balance sheet includes the Group's share of the net assets of associated undertakings.

2.5 Foreign currency translation

Functional and presentation currency

The Company's functional and presentational currency is GBP.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end foreign currency monetary items are translated using the closing rate. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Consolidated Statement of Comprehensive Income except when deferred in other comprehensive income as qualifying cash flow hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the Consolidated Statement of Comprehensive Income within 'finance income or costs'. All other foreign exchange gains and losses are presented in the Consolidated Statement of Comprehensive Income within 'other operating income'.

On consolidation, the results of overseas operations are translated into Sterling at rates approximating to those ruling when the transactions took place. All assets and liabilities of overseas operations are translated at the rate ruling at the reporting date. Exchange differences arising on translating the opening net assets at opening rate and the results of overseas operations at actual rate are recognised in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2.6 Revenue

The Group recognises revenue from contracts with customers based on a five-step model as set out in IFRS 15:

- Step 1. Identify contract(s) with a customer: A contract is defined as an agreement between two or more parties that creates enforceable rights and obligations and sets out the criteria for every contract that must be met.
- Step 2. Identify performance obligations in the contract: A performance obligation is a promise in a contract with a customer to transfer a good or service to the customer.
- Step 3. Determine the transaction price: The transaction price is the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.
- Step 4. Allocate the transaction price to the performance obligations in the contract: For a contract that has more than one performance obligation, the Group allocates the transaction price to each performance obligation in an amount that depicts the amount of consideration to which the Group expects to be entitled in exchange for satisfying each performance obligation.
- Step 5. Recognise revenue when (or as) the Group satisfies a performance obligation.

Revenue comprises the fair value of consideration receivable for the sale of licences and services, excluding inter-company sales and value-added taxes, and represents net invoice value less estimated rebates, returns and settlement discounts.

Revenue is recognised to the extent it is probable that the economic benefits will flow to the Group and the revenue and costs, if applicable, can be measured reliably.

License Fee

License fees are recognised when the license is sold and activated by the customer.

Service Fee

Service fees are recognised on a straight line basis over the contractual service period.

Professional Services Fee

Revenue is recognised when the service is delivered to the customer.

2.7 Operating leases: the Group as lessee

Rentals paid under operating leases are charged to the Consolidated Statement of Comprehensive Income on a straight line basis over the lease term.

2.8 Interest income

Interest income is recognised in the Consolidated Statement of Comprehensive Income using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

2.9 Finance costs

Finance costs are charged to the Consolidated Statement of Comprehensive Income over the term of the debt using the effective interest method so that the amount charged is at a constant rate on the carrying amount. Issue costs are initially recognised as a reduction in the proceeds of the associated capital instrument.

2.10 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting. Dividends on shares recognised as liabilities are recognised as expenses and classified within interest payable.

2.11 Employee benefits

Defined contribution pension plan

The Group operates a defined contribution plan for its employees. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. Once the contributions have been paid the Group has no further payment obligations.

The contributions are recognised as an expense in the Consolidated Statement of Comprehensive Income when they fall due. Amounts not paid are shown in accruals as a liability in the Statement of Financial Position. The assets of the plan are held separately from the Group in independently administered funds.

Share-based payments

One of the Group's subsidiary companies operates equity-settled share-based remuneration plans for its employees. Vesting conditions are non-market based.

The fair value of options granted 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 the Black-Scholes pricing model, which takes 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.

2.12 Current and deferred taxation

The tax expense for the year comprises current and deferred tax. Tax is recognised in the Consolidated Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the reporting date in the countries where the Company and the Group operate and generate income.

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the Statement of Financial Position date, except that:

- The recognition of deferred tax assets is limited to the extent that it is probable that they will be

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

recovered against the reversal of deferred tax liabilities or other future taxable profits;

- Any deferred tax balances are reversed if and when all conditions for retaining associated tax allowances have been met; and
- Where they relate to timing differences in respect of interests in subsidiaries, associates, branches and joint ventures and the Group can control the reversal of the timing differences and such reversal is not considered probable in the foreseeable future.

Deferred tax balances are not recognised in respect of permanent differences except in respect of business combinations, when deferred tax is recognised on the differences between the fair values of assets acquired and the future tax deductions available for them and the differences between the fair values of liabilities acquired and the amount that will be assessed for tax. Deferred tax is determined using tax rates and laws that have been enacted or substantively enacted by the reporting date.

2.13 Intangible assets

Goodwill

Goodwill represents the difference between amounts paid on the cost of a business combination and the acquirer's interest in the fair value of the Group's share of its identifiable assets and liabilities of the vendor at the date of acquisition. Subsequent to initial recognition, goodwill is measured at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised on a straight line basis to the Consolidated Statement of Comprehensive Income over its useful economic life.

Other intangible assets

Intangible assets are initially recognised at cost. After recognition, under the revaluation model, intangible assets shall be carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated amortisation and subsequent impairment losses - provided that the fair value can be determined by reference to an active market.

Revaluations are made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting date.

All intangible assets are considered to have a finite useful life. If a reliable estimate of the useful life cannot be made, the useful life shall not exceed ten years.

2.14 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

At each reporting date the company assesses whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is determined which is the higher of its fair value less costs to sell and its value in use. An impairment loss is recognised where the carrying amount exceeds the recoverable amount.

The Group adds to the carrying amount of an item of fixed assets the cost of replacing part of such an item when that cost is incurred, if the replacement part is expected to provide incremental future benefits to the Group. The carrying amount of the replaced part is derecognised. Repairs and maintenance are charged to profit or loss during the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the straight-line method.

Depreciation is provided on the following basis:

Short-term leasehold property	10%-33%
Plant and machinery	25%
Motor vehicles	25%-33%
Fixtures and fittings	25%-33%
Office equipment	25%-33%
Computer equipment	25%

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in the Consolidated Statement of Comprehensive Income.

2.15 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Group shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Consolidated Statement of Comprehensive Income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each Statement of Financial Position date. Gains and losses on remeasurement are recognised in profit or loss for the period.

2.16 Stocks

Stocks are stated at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Cost is based on the cost of purchase on a first in, first out basis. Work in progress and finished goods include labour and attributable overheads.

At each reporting date, stocks are assessed for impairment. If stock is impaired, the carrying amount is reduced to its selling price less costs to complete and sell. The impairment loss is recognised immediately in profit or loss.

2.17 Debtors

Short term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method, less any impairment.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

2.18 Impairment of non-financial assets

The Group assesses at each year end whether an asset may be impaired.

If any evidence exists of impairment, the estimated recoverable amount is compared to the carrying value of the asset and an impairment loss is recognised where appropriate.

Recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use. In addition to this, goodwill is tested for impairment at least annually.

2.19 Cash and cash equivalents

Cash is represented by cash in hand and deposits with financial institutions repayable without penalty on notice of not more than 24 hours. Cash equivalents are highly liquid investments that mature in no more than three months from the date of acquisition and that are readily convertible to known amounts of cash with insignificant risk of change in value.

In the Consolidated Statement of Cash Flows, cash and cash equivalents are shown net of bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

2.20 Creditors

Short term creditors are measured at the transaction price. Other financial liabilities, including bank loans, are measured initially at fair value, net of transaction costs, and are measured subsequently at amortised cost using the effective interest method.

2.21 Financial instruments

Financial assets

Initial recognition and measurement

In accordance with IFRS9, 'Financial Instruments' the Group has classified its financial assets as 'Financial assets at amortised cost'. The Group determines the classification of its financial assets at initial recognition.

All financial assets are recognised initially at fair value plus, in the case of assets not at fair value through the Statement of Comprehensive Income, transaction costs that are attributable to the acquisition of the financial asset.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as described below:

a. Financial assets carried at amortised cost

This category applies to trade and other receivables due from customers in the normal course of business. All amounts which are not interest bearing are stated at their recoverable amount, being invoice value less provision for any expected credit losses. These assets are held at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

The group classifies its financial assets as at amortised cost only if both of the following criteria are met:

- (i) the asset is held within a business model with the objective of collecting the contractual cash flows; and
- (ii) the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal outstanding.

Financial assets at amortised cost comprise current trade and other receivables due from customers in the normal course of business and cash and cash equivalents.

The Group does not hold any material financial assets at fair value through other comprehensive income or at fair value through the Statement of Comprehensive Income. The Group does not hold any derivatives and does not undertake any hedging activities.

Trade receivables are initially recognised at their transaction price. The group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the group does not adjust any of the transaction prices for the time value of money. Other financial assets are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset.

Trade and other receivables are measured at amortised cost less provision for expected credit losses.

Impairment of financial assets

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets measured at amortised cost. The Group applies the simplified approach to providing for expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. For other financial assets at amortised cost, the Group determines whether there has been a significant increase in credit risk since initial recognition. The Group recognises twelve month expected credit losses if there has not been a significant increase in credit risk and lifetime expected credit losses if there has been a significant increase in credit risk.

Expected credit losses incorporate forward looking information, take into account the time value of money when there is a significant financing component and are based on days past due; the external credit ratings of its customers; and significant changes in the expected performance and behaviour of the borrower.

Financial assets are written off when there is no reasonable expectation of recovery. Where receivables have been written off, the Group continues to engage in enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement, and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the assets.

Financial liabilities

Initial recognition and measurement

All financial liabilities are recognised initially at fair value net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and previously included loans and other borrowings including directors loans.

Subsequent measurement

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method (EIR). Gains and losses are recognised in the Statement of Comprehensive Income when the liabilities are derecognised as well as through the (EIR) amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance costs in the Statement of Comprehensive Income.

This category generally applies to interest-bearing loans and borrowings.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Statement of Comprehensive Income.

2.21 Contingent consideration

Contingent consideration arising on the acquisition of a business is held as a creditor in the balance sheet until such time as those amounts are paid. Amounts arising on business combinations before 1 July 2006, the date of transition to IFRS, were not restated at this date.

2.21 Standards in issue not yet effective

At the date of authorisation of these financial statements, the following standards and interpretations which have not been applied in these financial statements were in issue but not yet effective:

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

- IFRS 16 'Leases' (for more detail see below)
- IFRS 17 'Insurance contracts'
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IAS 19 Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28 Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015-2017 cycle, including IFRS 3 Business Combinations, IFRS 11 Joint Arrangements, IAS 12 Income taxes and IAS 23 Borrowing Costs
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendment to IFRS 3 Business Combinations, IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of material
- Amendments to IFRS 9 – Prepayment Features with Negative Compensation

IFRS 16 'Leases' is a replacement for IAS 17 'Leases' and will be effective for the period ending 31 March 2020 onwards. IFRS 16 required lessees to recognise a lease liability reflecting future lease payments and a right-of-use asset for lease contracts. The impact of this will depend upon the facts and circumstances as at the time of adoption and the transition choices adopted. The impact is expected to be an increase in the assets and liabilities of the Group, in a similar quantum to the operating lease commitments mentioned in note 33.

Apart from above, the impact of adoption of new standards and interpretations is immaterial on the Group's financial statements.

2.21 New standards and amendments

The following amendments to existing standards and IFRIC interpretations have been issued, and are effective from 1 January 2018 or earlier, and do not have a material impact on the Group's financial statements:

- IFRS 9; financial instruments
- IFRS 15 Revenue from contracts with Customers including amendments to IFRS 15: Effective date of IFRS 15
- Clarifications to IFRS 15 - Revenue from contracts with Customers
- Amendments to IFRS 2 Classification and Measurement of Share-based Payment Transactions
- Amendments to IAS 40 Transfers of Investment Property
- IFRIC 22 Foreign Currency Transactions and Advance Consideration
- Annual Improvements to IFRSs 2014-2016, including IFRS 1 First-time Adoption of International Financial Reporting Standards, IFRS 12 Disclosure of Interests in Other Entities and IAS 28 Investments in Associates.
- IFRS 4 (amendments) - Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2019

3. Judgments in applying accounting policies and key sources of estimation uncertainty

The Group's activities expose it to a variety of financial risks: currency risk, interest rate risk, liquidity risk and credit risk. The Group's overall risk management strategy is approved by the Board and implemented and reviewed by the Executive Operating Board.

Detailed financial risk management is then delegated to the Group Finance department which has a specific policy to manage financial risk. Regular reports are received to enable prompt identification of financial risks so that appropriate action may be taken.

Currency risk

The Group purchases internationally and has exposure to currency risk arising from various currency exposures, primarily with respect to the US Dollar and the Euro. Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities. The Group uses foreign currency bank balances to manage its foreign exchange risk arising from future commercial transactions, recognised assets and liabilities.

For 2019, had the Group's basket of reporting currencies been 10% weaker/ stronger against Sterling than the actual rates experienced, post-tax profit for the year would have been £nil (2018 - £nil) lower/higher than reported and equity would have moved by £nil (2018 - £nil).

Interest rate risk

The Group has interest bearing assets. Had interest rates moved by 10 basis points, post tax losses would have moved by £187,000 (2018 - £152,000).

Liquidity risk

On a regular basis, management monitors forecasts of the Group's cash flows against internal targets to ensure that it has sufficient cash to meet operational needs, while maintaining sufficient headroom at all times.

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

Credit risk

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

4. Turnover

Analysis of turnover by country of destination:

	2019 £000	2018 £000
United Kingdom	1,780	3,488
Rest of Europe	276	428
Rest of the world	2,680	2,077
	<u>4,736</u>	<u>5,993</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

5. Segmental analysis

The main business segments of the Group are Digital healthcare, Wi-Fi services, Telecom services and other services, and these are the operating segments for which management information is presented to the Groups Executive Operating Board, which is deemed to be the Group's chief operating decision maker.

The Group's Operating Board monitors the operating results of the operating segments separately for the purposes of resource allocation and assessing performance. Segment performance is evaluated based on operating profit or loss which is measured in a manner consistent with that of the consolidated financial statements.

	Digital Healthcare		Wi-Fi Services		Telecom services		Other Services		Group	
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Revenue	1,631	2,913	89	357	2,987	2,539	29	184	4,736	5,993
Expenses	(1,657)	(2,720)	(2,465)	(3,108)	(4,213)	(4,042)	(4,150)	(625)	(12,485)	(10,495)
Operating Profit/(loss)	(26)	193	(2,376)	(2,751)	(1,226)	(1,503)	(4,121)	(441)	(7,749)	(4,502)
Finance Income							2	2	2	2
Finance costs			(42)	(38)	(590)	(11)	(1,808)	(1,479)	(2,440)	(1,528)
Profit/(loss) before taxation	(26)	193	(2,418)	(2,789)	(1,816)	(1,514)	(5,927)	(1,918)	(10,187)	(6,028)
Taxation	(20)	311	77		367	909	(521)	-	(97)	1,220
Profit/(loss) for the year	(46)	504	(2,341)	(2,789)	(1,449)	(605)	(6,448)	(1,918)	(10,284)	(4,808)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

6. Operating loss

The operating loss is stated after charging:

	2019	<i>2018</i>
	£000	<i>£000</i>
Depreciation of tangible fixed assets - held under finance leases	179	<i>66</i>
Depreciation of tangible fixed assets	455	<i>540</i>
Profit on disposal of tangible fixed assets	(60)	<i>(7)</i>
Goodwill impairment charge	2,761	<i>-</i>
Exchange differences	130	<i>(200)</i>
Other operating lease rentals	233	<i>222</i>
	<u>233</u>	<u><i>222</i></u>

7. Auditors' remuneration

	2019	<i>2018</i>
	£000	<i>£000</i>
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	44	<i>67</i>
	<u>44</u>	<u><i>67</i></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

8. Employees

Staff costs, including directors' remuneration, were as follows:

	Group 2019 £000	<i>Group 2018 £000</i>	Company 2019 £000	<i>Company 2018 £000</i>
Wages and salaries	2,864	2,903	1,017	1,015
Social security costs	338	369	130	146
Cost of defined contribution scheme	104	90	38	27
	<u>3,306</u>	<u>3,362</u>	<u>1,185</u>	<u>1,188</u>

The average monthly number of employees, including the directors, during the year was as follows:

	Group 2019 No.	<i>Group 2018 No.</i>	Company 2019 No.	<i>Company 2018 No.</i>
Admin	25	25	15	15
Sales and marketing	9	9	-	-
Technical	53	53	-	-
Operations	14	14	-	-
	<u>101</u>	<u>101</u>	<u>15</u>	<u>15</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

9. Directors' remuneration

	2019 £000	2018 £000
Directors' emoluments	558	816
Company contributions to defined contribution pension schemes	11	12
	<u>569</u>	<u>828</u>

During the year retirement benefits were accruing to 2 directors (2018 - 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £212,000 (2018 – £272,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £2,000 (2018 - £3,000).

10. Key managements' remuneration

	2019 £000	2018 £000
Key managements' emoluments	1,119	1,084
Company contributions to defined contribution pension schemes	11	20
	<u>1,130</u>	<u>1,104</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

11. Interest receivable

	2019 £000	2018 £000
Other interest receivable	2	2
	<u>2</u>	<u>2</u>

12. Interest payable and similar expenses

	2019 £000	2018 £000
Other loan interest payable	2,392	1,490
Finance leases and hire purchase contracts	48	38
	<u>2,440</u>	<u>1,528</u>

13. Taxation

	2019 £000	2018 £000
Corporation tax		
Current tax on profits for the year	(588)	(1,220)
Adjustments in respect of previous periods	164	-
	<u>(424)</u>	<u>(1,220)</u>
Total current tax	<u>(424)</u>	<u>(1,220)</u>
Deferred tax		
Origination and reversal of timing differences	521	-
Total deferred tax	<u>521</u>	<u>-</u>
Taxation on profit/(loss) on ordinary activities	<u>97</u>	<u>(1,220)</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

13. Taxation (continued)

Factors affecting tax charge for the year

The tax assessed for the year is the same as (2018 – lower than) the standard rate of corporation tax in the UK of 19% (2018 - 19%) as set out below:

	2019 £000	2018 £000
Profit on ordinary activities before tax	<u>(7,372)</u>	<u>(6,028)</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2018 - 19%)	(1,925)	(1,145)
Effects of:		
Goodwill impairment	524	-
Adjustment in research and development tax credit leading to an increase (decrease) in the tax charge	(428)	-
Deferred tax not recognised	521	-
Unrelieved tax losses carried forward	1,405	(75)
Total tax charge for the year	<u><u>97</u></u>	<u><u>(1,220)</u></u>

Factors that may affect future tax charges

There were no factors that may affect future tax charges.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

14. Intangible assets

Group and Company

	Goodwill £000
Cost	
At 1 April 2018	13,303
	<hr/>
At 31 March 2019	13,303
	<hr/>
Impairment	
At 1 April 2018	6,577
Impairment in the year	2,761
	<hr/>
At 31 March 2019	9,338
	<hr/>
Net book value	
At 31 March 2019	<u>3,965</u>
At 31 March 2018	<u>6,726</u>

The Group is required to test, on an annual basis, whether goodwill has suffered an impairment. The recoverable amount is determined based on value in use calculations. The use of this method requires the estimation of future cashflows at their present value.

Having considered the performance of InTechnology Smart Cities Limited (formerly InTechnology Wi-Fi Limited), the losses made and the future business plan, the Board have decided to impair the carrying value of this element of goodwill to £nil at 31 March 2019.

The Board considers that the carrying value of goodwill in relation to other subsidiary businesses as supportable.

INTECHNOLOGY PLC

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

15. Tangible fixed assets

Group

	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Office equipment £000	Computer equipment £000	Total £000
Cost or valuation							
At 1 April 2018	297	2,275	383	179	23	405	3,562
Additions	-	58	208	-	-	-	266
Disposals	-	(8)	(202)	-	-	(405)	(615)
At 31 March 2019	297	2,325	389	179	23	-	3,213
Depreciation							
At 1 April 2018	252	1,128	380	179	13	401	2,353
Charge for the year on owned assets	45	365	38	-	3	4	455
Charge for the year on financed assets	-	179	-	-	-	-	179
Disposals	-	(2)	(202)	-	-	(405)	(609)
At 31 March 2019	297	1,670	216	179	16	-	2,378
Net book value							
At 31 March 2019	-	655	173	-	7	-	835
At 31 March 2018	45	1,147	3	-	10	4	1,209

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

15. Tangible fixed assets (continued)

Company

	Short-term leasehold property £000	Plant and machinery £000	Motor vehicles £000	Fixtures and fittings £000	Office equipment £000	Computer equipment £000	Total £000
Cost or valuation							
At 1 April 2018	297	8	370	179	23	405	1,282
Additions	-	-	208	-	-	-	208
Disposals	-	(8)	(202)	-	-	(405)	(615)
At 31 March 2019	297	-	376	179	23	-	875
Depreciation							
At 1 April 2018	252	2	370	179	13	401	1,217
Charge for the year on owned assets	45	-	33	-	3	4	85
Disposals	-	(2)	(202)	-	-	(405)	(609)
At 31 March 2019	297	-	201	179	16	-	693
Net book value							
At 31 March 2019	-	-	175	-	7	-	182
At 31 March 2018	45	6	-	-	10	4	65

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

16. Fixed asset investments

Company

	Investments in subsidiary companies £000
Cost or valuation	
At 1 April 2018	15,920
At 31 March 2019	<u>15,920</u>

Subsidiary undertakings

The following were subsidiary undertakings of the Company:

Name	Class of shares	Holding
InTechnology Smart Cities Limited (change of name 30 July 2019)	Ordinary	95.05 %
InHealthcare Limited	Ordinary	94.16 %
Mobile Tornado Group Limited	Ordinary	51.2 %
Live PA Limited	Ordinary	76 %
EEscape Limited	Ordinary	100 %
Evexus Limited	Ordinary	100 %
Call-Link Communications Limited	Ordinary	100 %
Allasso Limited	Ordinary	100 %
Holf Technologies Limited	Ordinary	100 %
VData Limited	Ordinary	100 %
Integrated Technology (Europe) Limited	Ordinary	100 %
Smart Wi-Fi Limited	Ordinary	100 %
Smart Stadiums Limited	Ordinary	100 %
Smart Wi-Fi Events Limited	Ordinary	100 %

The registered office address of the subsidiaries is Cardale House, Cardale Court, Beckwith Head Road, Harrogate, North Yorkshire, HG3 1RY

The carrying value of the investment in Mobile Tornado Group Plc is £13,520,000, which includes £5,702,000 of preference shares and £7,818,000 ordinary shares. The market value based on the share price at 31 March 2019 is £7,659,000. Discounted cashflows have been considered which are in excess of the investment carrying value.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

17. Stocks

	Group 2019 £000	Group 2018 £000
Finished goods and goods for resale	91	113
	<u>91</u>	<u>113</u>

18. Debtors

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Due after more than one year				
Amounts owed by group undertakings	-	-	3,128	2,911
Deferred tax asset	-	521	-	555
Due within one year				
Trade debtors	1,193	2,217	2	187
Less; provision for impairment of trade receivables	(73)	(72)	-	-
Trade receivables - net	<u>1,120</u>	<u>2,145</u>	<u>2</u>	<u>187</u>
Other debtors	589	1,714	194	1,369
Called up share capital not paid	23	22	-	-
Prepayments and accrued income	315	63	25	2,125
Tax recoverable	304	684	83	-
	<u>2,351</u>	<u>5,149</u>	<u>3,432</u>	<u>7,147</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

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

	2019 £000	2018 £000
Impaired		
Three to six months	-	-
Over six months	73	72
	<u>73</u>	<u>72</u>
Not Impaired		
Less than three months	348	1,492
Three to six months	80	166
Over six months	768	559
	<u>1,196</u>	<u>2,217</u>

Of the overdue receivables, £641,000 (2018: £475,000) relates to one particular customer against which a provision of £51,000 (2018: £51) has been made and which reflects a repayment plan agreed since the year end. The Directors have maintained an open dialogue with this customer throughout the year and since the year end as to their financial position. In parallel, an assessment of this customer's ability to pay has been made by reference to its anticipated capital funding transaction, its current and projected operating cash flows as well as the level of cash payments received during the year, post year-end from the customer and, on the basis of this, no further provision has been made.

The carrying amounts of the Group's receivables are denominated in US dollar, Canadian dollar and Euros.

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

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

	2019 £000	2018 £000
At 1 January	72	56
Provision for receivables impairment	1	72
Receivables written off in the year as uncollectable	-	(56)
	<u>73</u>	<u>72</u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

19. Cash and cash equivalents

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Cash at bank and in hand	1,449	910	124	141
	<u>1,449</u>	<u>910</u>	<u>124</u>	<u>141</u>

20. Creditors: Amounts falling due within one year

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Trade creditors	425	2,403	165	117
Other taxation and social security	350	90	95	90
Obligations under finance lease and hire purchase contracts	532	348	28	-
Other creditors	1,224	473	15	376
Accruals and deferred income	1,174	590	363	389
	<u>3,705</u>	<u>3,904</u>	<u>666</u>	<u>972</u>

Included within other creditors is £2,877,000 (2018: 2,962,000) relating to deferred consideration. Of this balance £860,000 (2018 - £620,000) is classed as a creditor falling due within one year.

The contingent consideration arose on the purchase of intellectual property from Tersync Limited in 2001 and represents a royalty payable on future sales of Push to Talk related products by Mobile Tornado, payable in part as consideration for the acquisition of the rights to the technology underlying such product. The royalty is payable quarterly on any relevant sales (on a cash receipts basis) as follows:

- (i) 50% of the first US\$200,000 relevant sales.
- (ii) 15% of any additional relevant sales, subject to any related cumulative royalty payments being capped at a maximum of US\$5.3 million. Direct reseller and other third party costs may be deducted in arriving at these royalty payments, subject to such costs not exceeding 10% of the relevant sales.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

21. Assets and liabilities related to contracts with customers

The group and company have recognised the following assets and liabilities related to contracts with customers:

	Group 2019 £000	<i>Group 2018 £000</i>	Company 2019 £000	<i>Company 2018 £000</i>
Contract liabilities	60	-	-	-
	<u>60</u>	<u>-</u>	<u>-</u>	<u>-</u>

22. Creditors: Amounts falling due after more than one year

	Group 2019 £000	<i>Group Restated 2018 £000</i>	Company 2019 £000	<i>Company 2018 £000</i>
Net obligations under finance leases and hire purchase contracts	155	163	107	-
Amounts owed to group undertakings	-	-	9,389	9,620
Other creditors	14,956	11,245	13,202	9,857
	<u>15,111</u>	<u>11,408</u>	<u>22,698</u>	<u>19,477</u>

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

There has been a prior year adjustment to other creditors (see note 37).

23. Maturity analysis

	Group 2019 £000	<i>Group 2018 £000</i>	Company 2019 £000	<i>Company 2018 £000</i>
In one year or less	3,765	3,904	666	972
Between two and five years	15,111	11,086	22,698	19,477
	<u>18,876</u>	<u>14,990</u>	<u>23,364</u>	<u>20,449</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

24. Hire purchase and finance leases

	Group 2019 £000	<i>Group</i> <i>2018</i> <i>£000</i>	Company 2019 £000	<i>Company</i> <i>2018</i> <i>£000</i>
Within one year	532	348	28	-
Between 1-5 years	155	163	107	-
	<u>687</u>	<u>511</u>	<u>135</u>	<u>-</u>

25 Capital management

Managed capital is cash to meet working capital needs.

The Group's capital management objectives are:

- To ensure the Group's ability to continue as a going concern; and
- To provide an adequate return to shareholders.

These objectives are maintained by pricing products and services commensurately with the level of risk.

The Group's goal in capital management is to maintain adequate cash balances with the minimum necessary borrowing. There are no externally imposed capital requirements during the year covered by the financial statements.

26. Financial instruments

	Group 2019 £000	<i>Group</i> <i>2018</i> <i>£000</i>	Company 2019 £000	<i>Company</i> <i>2018</i> <i>£000</i>
Financial assets				
Financial assets that are debt instruments measured at amortised cost	<u>1,231</u>	<u>2,266</u>	<u>5,452</u>	<u>4,608</u>
Financial liabilities				
Financial liabilities measured at amortised cost	<u>(18,343)</u>	<u>(16,357)</u>	<u>(16,301)</u>	<u>(16,301)</u>

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

27. Deferred taxation

Group

	2019 £000
At beginning of year	521
Charged to profit or loss	(521)
At end of year	-

Company

	2019 £000
At beginning of year	555
Charged to profit or loss	(555)
At end of year	-

The deferred tax asset is made up as follows:

	Group 2019 £000	Group 2018 £000	Company 2019 £000	Company 2018 £000
Losses and other deductions	-	521	-	555
	<u>-</u>	<u>521</u>	<u>-</u>	<u>555</u>

28. Share capital

	2019 £000	2018 £000
Authorised		
252,000,000 (2018 - 252,000,000) Ordinary shares of £0.01 each	<u>2,520</u>	<u>2,520</u>
Allotted, called up and fully paid		
244,282,600 (2018 - 194,282,600) Ordinary shares of £0.01 each	<u>2,443</u>	<u>1,943</u>

On 8 August 2018 a further 50 million ordinary shares were issued at 2.5p per share.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019

29. Share-based payments

The Group's subsidiary company, Mobile Tornado Plc, operates a share option scheme for certain employees and Directors. Options are exercisable at a price equal to the average market price of the Company's shares on the date of grant. The options are settled in equity.

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

Name of scheme	Number of shares 2019 '000	2018 '000	Exercise Price Pence	Earliest Exercise date	Vesting Condition	Expiry Date
Israel scheme	1,082	1,169	2.0	02/02/09	-	31/12/19
Israel scheme	800	800	5.0	02/02/09	100,000 subscribers	31/12/19
UK scheme	-	200	5.0	03/12/11	100,000 subscribers	03/12/18
UK scheme	100	100	5.0	07/07/13	100,000 subscribers	07/07/20
Israel scheme	400	400	7.5	03/01/15	-	31/12/19
UK scheme	3,300	3,300	7.5	03/01/15	-	03/01/22
UK scheme	200	200	6.0	18/06/18	-	18/06/25
Israel scheme	1,500	1,500	6.0	07/09/18	-	31/12/23
Israel scheme	2,500	2,500	2.0	16/05/19	-	31/12/26
Israel scheme	3,500	4,250	4.0	04/11/19	-	31/12/26
Israel scheme	5,900	5,950	6.5	15/06/20	Group reports positive annual EBITDA	15/06/27
UK scheme	3,200	3,200	6.5	15/06/20	Group reports positive annual EBITDA	15/06/27
Israel scheme	2,900	-	5.0	08/01/22	-	09/01/29
UK scheme	450	-	5.0	08/01/22	-	09/01/29
Israel scheme	1,000	-	5.0	27/02/22	-	28/02/29
Total	26,832	23,569				

Options were valued using the Black-Scholes option-pricing model.

The expected volatility is based on historical volatility over the last year. The expected life is assumed as being equal to the earliest exercise date. The risk-free rate of return is taken as the Bank of England base-rate at the date of grant.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

A reconciliation of option movements over the year to 31 March 2019 is shown below:

	2019		2018	
	Number	Weighted average exercise price Pence	Number	Weighted average exercise price Pence
	'000		'000	
Outstanding at 1 April	23,569	5.4	15,869	4.8
Granted	4,350	5.0	9,350	6.5
Forfeited	(800)	4.2	(1,650)	6.0
Exercised	(87)	2.0	-	-
Expired	(200)	-	-	-
Outstanding at 31 March	26,832	5.5	23,569	5.4
Exercisable at 31 March	5,682	6.5	5,969	6.0

The closing mid-market share price on 12 April 2019 was 5.1 pence.

The weighted average remaining contractual life of the share options outstanding at 31 March 2019 was 6.5 years at exercise prices ranging from 2.0 pence to 7.5 pence.

These options exercisable at 31 March 2019 are at exercise prices of 2.0 pence, 5.0 pence and 7.5 pence.

The total charge for the year relating to employee share-based payment plans was £54,000 (2018: £45,000), all of which related to equity-settled share-based payment transactions.

30. Reserves

Profit and loss account

Movements on the Profit and loss account are shown within the consolidated statement of changes in equity on page 14.

Share premium reserve

The share premium account represents the difference between the par value of the shares issued and the subscription or issue price.

31. Pension commitments

The Group operates a defined contributions pension scheme. The assets of the scheme are held separately from those of the Group in an independently administered fund. The pension cost charge represents contributions payable by the Group to the fund and amounted to £104,000 (2018 - £90,000). Contributions totalling £9,000 (2018 - £30,000) were payable to the fund at the reporting date

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

32. Commitments under operating leases

At 31 March 2019 the Group and the Company had future minimum lease payments under non-cancellable operating leases as follows:

	Group 2019 £000	<i>Group 2018 £000</i>	Company 2019 £000	<i>Company 2018 £000</i>
Not later than 1 year	198	196	192	189
Later than 1 year and not later than 5 years	339	523	339	508
	<u>537</u>	<u>719</u>	<u>531</u>	<u>697</u>

33. Finance lease commitments

There were no commitments existing at the reporting date in respect of finance leases entered into but whose inception occurs after the reporting date.

34. Directors' personal guarantees

Peter Wilkinson has given a written undertaking to provide the company with working capital as required for at least 12 months from the date of signing the financial statements.

35. Related party transactions

Peter Wilkinson and Andrew Kaberry are shareholders in Mobile Tornado Group plc, an AIM listed company in which InTechnology plc owns 51.2% (2018 - 42.5%) of the issued ordinary share capital and all the issued cumulative redeemable non-voting preference shares. Peter Wilkinson is non-executive Chairman. InTechnology plc sold services totalling £nil (2018: £120,000) to Mobile Tornado Group plc in the year. As at 31 March 2019 InTechnology plc was owed £2,780,000 (2018: £2,660,000) by Mobile Tornado Group plc.

Included in other debtors is £72,000 (2018 - £72,000) owed from Holf Investments Limited, a company that Peter Wilkinson controls.

A loan of £nil (2018 - £1,579,000) is owed to the company by My Possible Self Limited, a company owned and controlled by Joanne Wilkinson, wife of Peter Wilkinson.

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

A balance of £13,220,000 was owed to Peter Wilkinson at the year end (2018 - £9,857,000). Interest is charged at a rate of 10% and late repayment penalties are charged.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2019**

36. Controlling party

The Directors consider Peter Wilkinson to be the ultimate controlling party by virtue of his personal shareholdings in the company and via Holf Investments Limited.

37. Prior period adjustment

Reconciliation of changes in equity - group

	1 April 2017 £000	31 March 2018 £000
Equity as previously reported	(768)	(5,576)
Consolidation accounting errors in prior periods	4,371	4,371
	<u>3,603</u>	<u>(1,205)</u>

Note to reconciliation

During the preparation of the financial statements for the year ended 31 March 2019 errors were identified in relation to historic consolidation journals. These have been amended through reserves in these financial statements.