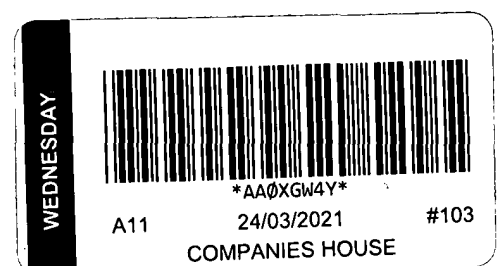


Registered number:
03916586

INTECHNOLOGY PLC

**ANNUAL REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 MARCH 2020**



COMPANY INFORMATION

Directors	Peter Wilkinson (CEO) Andrew Kaberry Bryn Sage Charles Scott (non executive)
Company secretary	Andrew Kaberry
Registered number	03916586
Registered office	Cardale House Cardale Court Beckwith Head Road Harrogate HG3 1RY
Independent auditors	Saffery Champness LLP Mitre House North Park Road Harrogate HG1 5RX
Bankers	Lloyds Bank 6-7 Park Row Leeds LS1 1NX

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Introduction

Our company has made steady progress but operating losses still remain albeit at a much reduced level. The Board remains confident that the Group will achieve its objective of sustainable operating profits and generation of cash but the recent advent of Coronavirus on a global scale has definitely lengthened sales cycles. I continue to make further loans to the Group, as committed to in last year's report. And as at 31st March 2020 these totalled £17.4M and have further increased to date.

Financial key performance indicators

	2020 £000	2019 £000
Revenues	£4.7	£3.7
Loss from operations	£5.1	£8.5
Loss for the year	£6.1	£10.9
Cash	£0.4	£1.4
Debt	£19.0	£13.9
Shareholder loans	£17.4	£13.2

The adoption of IFRS16 includes £540,000 in total debt, principally a short term property leases, vehicles and office equipment. IFRS16 has not had a material impact on the Group's operating results.

Prior year adjustment

These financial statements contain the effect of a prior period adjustment in Inhealthcare Limited's accounts caused by a change in revenue recognition relating to a single large contract. More details are set out in these financial statements.

Share issue

On 15 October 2019 the board issued to Holf Investments Limited / 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 controls 70 per cent of the company, previously 65 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.

Business review

During the year to 31st March 2020 the Digital Health and Telecom Services businesses made good sales progress and both, since the year end, have several large contracts under negotiation. Many are in the Public Sector which reflects well on the products that each business has developed.

Group debt has increased funding the Group's losses and, with no banking facilities, debt continues to be from Peter Wilkinson. Without this continuing support the Group would not have been able to meet its liabilities as they fall due.

Prior year adjustment and the Auditors opinion

The Directors have restated the 2019 accounts and the recognised revenue from a single large sales contract of a three year term signed and paid for in the closing week of March 2019.

The signed accounts for 2019 recognised this contract as an outright software licence sale, less some small variable amounts, and the revenue was recognised in the published accounts and the Auditors agreed that this was in accordance with IFRS 15.

During the current financial year when the software was being deployed by the client we realised that we have to utilise a very large proportion of our resources to support the client. This was not clear in the contract terms and conditions but it has continued with the contract and will be so with all similar contracts that follow.

Inhealthcare markets its products as Software as a Service, SaaS.

The Directors now consider that the appropriate accounting policy should have been to recognise revenue from this, largest to date, contract over its three year term and that this is now the company's accounting policy for all similar sales contracts going forward. Not to do so will, in our opinion, not give a fair view of the company's trading results.

Given the size and term of the contract signed in March 2019 it is fair and prudent to record a prior year adjustment in the accounts to 31st March 2020 thus also making it comparable to future accounting periods.

Our Auditors differ from the Directors opinion and state that under IFRS 15 a prior year adjustment is not permitted.

Digital Healthcare (InHealthcare Limited-93.5% subsidiary)

Revenue	£0.9m	(2019: £0.9m after prior period adjustment of £0.8m)
Operating loss	£1.0m	(2019: £0.8m after prior period adjustment of £0.8m)

In the 2019 accounts and in accordance with IFRS15 a large contract in March 2019 was recognised in the period as revenue. Subsequently, it became apparent that there was much ongoing support requested and supplied whereas the original assumption was that none was required. A prior year adjustment has been made so that revenue is recognised over the contract term.

We have continued to enhance our products to meet NHS and Care Home requirements. The core platform remains mature and robust and has successfully undergone many trials within parts of the NHS. There are currently a number of large contracts under negotiation in all sectors of the NHS and also into Care Homes.

Wi-Fi (InTechnology Smart Cities Limited-94.5% subsidiary)

Revenues	£0.2m	(2019: £0.1m)
Operating profit/(loss)	£2.3m	(2019: (£2.4m))

The operating profit was caused by the intergroup loan amounts owed to InTechnology Plc of £3,772,000 being written back during the year.

As reported last year Wi-Fi pursued many opportunities for the sale of Wi-Fi installations to UK Local Authorities and has secured many good contracts and pursued a good level of sales opportunities. However, since the year end and the impact of Coronavirus and consequent lockdowns, most sales opportunities became deferred to well in the future or cancelled. Therefore we had no option than to reduce staff numbers and hence operating costs and put this business into maintenance mode until such time as the market restores to the conditions we experienced in 2019.

InTechnology has fully impaired its investment in Wi-Fi and its intercompany debt.

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

Revenues	£3.6m	(2019: £3.0m)
Operating loss	£0.5m	(2019: £1.2m)

MT continues to move towards profitability and cash generation. As an AIM listed company its detailed trading statements are to be found on www.mobiletornado.com/investors

MT remains a technology company, with its head offices in the UK and Israel, and markets its products for workforce management and security services through accredited System Integrators.

MT has entered into trials and contract negotiations in global markets, particularly in South America and Africa. These involve central government departments as well as large commercial opportunities. The larger the

opportunity often leads to extended timescales before contracts are finalised and signed especially in the Public Sector.

Your Board remains confident that the opportunities MT is presently pursuing, as well as others still to come, will lead to sustained profitability and cash generation. The business model does not require large inventories or capital expenditures.

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 Group targets niche sectors in its business units and seeks to develop its products and its services to demonstrate a competitive edge to its customers.

The Group's businesses contract with agreed SLAs and adherence by the Group to operate within such SLAs is crucial to maintaining customer satisfaction and renewal, where applicable, 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 the significant part of our total operating costs. The Group could be hindered by a shortage or inability to recruit and retain qualified and experienced staff.

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

Economy

Any economic downturn can detrimentally affect the Groups level of demand for its products and services.

To mitigate this risk, the Group contracts for most of its products and services on term contracts of one year or greater in order to build up a contracted forward order book.

Coronavirus

During March 2020 and thereafter the rapid spread of Coronavirus on a global basis and lockdowns and other remedial measures imposed by governments has caused a major risk as well as uncertain economic consequences. A major risk already experienced is the lengthening timescales in sales contract negotiations. However, we believe that the sales opportunities, especially for Digital Health and MT, are not being lost but have definitely lengthened the sales cycle, particularly when involving Central Government departments. The Group has minimal risk from supply chain disruption as its main products are software developed in house. No customers have been lost caused by the virus, and banking covenants are not applicable to the Group.

In the UK the Group has received government funds under the CJRS for staff on furlough and also a Bounce Back loan of £50,000 to MT.

Risk assessment

Being a small company with nearly all key staff based in its head offices in England and Israel the Board is quickly made aware of all risks to the Group by the directors.

The Board has established an ongoing process for identifying, evaluating and managing the significant risks faced from time to time by the Group.

Outlook

The new financial year commenced with good sales opportunities for Digital Health and MT. However, the sudden global spread of Coronavirus has, as stated above, lengthened the sales cycle but importantly we have not lost many opportunities.

In the UK Digital Health has noted positive announcements by the NHS towards accelerating, at long last, a move to implementing remote patient care. It is presently referred to as "Virtual Patient Wards". Monitoring of Care Home residents and coping with INR (warfarin) monitoring are just two examples of how our products can rapidly assist patient care within the context of Coronavirus. To this extent the pandemic may be accelerating a move to adopt new but tried and tested non clinical procedures. MT has also found global sales opportunities for its secure digital telecoms services particularly with central government funded projects. But again, we find the larger the opportunity comes with an extended sales cycle. A breakthrough with any of these opportunities will swiftly accelerate the business into sustainable profits and cash flows.

Until then the Group continues to closely monitor its operating cost base. All business units have reduced their operating costs. As mentioned earlier we have put Wi-Fi onto maintenance mode. We have also reduced the central operating costs using the government furlough scheme and reducing directors' remuneration whilst the pandemic impacts our business.

The Board remains confident that the Group can achieve and sustain profitability and generate positive cash flows. Each business continues to make progress towards this objective but it remains difficult to assess the timescales. As referred to earlier the larger the opportunity usually requires longer timescales to secure a signed contract especially in the Public Sector.

The Board reviews the Group's cash flow to ensure there is sufficient working capital to meet liabilities as they fall due. Financial forecasts by each business unit are reviewed and key assumptions are continually tested. Forecasts adopted by the Board indicate that the Group can meet its liabilities as they fall due only with the guarantee of support from Peter Wilkinson. In addition the Board has the option that the Group can be additionally funded by the sale of the whole or a part interest in any of its subsidiaries.

Our staff

Especially in these times of an unforeseen and sudden pandemic with consequent stresses of not just working from the office but also from home and on family life, I wish to thank all of our staff in the UK and Israel for their continued hard work and commitments to achieving our goals. I also thank all our partners in all areas of our business.

This report was approved by the board on 17 March 2021 and signed on its behalf.



Peter Wilkinson CEO

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020 (continued)

The directors present their report and the financial statements for the year ended 31 March 2020.

Directors' responsibilities statement

The directors are responsible for preparing the directors' report and the consolidated financial statements, in accordance with applicable law.

Company law requires the directors to prepare consolidated financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Under company law the directors must not approve the consolidated financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and of the profit or loss of the Group for that period. In preparing the consolidated financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether they have been prepared in accordance with IFRS as adopted by the EU, subject to any material departures disclosed and explained in the financial statements;
- assess the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's transactions and disclose with reasonable accuracy at any time the financial position of the Group and enable them to ensure that the consolidated financial statements comply with the Companies Act 2006. They are responsible for such internal control as they determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect 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.

Results and dividends

The profit for the year, after taxation and minority interests, amounted to £6,769,000 (2019 - £10,954,000).

The prior year adjustment increased the loss in 2019 by £670,000. Accordingly, no dividend will be paid (2019 - £nil)

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020 (continued)

Prior year adjustment and the Auditors opinion

The Directors have restated the 2019 accounts and the recognised revenue from a single large sales contract of a three year term signed and paid for in the closing week of March 2019.

The signed accounts for 2019 recognised this contract as an outright software licence sale, less some small variable amounts, and the revenue was recognised in the published accounts and the Auditors agreed that this was in accordance with IFRS 15.

During the current financial year when the software was being deployed by the client we realised that we have to utilise a very large proportion of our resources to support the client. This was not clear in the contract terms and conditions but it has continued with the contract and will be so with all similar contracts that follow.

In healthcare markets its products as Software as a Service, SaaS.

The Directors now consider that the appropriate accounting policy should have been to recognise revenue from this, largest to date, contract over its three year term and that this is now the company's accounting policy for all similar sales contracts going forward. Not to do so will, in our opinion, not give a fair view of the company's trading results.

Given the size and term of the contract signed in March 2019 it is fair and prudent to record a prior year adjustment in the accounts to 31st March 2020 thus also making it comparable to future accounting periods.

Our Auditors differ from the Directors opinion and state that under IFRS 15 a prior year adjustment is not permitted.

Directors

The directors who served during the year were:

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

Political and charitable contributions

The contributions made by the Group during the year for charitable purposes totalled £nil (2019 : £nil). The Group made no political contributions (2019: £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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020 (continued)**Engagement with 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 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.

Substantial shareholdings**Substantial shareholdings**

The Company has received notification that the following six shareholders are interested in 3.0% or more of the issued ordinary share capital of the Company (totalling 94.3%):

Percentage of shares held	
Peter Wilkinson	70.1%
Artemis fund managers	8.9%
Jon Wood	8.2%
Lombard Odier fund managers	3.9%
Andrew Kaberry	3.2%

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.

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2020 (continued)

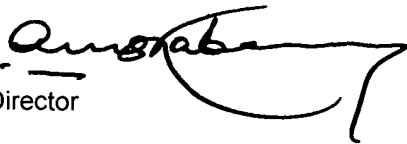
Post year end events

There have been no significant events affecting the Group since the year end. . However, the Directors acknowledge the coronavirus pandemic continues which causes an uncertain future.

Auditors

The auditors, Saffery Champness LLP, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board on 17 March 2021
and signed on its behalf.


Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTECHNOLOGY PLC (continued)

Qualified Opinion

We have audited the financial statements of InTechnology Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2020 which comprise Consolidated Statement of Profit or Loss and Other Comprehensive Income, the Consolidated Statement of Financial Position, the Consolidated Statement of Cash Flows, the Consolidated Statement of Changes in Equity 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, except for the effects of the matter described in the basis for qualified opinion section:

- 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 2020 and of the group's loss for the period then ended; and
- the group and 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 qualified opinion

The revenue recognition accounting policy, applied to the subsidiary InHealthcare Limited, has been amended by management in these financial statements to account for license fee income with the performance obligations being satisfied over time instead of at a point in time under IFRS15. This has resulted in a restatement of the 2019 financial statements, and affected the level of revenue recognised in the 2020 consolidated financial statements. The effect of this has been a decrease in consolidated revenue in 2019 of £773,000, an increase in deferred income of £773,000, and a £103,000 decrease in tax payable. This in turn has resulted in an increase in the consolidated loss made in 2019 from £10,284,000 to £10,954,000. Due to the subsequent release of a proportion of the deferred income recognised in the prior year, an additional £288,000 of revenue has been recognised in the results for the year ended 31 March 2020. We are in disagreement with this change to the revenue recognition accounting policy, and hence do not agree with the restatement of the prior year financial statements or the additional revenue recognised in the 2020 financial statements. In addition, the strategic report does not consider the effects of the incorrect application of the revenue recognition accounting standard IFRS15.

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 qualified 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTECHNOLOGY PLC (continued)

- 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.

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.

As described in the basis for qualified opinion section of our report, our audit opinion is qualified for the incorrect application of the revenue recognition accounting standard IFRS15 within the subsidiary Inhealthcare Limited. Information on revenue and results for the year included in the strategic report also include this incorrect application of the accounting standard, and accordingly we have concluded that the other information is materially misstated for the same reason.

Opinion on other matters prescribed by the Companies Act 2006

Except for the matter described in the basis for qualified opinion section of our report, 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 Group 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

Except for the matter described in the basis for qualified opinion section of our report, in the light of the knowledge and understanding of the group and the parent company and their 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, 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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTECHNOLOGY PLC (continued)

- 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

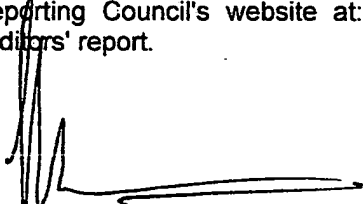
As explained more fully in the directors' responsibilities statement on page 8, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the 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 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 parent company or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the Group 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 auditors' 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 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 auditors' report.



Jonathan Davis (senior statutory auditor)
For and on behalf of Saffery Champness LLP

Mitre House
North Park Road
Harrogate
HG1 5RX

Date: 22 / 3 / 21

INTECHNOLOGY PLC

CONSOLIDATED STATEMENT OF PROFIT AND LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 MARCH 2020

	Note	2020 £000	As restated 2019 £000
Revenue	6	4,717	3,963
Cost of sales		(776)	(664)
Gross profit		3,941	3,299
Administrative expenses		(9,024)	(9,060)
Other expenses		-	(2,761)
Loss from operations		(5,083)	(8,522)
Finance income	12	9	2
Finance expense	12	(2,104)	(2,440)
Loss before tax		(7,178)	(10,960)
Tax credit	13	409	6
Loss for the year		(6,769)	(10,954)
Total comprehensive income		(6,769)	(10,954)
Loss for the year attributable to:			
Owners of the parent - Company		(6,324)	(10,129)
Non-controlling interest		(445)	(825)
		(6,769)	(10,954)
Total comprehensive income attributable to:			
Owners of the parent		(6,324)	(10,129)
Non-controlling interest		(445)	(825)
		(6,769)	(10,954)

INTECHNOLOGY PLC
REGISTERED NUMBER: 03916586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

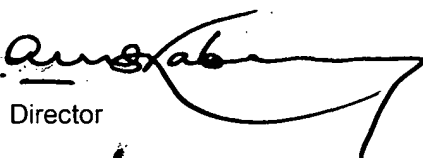
	Note	2020 £000	<i>As restated</i> 2019 £000
Assets			
Non-current assets			
Property, plant and equipment	14	1,486	835
Goodwill	15	3,965	3,965
		<u>5,451</u>	<u>4,800</u>
Current assets			
Inventories	18	95	91
Trade and other receivables	19	2,977	2,453
Cash and cash equivalents	38	380	1,449
		<u>3,452</u>	<u>3,993</u>
Total assets		<u>8,903</u>	<u>8,793</u>

INTECHNOLOGY PLC
REGISTERED NUMBER: 03916586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 31 MARCH 2020

	Note	2020 £000	As restated 2019 £000
Liabilities			
Non-current liabilities			
Trade and other liabilities	21	1,857	1,753
Contract liabilities	22	288	576
Loans and borrowings	23	17,943	13,357
		<u>20,088</u>	<u>15,686</u>
Current liabilities	22		
Trade and other liabilities	21	3,322	3,173
Contract liabilities	22	331	257
Loans and borrowings	23	1,075	532
		<u>4,728</u>	<u>3,962</u>
Total liabilities		<u>24,816</u>	<u>19,648</u>
Net liabilities		<u>(15,913)</u>	<u>(10,855)</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	28	2,943	2,443
Share premium reserve		6,265	5,765
Retained earnings		(21,884)	(15,560)
		<u>(12,676)</u>	<u>(7,352)</u>
Non-controlling interest		(3,237)	(3,503)
TOTAL EQUITY		<u>(15,913)</u>	<u>(10,855)</u>

The financial statements on pages 14 to 74 were approved and authorised for issue by the board of directors on and were signed on its behalf by:


Director

INTECHNOLOGY PLC
REGISTERED NUMBER: 03916586

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	Note	2020 £000	2019 £000
Assets			
Non-current assets			
Property, plant and equipment	14	450	182
Other non-current investments	16	14,520	15,920
		<u>14,970</u>	<u>16,102</u>
Current assets			
Trade and other receivables	19	3,606	3,432
Cash and cash equivalents	38	30	124
		<u>3,636</u>	<u>3,556</u>
Total assets		<u>18,606</u>	<u>19,658</u>

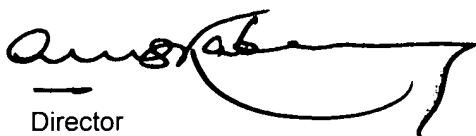
INTECHNOLOGY PLC
REGISTERED NUMBER: 03916586

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 31 MARCH 2020

	Note	2020 £000	2019 £000
Liabilities			
Non-current liabilities			
Trade and other liabilities	21	9,389	9,389
Loans and borrowings	23	17,640	13,309
		<u>27,029</u>	<u>22,698</u>
Current liabilities			
Trade and other liabilities	21	758	638
Loans and borrowings	23	197	28
		<u>955</u>	<u>666</u>
Total liabilities		<u>27,984</u>	<u>23,364</u>
Net liabilities		<u>(9,378)</u>	<u>(3,706)</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	28	2,943	2,443
Share premium reserve		6,265	5,765
Retained earnings		(18,586)	(11,914)
TOTAL EQUITY		<u>(9,378)</u>	<u>(3,706)</u>

The Company's loss for the year was £6,672,000 (2019 - £7,780,000).

The financial statements on pages 14 to 74 were approved and authorised for issue by the board of directors on and were signed on its behalf by:


 Director

INTECHNOLOGY PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital	Share premium	Retained earnings	Total attributable to equity holders of parent	Non-control ling interest	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)
Total comprehensive income for the year	-	-	(9,459)	(9,459)	(825)	(10,284)
Contributions by and distributions to owners						
Issue of share capital	500	750	-	1,250	-	1,250
Share based payments	-	-	54	54	-	54
Total contributions by and distributions to owners	500	750	54	1,304	-	1,304
At 31 March 2019	2,443	5,765	(14,890)	(6,682)	(3,503)	(10,185)
At 1 April 2019 (as previously stated)	2,443	5,765	(14,890)	(6,682)	(3,503)	(10,185)
Prior year adjustment	-	-	(670)	(670)	-	(670)
At 1 April 2019 (as restated)	2,443	5,765	(15,560)	(7,352)	(3,503)	(10,855)
Comprehensive income for the year						
Interest on consolidation	-	-	-	-	711	711
Loss for the year	-	-	(6,324)	(6,324)	(445)	(6,769)
Total comprehensive income for the year	-	-	(6,324)	(6,324)	266	(6,058)
Contributions by and distributions to owners						
Issue of share capital	500	500	-	1,000	-	1,000
Total contributions by and distributions to owners	500	500	-	1,000	-	1,000
At 31 March 2020	2,943	6,265	(21,994)	(12,676)	(3,237)	(15,913)

The notes on pages 25 to 40 form part of these financial statements.

INTECHNOLOGY PLC

COMPANY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Share capital	Share premium	Retained earnings	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)
Total comprehensive income for the year	-	-	(7,780)	(7,780)
Contributions by and distributions to owners				
Issue of share capital	500	750	-	1,250
Total contributions by and distributions to owners	500	750	-	1,250
At 31 March 2019	2,443	5,765	(11,914)	(3,706)
At 1 April 2019	2,443	5,765	(11,914)	(3,706)
Loss for year			(6,672)	(6,672)
Contributions by and distributions to owners				
Issue of share capital	500	500	-	1,000
Total contributions by and distributions to owners	500	500	(6,672)	1,000
At 31 March 2020	2,943	6,265	(18,586)	(9,378)

The notes on pages 25 to 40 form part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	2020 £000	2019 £000
Cash flows from operating activities		
Loss for the year before tax	(7,178)	(9,763)
Adjustments for		
Depreciation of property, plant and equipment	392	634
Impairment losses on intangible assets	-	2,761
Effect of IFRS 16	(358)	-
Revaluation of Fixed assets	(14)	-
(Loss)/Profit on sale of discontinued operations, net of tax	-	(54)
	(7,158)	(6,422)
Movements in working capital:		
(Increase) / Decrease in trade and other receivables	(417)	1,897
(Increase) / Decrease in inventories	(4)	22
Increase in trade and other payables	251	43
(Increase) in contract liabilities	(214)	-
Cash generated from operations	(7,542)	(4,460)
Income taxes received	301	380
Net cash used in operating activities	(7,241)	(4,080)
Cash flows from investing activities		
Purchases of property, plant and equipment	(105)	(266)
Sale of property, plant and equipment	-	60
Net cash used in investing activities	(105)	(206)

INTECHNOLOGY PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

Cash flows from financing activities

Issue of ordinary shares	713	1,250
Additional loan	5,224	3,345
Equity settled share based payments	-	54
New Finance leases	340	-
Payments of finance lease creditors	-	176
	6,277	4,825
Net cash (decrease)/increase in cash and cash equivalents	(1,069)	539
Cash and cash equivalents at the beginning of year	1,449	910
Cash and cash equivalents at the end of the year	380	1,449

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies**1.1 General information**

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

1.2 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.

1.3 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.

1.4 Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at this time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

2. 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.

Coronavirus

During March 2020 and thereafter the rapid spread of Coronavirus on a global basis and lockdowns and other remedial measures imposed by governments has caused a major risk as well as uncertain economic consequences. A major risk already experienced is the lengthening timescales in sales contract negotiations. However, we believe that the sales opportunities, especially for Digital Health and MT, are not being lost but have definitely lengthened the sales cycle, particularly when involving Central Government departments. The Group has minimal risk from supply chain disruption as its main products are software developed in house. No customers have been lost caused by the virus, and banking covenants are not applicable to the group.

2.1 Revenue

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control over a product or service to a customer.

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 on a straight line basis over the contractual service period.

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..

1. Accounting policies (continued)**2.1 Operating leases: the group as lessee**

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are included in the 'Property, Plant and Equipment' and 'Investment Property' lines, as applicable, in the Consolidated Statement of Financial Position.

The Group applies IAS 36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in note 2.8.

As a practical expedient, IFRS 16 permits a lessee not to separate non-lease components, and instead account for any lease and associated non-lease components as a single arrangement. The Group has used this practical expedient.

1. Accounting policies (continued)

2.3 IFRS 16 Leases

The Group has adopted IFRS 16 Leases from 1 April 2019, replacing IAS 17, using the modified retrospective approach. The cumulative effect of initial application is recognised in retained earnings at 1 April 2019 and accordingly comparative information presented has not been restated. IFRS 16 has introduced a single on balance sheet accounting model for lessees. As a result, the Group, as a lessee, has recognised right of use assets representing its rights to use the underlying assets, and lease liabilities representing its obligation to make lease payments. The Group has presented its right of use assets and lease liabilities on the face of the balance sheet. The table below summarises the impact on transition:

1 April 2019	Group £000	Company £000
Right of use assets	904	340
Current lease liabilities	(504)	(215)
Non Current Lease liabilities	(383)	(125)

In relation to those leases under IFRS 16, the Group now recognises depreciation and interest costs, instead of an operating lease expense. During the year ended 31 March 2020, this amounted to £535,935 (Company: £145,796) of depreciation charges and £45,564 (Company: £15,079) of interest costs from these leases.

Operating lease costs would have been £517,664 (Company: £184,600).

At transition, for leases classified as operating leases under IAS 17, lease liabilities were measured at the present value of the remaining lease payments, discounted at an incremental borrowing rate which reflects the characteristics of the underlying lease, at 1 April 2019. The weighted average incremental borrowing rate applied is 5.0%.

Right of use assets are measured at their carrying amount as if IFRS 16 had been applied since the lease commencement date, discounted by the Company's incremental borrowing rate as at 1 April 2019.

The Company has applied the following practical expedients on transition:

- leases for underlying assets that have a low value (less than £5,000)
- a single discount rate applied to its small portfolio of car leases
- to elect not to separate non lease components from lease components and instead to account for each lease component and any associated non lease component as a single lease component

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies (continued)**2.4 Foreign currency**

In preparing the financial statements of each individual group entity, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences on monetary items are recognised in profit or loss in the period in which they arise except for:

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into in order to hedge certain foreign currency risks (see for hedging accounting policies); and
- exchange differences on monetary items receivable from or payable to foreign operation for which settlement is neither planned nor likely to occur (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on repayment of the monetary items.

For the purposes of presenting these consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into pounds using exchange rates prevailing at the end of each reporting period. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity (and attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

1. Accounting policies (continued)**2.5 Borrowing costs**

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.6 Share-based payments**Share-based payment transactions of the Company**

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.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in note 32.

The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair value of the liability. At the end of each reporting period until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year.

1. Accounting policies (continued)**2.7 Taxation****Current and deferred tax for the year**

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

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 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.

2.8 Property, plant and equipment

Items of property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment. Any gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss. Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

Depreciation is provided on all other items of property, plant and equipment so as to write off their carrying value over their expected useful economic lives. It is provided at the following rates on a straight line basis:

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies (continued)**2.9 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 acquiree 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.

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

2.10 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs of inventories are determined on a first in, first out basis. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale.

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.

1. Accounting policies (continued)**2.11 Financial instruments**

Financial assets and financial liabilities are recognised when a Group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

2.12 Financial assets

All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

(i) Amortised cost and effective interest method

The effective interest method is a method for calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased and originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised costs of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost and at FVOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see (ii) Impairment of financial assets). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset. If, in subsequent reporting periods, the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by the applying the effective interest rate to the gross carrying amount of the financial asset.

For purchased and originated credit-impaired financial assets, the Group recognises interest income by

1. Accounting policies (continued)

applying the credit-adjusted effective interest rate to the amortised cost of the financial asset from initial recognition. The calculation does not revert to the gross basis even if the credit risk of the financial asset subsequently improves so that the financial asset is no longer credit-impaired.

Interest income is recognised in profit or loss and is included in the 'finance income' line item.

(ii) Impairment of financial assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised costs or at FVOCI, lease receivables, amounts due from customers under contracts, as well as on loan commitments and financial guarantee contracts. No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

The Group always recognises lifetime ECL for trade receivables, amounts due from customers under contracts and lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12m ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12m ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

(iii) Derecognition of financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in an equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the investments revaluation reserve is not reclassified to profit or loss, but is transferred to retained earnings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies (continued)**2.13 Financial liabilities and equity instruments****(i) Classification as debt or equity**

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

ii) Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity. When the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

1. Accounting policies (continued)

(iv) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

However, financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies set out below.

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held for trading, or (iii) designated as at FVTPL, are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

Commitments to provide a loan at a below-market interest rate

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies/

Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'finance income' or 'finance expense' line item, for gains and losses respectively, in profit or loss for

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies (continued)

financial liabilities that are not part of a designated hedging relationship.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVTPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

See note regarding the recognition of exchange differences where the foreign currency risk component of a financial liability is designated as a hedging instrument for a hedge of foreign currency risk.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

2.14 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.

2.15 Defined contribution schemes

Contributions to defined contribution pension schemes are charged to the consolidated statement of comprehensive income in the year to which they relate.

2.16 Non-controlling interests

For business combinations completed prior to 1 January 2010, the Group initially recognised any non-controlling interest in the acquiree at the non-controlling interest's proportionate share of the acquiree's net assets. For business combinations completed on or after 1 January 2010 the Group has the choice, on a transaction by transaction basis, to initially recognise any non-controlling interest in the acquiree which is a present ownership interest and entitles its holders to a proportionate share of the entity's net assets in the event of liquidation at either acquisition date fair value or, at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets. Other components of non-controlling interest such as outstanding share options are generally measured at fair value. The Group has not elected to take the option to use fair value in acquisitions completed to date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

1. Accounting policies (continued)**3. Reporting entity**

InTechnology plc (the 'Company') is a limited company incorporated in . The Company's registered office is at Cardale House, Cardale Court, Beckwith Head Road, Harrogate, HG3 1RY. These consolidated financial statements comprise the Company and its subsidiaries (collectively the 'Group' and individually 'Group companies'). The Group is primarily involved in the provision of managed services to the Digital Healthcare sector, telecoms sector and Wi-Fi services to towns and cities.

The registered number of the Company is 03916586

From 1 January 2010, the total comprehensive income of non-wholly owned subsidiaries is attributed to owners of the parent and to the non-controlling interests in proportion to their relative ownership interests. Before this date, unfunded losses in such subsidiaries were attributed entirely to the Group. In accordance with the transitional requirements of IAS 27 (2008), the carrying value of non-controlling interests at the effective date of amendment has not been restated.

4. Functional and presentation currency

These consolidated financial statements are presented in pound sterling, which is the Company's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

5. Accounting estimates and judgments

5.1 Estimates and assumptions

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 2020, 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 (2019 - £nil) lower/higher than reported and equity would have moved by £nil (2019 - £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 £1,633,000 (2019 - £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.

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.

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

6. Revenue

The following is an analysis of the Group's revenue for the year from continuing operations:

	2020 £000	2019 £000
Sale of goods and services	4,717	3,963
	<u>4,717</u>	<u>3,963</u>

Analysis of revenue by country of destination:

	2020 £000	2019 £000
United Kingdom	1,200	1,007
Rest of Europe	153	276
Rest of the world	3,364	2,680
	<u>4,717</u>	<u>3,963</u>

Timing of revenue recognition:

	2020 £000	2019 £000
Goods and services transferred over time or work completed	2,919	2,530
Revenue recognised when work completed	1,798	1,193
	<u>4,717</u>	<u>3,723</u>

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. Segment information

7.1 Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations by reportable segment:

	Segment revenue		Segment profit/(loss)	
	2020 £000	2019 £000	2020 £000	2019 £000
Digital Healthcare				
Inhealthcare Limited	905	618	(775)	(798)
Wi-Fi Services				
Intechnology Smart Cities Limited	236	89	(1,779)	(2,376)
Telecom Services				
Mobile Tornado Group Plc	3,553	2,987	(495)	(1,226)
Head Office				
	23	29	(2,034)	(4,121)
	<u>4,717</u>	<u>3,723</u>	<u>(5,083)</u>	<u>(8,521)</u>
Finance income			9	2
Finance costs			(2,104)	(2,440)
Loss before tax (continuing operations)			<u>(7,178)</u>	<u>(10,959)</u>

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2019 - nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 1. Segment profit represents the profit before tax earned by each segment without allocation of central administration costs and directors' salaries, share of profit of associates, share of profit of a joint venture, gain recognised on disposal of interest in former associate, investment income, other gains and losses, as well as finance costs. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7. Segment information (continued)

7.2 Segment assets and liabilities

	2020 £000	2019 £000
Segment assets		
Digital Healthcare	702	1,455
Wi-Fi Services	456	696
Telecom Services	3,145	2,141
Head Office Costs	4,600	4,501
Total segment assets	<u>8,903</u>	<u>8,793</u>
Consolidated total assets	<u><u>8,903</u></u>	<u><u>8,793</u></u>
	2020 £000	2019 £000
Segment liabilities		
Digital Healthcare	(917)	(1,449)
Wi-Fi Services	(904)	(2,898)
Telecom Services	(4,379)	(1,026)
Head Office Costs	(18,616)	(14,275)
Total segment liabilities	<u>(24,816)</u>	<u>(19,648)</u>
Consolidated total liabilities	<u><u>(24,816)</u></u>	<u><u>(19,648)</u></u>

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

7.3 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2020 £000	2019 £000	2020 £000	2019 £000
Digital Healthcare	31	-	68	-
Wi-Fi Services	247	338	48	9
Telecom Services	411	240	941	49
Head Office Costs	218	86	486	208
	<u>907</u>	<u>664</u>	<u>1,543</u>	<u>266</u>

Impairment losses recognised for the year in respect of goodwill

	2020 £000	2019 £000
Digital Healthcare	-	-
Wi-Fi Services	-	-
Telecom Services	-	-
Head Office Costs	-	2,761
	<u>-</u>	<u>2,761</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

8. Operating loss

	2020	2019
	£000	£000
The operating loss is stated after charging:		
Depreciation of tangible fixed assets - held under finance leases	99	179
Depreciation of tangible fixed assets	271	455
Profit on disposal of tangible fixed assets	(9)	(60)
Depreciation on IFRS 16 assets	537	-
Goodwill impairment charge	-	2,761
Exchange differences	153	130
Other operating lease rentals	-	233
	<u>-</u>	<u>233</u>

9. Auditors' remuneration

	2020	2019
	£000	£000
Fees payable to the Group's auditor and its associates for the audit of the Group's annual accounts	36	44
	<u>36</u>	<u>44</u>

10. Employee benefit expenses

Group

	2020	2019
	£000	£000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	5,109	2,864
National insurance	465	338
Defined contribution pension cost	224	104
	<u>5,798</u>	<u>3,306</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Key management personnel compensation

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, including the directors of the Company listed on page 1, and the financial controller of the group.

	2020	2019
	£000	£000
Salary	740	1,119
Defined contribution scheme costs	13	11
	<u>753</u>	<u>1,130</u>

Company

	2020	2019
	£000	£000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	941	1,017
National insurance	121	130
Defined contribution pension cost	26	38
	<u>1,088</u>	<u>1,185</u>

During the year retirement benefits were accruing to 2 directors (2019 : 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £213,000 (2019 – £212,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £3,000 (2019 - £2,000).

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

11. Employees

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

	Group 2020 £000	<i>Group 2019 £000</i>	Company 2020 £000	<i>Company 2019 £000</i>
Admin	23	25	15	15
Sales and marketing	20	9	-	-
Technical	55	53	-	-
Operations	-	14	-	-
	<u>98</u>	<u>101</u>	<u>15</u>	<u>15</u>

12. Finance income and expense

Recognised in profit or loss

	2020 £000	<i>2019 £000</i>
Finance income		
Interest on:		
- Loans and receivables	9	2
Total interest income arising from financial assets measured at amortised cost or FVOCI	<u>9</u>	<u>2</u>
Total finance income	<u>9</u>	<u>2</u>
Finance expense		
Finance leases (interest portion)	42	42
Interest on lease liabilities	19	-
Other loan interest payable	1,995	1,802
Other interest payable	48	590
Hire purchase interest payable	-	6
Total finance expense	<u>2,104</u>	<u>2,440</u>
Net finance expense recognised in profit or loss	<u>2,104</u>	<u>2,440</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

13. Tax expense

13.1 Income tax recognised in profit or loss

	2020 £000	2019 £000
Current tax		
Current tax on profits for the year	(409)	(691)
Adjustments in respect of prior years	-	164
Total current tax	<u>(409)</u>	<u>(527)</u>
Deferred tax expense		
Origination and reversal of timing differences	-	521
Total deferred tax	<u>-</u>	<u>521</u>
	<u>(409)</u>	<u>(6)</u>

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Total tax expense

Tax expense excluding tax on sale of discontinued operation and share of tax of equity accounted associates and joint ventures	(409)	(6)
	<u>(409)</u>	<u>(6)</u>

The reasons for the difference between the actual tax charge for the year and the standard rate of corporation tax in the United Kingdom applied to losses for the year are as follows:

	2020 £000	2019 £000
Loss for the year	(6,769)	(10,954)
Income tax credit/expense (including income tax on associate, joint venture and discontinued operation)	(409)	(6)
Loss before income taxes	<u>(7,178)</u>	<u>(10,960)</u>
Tax using the Company's domestic tax rate of 19% (2019:19%)	(1,363)	(2,082)
Non-tax deductible amortisation of goodwill and impairment	-	524
Adjustment in research and development tax credit leading to an increase/(decrease) in the tax charge	(572)	(531)
Deferred tax not recognised		521
Unrelieved tax losses carried forward	1,526	1,562
Total tax expense	<u>(409)</u>	<u>(6)</u>

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

14. Property, plant and equipment

Group

	Short-term Leashold property	Plant and machinery	Motor Vehicles	Fixtures and fittings	Office Equipment	Computer equipment	Total
Cost or valuation							
At 1 April 2018	297	2275	381	179	23	405	3560
Additions		58	208				266
Disposal		-8	-202			-405	-615
At 31 March 2019	297	2325	387	179	23	0	3211
Impact of change in accounting policy	1146		292				1438
At 1 April 2019 (adjusted balance)	1443	2325	679	179	23	0	4649
Additions		105					105
Disposals	-71	-602	-14				-687
Exchange Adjustments	2	1					3
At 31 March 2020	1374	1829	665	179	23	0	4070
Accumulated depreciation and impairment							
At 1 April 2018	252	1128	378	179	13	401	2351
Charge for the year on own 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	1670	214	179	16	0	2376
Impact of change in accounting policy	394		142				536
At 1 April 2019 (adjusted balance)	691	1670	356	179	16	0	2912
Charge for the year on own assets		199	70		3		272
Charge for the year on financed assets		99					99
Exchnage Adjustments	-1	-12					-13
Disposals	-72	-600	-14				-686
At 31 March 2020	618	1356	412	179	19	0	2584
Net Book Value							
At 1 April 2018	45	1147	3	0	10	4	1209
At 1 April 2019	0	655	173	0	7	0	835
At 31 March 2020	756	473	253	0	4	0	1486

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

14. Property, plant and equipment (continued)

Information about right-of-use assets is summarised below:

Net book value

	31 March 2020 £000
Property	752
Motor Vehicles	152
	<u>904</u>

Depreciation charge for the year ended

	31 March 2020 £000
Property	394
Other fixed assets	513
	<u>907</u>

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

14. Property, plant and equipment (continued)
Company

	Short-term Leashold property	Plant and machinery	Motor Vehicles	Fixtures and fittings	Office Equipment	Computer equipment	Total
Cost or valuation							
At 1 April 2018	297	8	370	179	23	405	1282
Additions		0	208				208
Disposal		-8	-202			-405	-615
At 31 March 2019	297	0	376	179	23	0	875
Impact of change in accounting policy	486		0				486
At 1 April 2019 (adjusted balance)	783	0	376	179	23	0	1361
Additions		0					0
Disposals			-14				-14
Revaluations		0					0
At 31 March 2020	783	0	362	179	23	0	1347
Accumulated depreciation and impairment							
At 1 April 2018	252	2	370	179	13	401	1217
Charge for the year on own assets	45	0	33		3	4	85
Charge for the year on financed assets		0					0
Disposals		-2	-202			-405	-609
At 31 March 2019	297	0	201	179	16	0	693
Impact of change in accounting policy	146		0				146
At 1 April 2019 (adjusted balance)	443	0	201	179	16	0	839
Charge for the year on own assets		0	69		3		72
Charge for the year on financed assets		0					0
Disposals			-14				-14
At 31 March 2020	443	0	256	179	19	0	897
Net Book Value							
At 1 April 2018	45	6	0	0	10	4	65
At 1 April 2019	0	0	175	0	7	0	182
At 31 March 2020	340	0	106	0	4	0	450

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

14. Property, plant and equipment (continued)

14.2. Assets held under leases

The net book value of owned and leased assets included as "Property, plant and equipment" in the Company Statement of Financial Position is as follows:

	31 March 2020 £000
Property, plant and equipment owned	450
	<u>450</u>

Information about right-of-use assets is summarised below:

Net book value

	31 March 2020 £000
Property	340
	<u>340</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

15. Goodwill

Group

	2020	2019
	£000	£000
Cost	13,303	13,303
Accumulated impairment	(9,338)	(9,338)
	<u>3,965</u>	<u>3,965</u>

	2020	2019
	£000	£000
Cost		
At 1 April	13,303	13,303
At 31 March	<u>13,303</u>	<u>13,303</u>

Accumulated impairment		
At 1 April	9,338	6,577
Impairment recognised in the year	-	2,761
At 31 March	<u>9,338</u>	<u>9,338</u>

15.1 Allocation of goodwill to cash generating units

Goodwill is allocated to the Group's cash generating unit as follows:

	2020	2019
	£000	£000
Mobile Tornado Group PLC	3,965	3,965
	<u>3,965</u>	<u>3,965</u>

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

16. Investments in subsidiary companies

	2020	2019
	£000	£000
Cost or Valuation	-	-
At 1 April 2019	15,920	15,920
Impairment	(1,400)	-
	<hr/>	<hr/>
At 31 March 2020	<u>14,520</u>	<u>15,920</u>

The investment in InTechnology Smart Cities Limited has been fully impaired.

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

17. Subsidiaries

Details of the Group's material subsidiaries at the end of the reporting period are as follows:

Name of subsidiary	Principal activity	Place of incorporation and operation	Proportion of ownership interest and voting power held by the Group (%)	
			2020	2019
1) Intechnology Smart Cities Limited	Supply of Wifi Services	England and Wales	95	95
2) Inhealtcare Limited	Digital Health	England and Wales	94	94
3) Mobile Tornado Group Limited	Telecoms	England and Wales	51	51
4) Live PA Limited	Dormant	England and Wales	76	76
5) EEscape Limited	Dormant	England and Wales	100	100
6) Evoxus Limited	Dormant	England and Wales	100	100
7) Call-Link Communications Limited	Dormant	England and Wales	100	100
8) Allasso Limited	Dormant	England and Wales	100	100
9) Holf Technologies Limited	Dormant	England and Wales	100	100
10) VData Limited	Dormant	England and Wales	100	100
11) Integrated Technology (Europe) Limited	Dormant	England and Wales	100	100

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

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

The 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 2020 is £9,880,000 (2019 - £7,659,000). Discounted cashflows have been considered which are in excess of the investment carrying value of the investment in Mobile Tornado Group Plc.

3 subsidiaries of, InTechnology Smart Cities Limited, that had never traded, were, at the request if the company, struck off.

18. Inventories

Group

	2020 £000	2019 £000
Finished goods and goods for resale	95	91
	<u>95</u>	<u>91</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

19. Trade and other receivables

Group

	2020 £000	2019 £000
Trade receivables	1,643	1,196
Less: provision for impairment of trade receivables	(79)	(73)
Trade receivables - net	1,564	1,123
Prepayments and accrued income	452	311
Unpaid share capital	19	23
Tax recoverable	514	407
Other receivables	428	589
Total trade and other receivables	2,977	2,453
Less: current portion - trade receivables	(1,564)	(1,123)
Less: current portion - prepayments and accrued income	(452)	(311)
Less: current portion - other receivables	(428)	(589)
Less: current portion - taxation recoverable	(514)	(407)
Less: current portion - unpaid share capital	(19)	(23)
Total current portion	(2,977)	(2,453)
Total non-current portion	-	-

The Group does not hold any collateral as security

Movements in the impairment allowance for trade receivables are as follows:

	2020 £000	2019 £000
At 1 April	73	72
Movements in the year	6	1
	79	73

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Company

	2020 £000	2019 £000
Trade receivables	5	2
Trade receivables - net	5	2
Receivables from related parties	3,467	3,128
Total financial assets other than cash and cash equivalents classified as loans and receivables	3,472	3,130
Prepayments and accrued income	48	25
Tax recoverable	-	83
Other receivables	86	194
Total trade and other receivables	3,606	3,432
Total current portion	(3,606)	(3,432)

Of the overdue receivables, £668,000 (2019: £641,000) relates to one particular customer against which a provision of £51,000 (2019: £51,000) 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.

20. Ageing of Group's overdue receivables

	2020 £000	Impaired 2019 £000	2020 £000	Not Impaired 2019 £000
Less than three months	-	-	557	348
Three to six months	-	-	208	80
Over six months	79	72	799	768
	79	72	1,564	1,196

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

21. Trade and other payables

Group

	2020	<i>Restated</i>
	£000	2019
		£000
Trade payables	755	425
Other payables	3,347	2,977
Accruals	747	1,071
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	4,849	4,473
Other payables - tax and social security payments	264	350
Deferred income	332	103
Total trade and other payables	5,445	4,926
Less: current portion - trade payables	(755)	(425)
Less: current portion - other payables	(1,488)	(1,574)
Less: current portion - accruals	(747)	(1,071)
Less: current portion - deferred income	(332)	(103)
Total current portion	(3,322)	(3,173)
Total non-current position	1,857	1,753

The carrying value of trade and other payables classified as financial liabilities measured at amortised cost approximates fair value.

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

21. Trade and other payables (continued)

Company

	2020 £000	2019 £000
Trade payables	204	165
Payables to related parties	9,389	9,389
Other payables	132	15
Accruals	247	353
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	9,972	9,922
Other payables - tax and social security payments	170	95
Deferred income	10	10
Total trade and other payables	10,152	10,027
Less: current portion - trade payables	(204)	(165)
Less: current portion - other payables	(297)	(110)
Less: current portion - accruals	(247)	(353)
Less: current portion - deferred income	(10)	(10)
Total current portion	(758)	(638)
Total non-current position	9,389	9,389

Included within other creditors is £2,947,000 (2019: 2,877,000) relating to deferred consideration. Of this balance £1,090,000 (2019 - £860,000) 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 CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

22. Contract liabilities

Group

	2020 £000	Restated 2019 £000
Current	331	257
Non-current	288	576
	<u>619</u>	<u>833</u>

23. Loans and borrowings

Group

	2020 £000	2019 £000
Non-current		
Holf Investments Limited - secured	17,426	13,202
Lease liabilities	517	155
	<u>17,943</u>	<u>13,357</u>
Current		
Lease liabilities	1,075	532
	<u>1,075</u>	<u>532</u>
Total loans and borrowings	<u>19,018</u>	<u>13,889</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Company

	2020	<i>2019</i>
	£000	<i>£000</i>
Non-current		
Holf Investments Limited - secured	17,427	<i>13,203</i>
Lease liabilities	213	<i>106</i>
	17,640	<i>13,309</i>
Current		
Lease liabilities	197	<i>28</i>
	197	<i>28</i>
Total loans and borrowings	17,837	<i>13,337</i>

The loan relate to working capital and accrued interest provided by Holf Investments Limited, a company controlled by Peter Wilkinson, director. Holf Investments Limited and Peter Wilkinson are majority shareholders. Interest is charged at 10% per annum.

The loan is secured by way of a debenture dated 13 April 2017 having a fixed and floating charge on all assets and Intellectual property owned by the group.

24. Maturity analysis

	Group	Company	<i>Restated</i>	<i>Company</i>
	2020	2020	<i>Group</i>	<i>2019</i>
	£000	£000	<i>£000</i>	<i>£000</i>
In one year or less	4,728	955	<i>3,962</i>	<i>666</i>
Between two and five years	20,088	27,029	<i>15,686</i>	<i>22,698</i>
	24,816	27,984	<i>19,648</i>	<i>23,364</i>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

25. Hire purchase and finance leases

	Group 2020 £000	Company 2020 £000	<i>Group 2019 £000</i>	<i>Company 2019 £000</i>
Within one year	774	197	532	28
Between 1 - 5 years	261	213	155	107
	1,035	410	687	135

26. Financial instruments

	Group 2020 £000	<i>Restated Group 2019 £000</i>	Company 2020 £000	<i>Company 2019 £000</i>
Financial assets that are debt instruments measured at amortised cost	1,564	3,993	3,472	5,452
Financial liabilities measured at amortised cost	(24,086)	(19,648)	(28,177)	(16,301)
	(22,522)	(15,655)	(24,705)	(10,849)

27. 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.

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

28. Share capital

Authorised

	2020 Number	2020 £000	2019 Number	2019 £000
Shares treated as equity				
Ordinary shares of £0.01 each	294,282,600	2,943	244,282,600	2,443
	<u>294,282,600</u>	<u>2,943</u>	<u>244,282,600</u>	<u>2,443</u>

Issued and fully paid

	2020 Number	2020 £000	2019 Number	2019 £000
Ordinary shares of £0.01 each				
At 1 April	244,282,600	2,443	194,282,600	1,943
Shares issued	50,000,000	500	50,000,000	500
	<u>294,282,600</u>	<u>2,943</u>	<u>244,282,600</u>	<u>2,443</u>
At 31 March 2020				

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

29. Reserves

Share premium

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

Retained earnings

Movements on the profit and Loss account are shown within the consolidated statement of changes in equity on page 20.

30. Non-controlling interests

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests is set out in note 27.

31. Leases

Group

(i) Leases as a lessee

Lease liabilities are due as follows:

	2020 £000
Contractual undiscounted cash flows due	
Not later than one year	1,075
Between one year and five years	514
	<u>1,589</u>
Lease liabilities included in the Consolidated Statement of Financial Position at 31 March	<u>1,589</u>
Non-current	514
Current	<u>1,075</u>

INTECHNOLOGY PLC

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

32.

Share based payments

The Group has 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 2020 '000	Number of shares 2019 '000	Exercise price pence	Earliest exercise date	Vesting condition	Expiry date
Israel scheme	-	1,082	2.0	02/02/09		31/12/19
Israel scheme	-	800	5.0	02/02/09	100,000 subscribers	31/12/19
UK scheme	100	100	5.0	07/07/13	100,000 subscribers	07/07/20
Israel scheme	-	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	1,350	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	3,500	4.0	04/11/19		31/12/26
Israel scheme	5,650	5,900	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	2,650	2,900	5.0	09/01/22		09/01/29
UK scheme	450	450	5.0	09/01/22		09/01/29
Israel scheme	1,000	1,000	5.0	28/02/22		28/02/29
Total	23,900	26,832				

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

Movements in share options during the year

The following reconciles the share options outstanding at the beginning and end of the year:

	Number of options	2020 Weighted average exercise price Pence	Number of options	2019 Weighted average exercise price Pence
Balance at the beginning of the year	26,832,000	5.50	23,569,000	5.40
Granted during the year	-	-	4,350,000	5.00
Forfeited during the year	(650,000)	5.80	(800,000)	4.20
Exercised during the year	-	-	(87,000)	2.00
Expired during the year	(2,282,000)	4.00	(200,000)	-
Outstanding at 31 March	<u>23,900,000</u>	<u>5.50</u>	<u>26,832,000</u>	<u>5.50</u>

Share options outstanding at the end of the year

The closing mid-market share price on 31 march 2020 was 2.6 pence.

The weighted average remaining contracted life of the share options outstanding at 31 March 2020 was 6.6 years at exercise pricing ranging from 2.0 pence to 7.5 pence.

The total charge for the year relating to employee share-based payment plans was £nil (2019 £54,000), all of which related to equity-settled share-based payment transactions.

33. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Peter Wilkinson and Andrew Kaberry are shareholders in Mobile Tornado Group plc, an AIM listed company in which InTechnology plc owns 51.2% (2019 - 51.2%) 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 (2019: £nil) to Mobile Tornado Group plc in the year. As at 31 March 2020 InTechnology plc was owed £2,809,000 (2019: £2,780,000) by Mobile Tornado Group plc.

Included in other debtors is £72,000 (2019 - £72,000) owed from Holf Investments Limited, a company that Peter Wilkinson controls.

A loan of £nil (2019 - £nil) is owed to the company by My Possible Self Limited, a company owned and controlled by Joanne Wilkinson, a relation of Peter Wilkinson.

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

A balance of £17,427,000 was owed to Peter Wilkinson at the year end (2019 - £13,022,000). Interest is charged at a rate of 10% and late repayment penalties are charged.

34. 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.

35. Directors' personal guarantee

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.

36. Pension commitments

The group operates a defined contribution 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 £224,000 (2019 - £104,000). Contributions totalling £42,000 (2019 £9,000) were payable to the fund at the reporting date.

37. Prior year adjustment

The accounting policy for recognising revenue relating to software licences originally was to account for the revenue when the licence became available for use by the customer. However, obligations regarding training and support for these licences has increased. In light of this, in the opinion of the directors, it was felt that revenue from these licences should be recognised over the licence term.

INTECHNOLOGY PLC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2020

The prior year adjustment has reduced sales by £773,000, increased deferred income by £773,000, increased corporation tax receivable by £103,000 and increased the profit and loss reserve deficit by £670,000.

38. Notes supporting statement of cash flows

	2020 £000	2019 £000
Cash at bank available on demand	380	1,449
Cash and cash equivalents in the statement of financial position	380	1,449
Cash and cash equivalents in the statement of cash flows	380	1,449