

INTECHNOLOGY PLC

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021



INTECHNOLOGY PLC

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
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Harrogate
HG1 5RX

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Introduction

The trading year to 31 March 2021, despite the impact of the Coronavirus pandemic, was on the whole very encouraging.

Your company has reduced its operating losses by £2.2m to £4.6m (2020 - £6.8m). A summary of each of the three businesses is set out below.

As mentioned in last year's report, I continue to invest in the company through further loans which as at 31 March 2021 totalled £20.4m (2020 - £17.4m).

Your Board remains confident that the Group will achieve its objective of sustainable operating profits and generation of cash despite the impact of the advent of Coronavirus on a global scale.

Financial key performance indicators for year ending 31 March

	2021	2020	2019
	M	M	M
Revenues	£4.3	£4.7	£3.7
Loss from operations	£2.9	£5.1	£8.5
Loss for the year	£4.6	£6.8	£10.9
Cash	£0.2	£0.4	£1.4
Shareholders loans (incl debt)	£20.4	£17.4	£13.2
Other Debt	£1.3	£1.6	£0.7

The adoption of IFRS16 includes £516k in other debt, principally short term property leases, vehicles and office equipment.

Business review

Prior year adjustment and the Auditors opinion

The Directors had 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.

Subsequently, 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.

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

INTECHNOLOGY PLC

GROUP STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2021

Digital Healthcare (Inhealthcare Limited-93.5% subsidiary)

Revenue	£1.6m	(2020: £0.9m)
Operating loss	£0.5m	(2020: £1.0m)

- During the year, the monthly recurring revenue increased by 158% to £128,000
- Q1 of the current year showed a further 166% increase to £501,000 resulting in the business achieving profitability
- At the date of this report, the business has a £4m+ order book
- The business successfully completed circa 2 million episodes of care which clearly demonstrates the growing demand for InHealthcare's digital health and remote patient monitoring services

A very encouraging year for the business which has made substantial progress in many areas of the NHS. Our platform is now in 7 of the 9 English regions and is the preferred supplier for Scotland and Northern Ireland.

The huge investment we have made, and continue to make has enabled Inhealthcare to be the leading supplier of remote patient monitoring to the NHS. We believe our position of being able to supply unlimited pathways with one single system is unique. Also, our ability to update GP records and hospital systems with patient data further enhances our reputation.

This strong performance has continued into the new financial year with a number of new contract wins and 100% renewal of existing contracts. The company has a strong pipeline of opportunities as NHS organisations accelerate digital transformation plans.

The company has continued to invest in its technology to meet the requirements of its customers. As the use of digital technologies is adopted at scale the regulation of these technologies to help ensure patient safety has come to the fore. Inhealthcare's product was registered as a medical device with the MHRA in May 2020. Compliance with regulations is a significant commitment and will prove a major barrier for many existing and new entrants into the market.

Wi-Fi (Welink Communications (UK) Ltd (formally InTechnology Smart Cities Limited)-94.5% subsidiary)

Revenues	£0.2m	(2020: £0.2m)
Operating (loss) profit**	(£1.0m)	(2020: £1.7m)

As mentioned in last year's report Wi-Fi was put into maintenance mode due to lockdown reducing footfall in our towns and cities virtually coming to a standstill.

One benefit this gave us was the opportunity to review our strategy and we are pleased to share a new exciting direction for the business.

Whilst the laying of fibre is the backbone of providing high speed internet services to premises a major weakness is the difficulty of connecting fibre to the premises.

In March 2021 we signed an MOU with Welink Communications Inc. who have a multi patented high speed (2.5gb) wireless connectivity which enables the premises to link to fibre in a very efficient, timely and cost effective manner.

The initial trials are very encouraging and the company is in discussions with many leading fibre providers and internet service providers, who are all equally impressed by the ease of delivering high speed connectivity, thereby removing the current difficulties.

Consequently, we have renamed the company Welink Communications (UK) Ltd and we look forward to further developing our already strong relationship with Welink in the USA.

**InTechnology has fully impaired its intercompany debt amounting to £782k as at 31 March 2021 in addition to prior year impairments (2020 - £3,772k) Operating loss above does not include this impairment so as to more accurately disclose the loss.

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

Revenues	£2.5m	(2020: £3.6m)
Operating loss	£0.4m	(2020: £0.5m)

The Coronavirus pandemic has had an impact on Mobile Tornado. Some of Mobile's major markets, South America, South Africa, Central America to name but a few have been severely impacted by the pandemic. Thereby, reducing the volumes of business expected from these regions. Many larger contracts have unfortunately been deferred.

Once again, this has given us the opportunity to review the company and its future direction. We have no doubt that we have the very best Push To Talk communications product in the world.

We are now adding other technologies to our existing product whereby the existing solution becomes an important part of the overall solution.

An example of this, launching imminently, is the addition of a workforce management product working in conjunction with the existing communication product. If you take the existing product in the security market sector; the location of remote staff is monitored, instant communication is available, alerts and SOS facilities are also available. Most security companies were asking for their various forms to be digitized, a clocking in and clocking out function, video and QR codes for patrols, amongst other functions which has formed the basis of our workforce management solution.

We will continue to look at new additions to our original communications platform for other market sectors thereby enhancing our ability to sell to more and more markets with a more complete solution.

Your Board remains confident that the opportunities Mobile Tornado 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 technical excellence to its customers.

Staff costs

As a services and technology business total staff costs are a 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 Group's 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

Since early 2020 the rapid spread of Coronavirus on a global basis with 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 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 executive directors.

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

Outlook

Despite the ongoing deep doom and gloom in the world, I remain very positive regarding the outlook for all the businesses going forward.

I strongly believe we have the market leading solution for remote patient monitoring. Also encouraging is the increasing acceptance by both the government and the NHS that remote patient monitoring is a large part of the efficiencies required for the future NHS. This is borne out by the sheer number of opportunities being created for many different pathways in many different regions. Our reputation is second to none. We deliver on time what the customer wants and we are able to successfully tender for virtually all needs in this market due to the substantial investment we have made in our product. Our attention to all compliance and regulatory requirements compliment our strengths in the market.

I have always been intrigued as to why fibre has never actually achieved its results in delivering high speed connectivity to the premises. At the turn of the century fibre was being laid but rarely used and history has repeated itself with all the new fibre currently being laid. It's obvious really, you cannot dig up every street in the land including every drive/garden. To have found an innovative, cost effective, simple to install solution to enable the power of fibre to be delivered promptly, cheaply and efficiently to the premises is very exciting and we look forward to continuing our discussions with major suppliers.

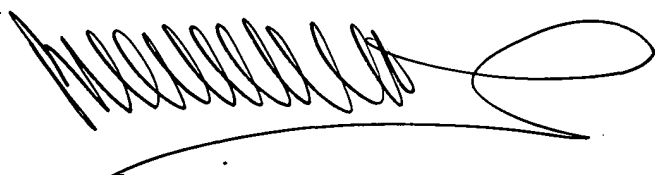
I am very proud that we have, unquestionably, got the best Push to Talk communication tool in the world. Proven by our relationships with many Mobile Network Operators throughout the world. To have redeployed some of our existing platform development team on to producing new innovative additions to our existing product, strengthening our position in many markets is a very positive step forward and I look forward to seeing the progress I believe this will bring to the company.

The Board continually reviews the Group's cash flow to ensure there is sufficient working capital to meet liabilities as they fall due. I remain extremely comfortable to continually invest in the company, in the form of loans, to enable the Group to meet these liabilities. 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

I wish to thank all of our staff in the UK and Israel for their continued hard work and commitment to achieving our goals despite all the difficulties presented to each and every member of staff by the Coronavirus pandemic and the unusual and challenging circumstances they have had to cope with. In a number of cases the commitment of the staff has been exemplary delivering urgently needed services in the most difficult of circumstances.

This report was approved by the board on 29 September 2021 and signed on its behalf.

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the bottom.

The directors present their report and the financial statements for the year ended 31 March 2021.

Directors' responsibilities statement

The directors are responsible for preparing the Group Strategic Report, 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 consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) in conformity with the requirements of the Companies Act 2006.

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 the Company 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 in conformity with the requirements of the Companies Act 2006, subject to any material departures disclosed and explained in the financial statements;
- assess the Group and Company'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 the Company 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 parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the parent Company and enable them to ensure that the 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 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 loss for the year, after taxation, amounted to £4,574,000 (2020 - loss £6,769,000).

Directors

The directors who served during the year were:

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

Political contributions

The contributions made by the Group during the year for charitable purposes totalled £nil (2020 : £nil). The Group made no political contributions (2020: £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.

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 five shareholders are interested in 3.0% or more of the issued ordinary share capital of the Company (totaling 89%):

Percentage of shares held	
Peter Wilkinson	70.1%
Artemis fund managers	8.9%
Jon Wood	6.8%
Lombard Odier fund managers	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.

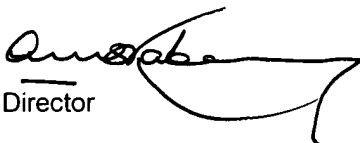
Post year end events

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 29 September 2021 and signed on its behalf.


Director

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF INTECHNOLOGY PLC**Opinion**

We have audited the financial statements of InTechnology Plc (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 March 2021 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 significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and international accounting standards (IAS) in conformity with the requirements 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 2021 and of the group's loss for the period then ended;
- have been properly prepared in accordance with IAS in conformity with the requirements of the Companies Act 2006; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for qualified opinion

License fee income in relation to one contract of a three year term secured in March 2019 within the subsidiary InHealthcare Limited has been accounted for in these financial statements with the performance obligations being satisfied over time instead of at a point in time under IFRS 15, in the current and prior years.

We are in disagreement with the revenue recognition accounting policy for this one contract. The impact of which is an overstatement of consolidated revenue in the year of £268,000 (2020: £237,000) and an overstatement of consolidated deferred income of £268,000, all of which should have been recognised in 2019 under IFRS15. The directors recorded a prior year adjustment to the 2019 accounts recognising revenues over the three year term commencing April 2019 based, with hindsight, on the ongoing support costs for this one contract. This was not in line with the revenue recognition criteria of 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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the group or the parent company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report.

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.

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 course of 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 this gives rise to a material misstatement in the financial statements themselves. 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 to one specific contract. 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.

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

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement set out on page 7, 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 and the parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

INTECHNOLOGY PLC

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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The specific procedures for this engagement and the extent to which these are capable of detecting irregularities, including fraud are detailed below.

Identifying and assessing risks related to irregularities:

We assessed the susceptibility of the group and parent company's financial statements to material misstatement and how fraud might occur, including through discussions with the directors, discussions within our audit team planning meeting, updating our record of internal controls and ensuring these controls operated as intended. We evaluated possible incentives and opportunities for fraudulent manipulation of the financial statements. We identified laws and regulations that are of significance in the context of the group and parent company by discussions with directors and by updating our understanding of the sectors in which the group and parent company operate.

Laws and regulations of direct significance in the context of the group and parent company include The Companies Act 2006, and UK Tax legislation.

Audit response to risks identified:

We considered the extent of compliance with these laws and regulations as part of our audit procedures on the related financial statement items including a review of group and parent company financial statement disclosures. We reviewed the parent company's records of breaches of laws and regulations, minutes of meetings and correspondence with relevant authorities to identify potential material misstatements arising. We discussed the parent company's policies and procedures for compliance with laws and regulations with members of management responsible for compliance.

During the planning meeting with the audit team, the engagement partner drew attention to the key areas which might involve non-compliance with laws and regulations or fraud. We enquired of management whether they were aware of any instances of non-compliance with laws and regulations or knowledge of any actual, suspected or alleged fraud. We addressed the risk of fraud through management override of controls by testing the appropriateness of journal entries and identifying any significant transactions that were unusual or outside the normal course of business. We assessed whether judgements made in making accounting estimates gave rise to a possible indication of management bias. At the completion stage of the audit, the engagement partner's review included ensuring that the team had approached their work with appropriate professional scepticism and thus the capacity to identify non-compliance with laws and regulations and fraud.

There are inherent limitations in the audit procedures described above and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we would become aware of it. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of our report

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


Jonathan Davis (senior statutory auditor)

For and on behalf of Saffery Champness LLP

Mitre House
North Park Road
Harrogate
HG1 5RX
Date:

INTECHNOLOGY PLC

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR
THE YEAR ENDED 31 MARCH 2021**

	Note	2021 £000	2020 £000
Revenue	6	4,282	4,717
Cost of sales		(526)	(776)
Gross profit		3,756	3,941
Other operating income	10	519	-
Administrative expenses		(7,118)	(9,024)
Loss from operations		(2,843)	(5,083)
Finance income		-	9
Finance expense		(2,163)	(2,104)
Loss before tax		(5,006)	(7,178)
Tax credit	14	432	409
Loss for the year		<u>(4,574)</u>	<u>(6,769)</u>
Total comprehensive income		<u>(4,574)</u>	<u>(6,769)</u>
Total comprehensive income		<u>(4,574)</u>	<u>(6,769)</u>
Loss for the year attributable to:			
Owners of the parent		(4,164)	(6,324)
Non-controlling interests		(410)	(445)
		<u>(4,574)</u>	<u>(6,769)</u>
Total comprehensive income attributable to:			
Owners of the parent		(4,164)	(6,324)
Non-controlling interests		(410)	445
		<u>(4,574)</u>	<u>(6,769)</u>

INTECHNOLOGY PLC
REGISTERED NUMBER: 03916586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021


	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Property, plant and equipment	15	794	1,486
Goodwill	16	3,965	3,965
		<u>4,759</u>	<u>5,451</u>
 Current assets			
Inventories	19	52	95
Trade and other receivables	20	3,146	2,977
Cash and cash equivalents	38	224	380
		<u>3,422</u>	<u>3,452</u>
 Total assets		<u>8,181</u>	<u>8,903</u>

INTECHNOLOGY PLC
REGISTERED NUMBER: 03916586

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 31 MARCH 2021

	Note	2021 £000	2020 £000
Liabilities			
Non-current liabilities			
Trade and other liabilities	22	1,450	1,857
Contract liabilities	23	28	288
Loans and borrowings	24	20,518	17,943
		<u>21,996</u>	<u>20,088</u>
Current liabilities			
Trade and other liabilities	22	4,376	3,322
Contract liabilities	23	1,072	331
Loans and borrowings	24	1,195	1,075
		<u>6,643</u>	<u>4,728</u>
Total liabilities		<u>28,639</u>	<u>24,816</u>
Net liabilities		<u>(20,458)</u>	<u>(15,913)</u>
Issued capital and reserves attributable to owners of the parent			
Share capital	29	2,943	2,943
Share premium reserve		6,265	6,265
Retained earnings		(26,019)	(21,884)
		<u>(16,811)</u>	<u>(12,676)</u>
Non-controlling interest		(3,647)	(3,237)
TOTAL EQUITY		<u>(20,458)</u>	<u>(15,913)</u>

The financial statements on pages 11 to 65 were approved and authorised for issue by the board of directors on 29 September 2021 and were signed on its behalf by:


 Director

The notes on pages 19 to 65 form part of these financial statements.

INTECHNOLOGY PLC
REGISTERED NUMBER: 03916586

COMPANY STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

	Note	2021 £000	2020 £000
Assets			
Non-current assets			
Property, plant and equipment	15	250	450
Other non-current investments	17	14,520	14,520
		<u>14,770</u>	<u>14,970</u>
 Current assets			
Trade and other receivables	20	3,692	3,606
Cash and cash equivalents		43	30
		<u>3,735</u>	<u>3,636</u>
 Total assets		<u>18,505</u>	<u>18,606</u>

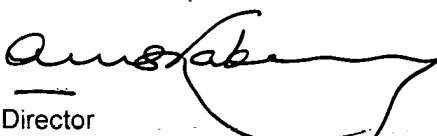
INTECHNOLOGY PLC
REGISTERED NUMBER: 03916586

COMPANY STATEMENT OF FINANCIAL POSITION (CONTINUED) AS AT 31 MARCH 2021

	Note	2021 £000	2020 £000
Liabilities			
Non-current liabilities			
Trade and other liabilities	22	9,419	9,389
Loans and borrowings	24	20,430	17,640
		<u>29,849</u>	<u>27,029</u>
Current liabilities			
Trade and other liabilities	22	1,746	758
Loans and borrowings	24	142	197
		<u>1,888</u>	<u>955</u>
Total liabilities		<u><u>31,737</u></u>	<u><u>27,984</u></u>
Net liabilities		<u><u>(13,232)</u></u>	<u><u>(9,378)</u></u>
Issued capital and reserves attributable to owners of the parent			
Share capital	29	2,943	2,943
Share premium reserve		6,265	6,265
Retained earnings		(22,440)	(18,586)
TOTAL EQUITY		<u><u>(13,232)</u></u>	<u><u>(9,378)</u></u>

The Company's loss for the year was £3,854,000 (2020 - £6,672,000).

The financial statements on pages 11 to 65 were approved and authorised for issue by the board of directors on 29 September 2021 and were signed on its behalf by:


 Director

The notes on pages 19 to 65 form part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021
ACCOUNTS PRODUCED USING DEMONSTRATION SOFTWARE

	Share capital £000	Share premium £000	Retained earnings (restated) £000	Total attributable to equity holders of parent (restated) £000	Non- controlling interest £000	Total equity (restated) £000
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						
Loss for the year	-	-	(6,324)	(6,324)	266	(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
At 31 March 2020	2,943	6,265	(21,884)	(12,676)	(3,237)	(15,913)
At 1 April 2020	2,943	6,265	(21,884)	(12,676)	(3,237)	(15,913)
Comprehensive income for the year						
Loss for the year	-	-	(4,164)	(4,164)	(410)	(4,574)
Total comprehensive Income for the year	-	-	(4,164)	(4,164)	(410)	(4,574)
Contributions by and distributions to owners						
Share based payments	-	-	29	29	-	29
At 31 March 2021	2,943	6,265	(26,019)	(16,811)	(3,647)	(20,458)

INTECHNOLOGY PLC

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 MARCH 2021

	Share capital £000	Share premium £000	Retained earnings £000	Total equity £000
At 1 April 2019	2,443	5,765	(11,914)	(3,706)
Comprehensive income for the year				
Loss for the year	-	-	(6,672)	(6,672)
Total comprehensive income for the 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)
At 1 April 2020	2,943	6,265	(18,586)	(9,378)
Comprehensive income for the year				
Loss for the year	-	-	(3,854)	(3,854)
At 31 March 2021	2,943	6,265	(22,440)	(13,232)

The notes on pages 19 to 65 form part of these financial statements.

INTECHNOLOGY PLC

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2021

	2021	2020
	£000	£000
Cash flows from operating activities		
Loss for the year	(4,574)	(6,769)
Adjustments for		
Depreciation of property, plant and equipment	706	392
Tax Charge	(432)	(409)
Effect of IFRS 16	-	(358)
Revaluation of fixed assets	15	(14)
	(4,285)	(7,158)
Movements in working capital:		
Decrease/(increase) in trade and other receivables	62	(417)
Decrease/(increase) in inventories	43	(4)
Decrease in trade and other payables	647	251
Increase/(decrease) in contract liabilities	481	(214)
Cash generated from operations	(3,052)	(7,542)
Income taxes paid	201	301
Net cash used in operating activities	(2,851)	(7,241)
Cash flows from investing activities		
Purchases of property, plant and equipment	(29)	(105)
Net cash used in investing activities	(29)	(105)
Cash flows from financing activities		
Issue of ordinary shares	-	713
Additional loan	2,995	5,224
New finance leases	29	340
Equity settled share based payments	28	-
Payment of lease liabilities	(328)	-
Net cash from financing activities	2,724	6,277
Net cash decrease in cash and cash equivalents	(156)	(1,069)
Cash and cash equivalents at the beginning of year	380	1,449
Cash and cash equivalents at the end of the year	224	380

The notes on pages 19 to 65 form part of these financial statements.

1. Accounting policies

1.1 General information

InTechnology plc provides managed services to the Digital Healthcare sector, Telecoms sectors and Wi-Fi services to towns, cities and venues.

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 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 Groups 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 and Loss & 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
- 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.

1. Accounting policies (continued)

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.

1. Accounting policies (continued)

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 without ongoing support are recognised when the license is sold.

Service Fee

Service fees software as a service (SaaS) 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.

Hardware Sales

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

1. Accounting policies (continued)**2.2 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 accounts 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 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)

2.4 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.

2.5 Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

1. Accounting policies (continued)**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 33.

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 credit 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.

1. Accounting policies (continued)

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:

Short-term leasehold property	25%	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.

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.

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.

1. Accounting policies (continued)

2.11 Financial instruments (continued)

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 Fair Value Through Other Comprehensive Income (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 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.

1. Accounting policies (continued)**2.12 Financial assets (continued)****(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 Expected Credit Loss (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.

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.

(iii) 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)

2.13 Financial liabilities and equity instruments (continued)

(iv) Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at Fair Value Through Profit and Loss (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

1. Accounting policies (continued)**2.13 Financial liabilities and equity instruments (continued)****(iv) Financial liabilities (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.

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.

3. Reporting entity

InTechnology plc (the 'Company') is a limited company incorporated in England and Wales. 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 values 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 2021, 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 (2020 - £nil) lower/higher than reported and equity would have moved by £nil (2020 - £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 £1,656,000 (2020 - £1,633,000).

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.

6. Revenue

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

	2021 £000	2020 £000
Licence fees	2,889	2,919
Hardware sales	492	668
Professional services	627	827
Other	274	303
	<u>4,282</u>	<u>4,717</u>

Analysis of revenue by country of destination:

	2021 £000	2020 £000
United Kingdom	1,848	1,200
Rest of Europe	232	153
Rest of the world	2,202	3,364
	<u>4,282</u>	<u>4,717</u>

Timing of revenue recognition:

	2021 £000	2020 £000
Goods and services transferred over time	2,889	2,919
Revenue recognised when work completed	1,393	1,798
	<u>4,282</u>	<u>4,717</u>

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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, excluding any impairment of intercompany debt:

	Segment revenue		Segment profit/(loss)	
	2021 £000	2020 £000	2021 £000	2020 £000
Digital Healthcare	1,640	905	(529)	(775)
Wi-Fi Services	186	236	(244)	(1,779)
Telecom Services	2,456	3,553	(330)	(495)
Head Office Costs	-	22	(1,740)	(2,034)
	4,282	4,716	(2,843)	(5,083)
Finance income			-	9
Finance costs			(2,163)	(2,104)
Loss before tax (continuing operations)			(5,006)	(7,178)

Segment revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current year (2020 - £140,000). The inter-segmental sales on the prior year related to the development of Wi-Fi specific apps.

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.

7. Segment information (continued)

7.2 Segment assets and liabilities

	2021 £000	2020 £000
Segment assets		
Digital Healthcare	1,005	702
Wi-Fi Services	327	456
Telecom Services	6,356	3,145
Head Office Costs	493	4,600
Consolidated total assets	8,181	8,903

	2021 £000	2020 £000
Segment liabilities		
Digital Healthcare	(1,644)	(917)
Wi-Fi Services	(980)	(904)
Telecom Services	(3,697)	(4,379)
Head Office Costs	(22,318)	(18,616)
Consolidated total segment liabilities	(28,639)	(24,816)

7. Segment information (continued)

7.3 Other segment information

	Depreciation and amortisation		Additions to non-current assets	
	2021 £000	2020 £000	2021 £000	2020 £000
Digital Healthcare	31	31	29	68
Wi-Fi Services	174	247	-	48
Telecom Services	449	411	-	941
Head Office Costs	52	218	-	486
	<u>706</u>	<u>907</u>	<u>29</u>	<u>1,543</u>

8. Operating loss

	2021 £000	2020 £000
The operating loss is stated after charging:		
Depreciation of tangible fixed assets - held under finance leases	87	99
Depreciation of tangible fixed assets	230	271
Profit on disposal of tangible fixed assets	(1)	(9)
Depreciation on IFRS 16 assets	389	537
Inventories recognised as an expense	255	330
Exchange differences	(210)	153
	<u> </u>	<u> </u>

9. Auditors' remuneration

During the year, the Group obtained the following services from the Group's auditors:

	2021 £000	2020 £000
Fees payable to the Group's auditors for the audit of the Group's financial statements	<u>37</u>	<u>36</u>

10. Other operating income

	2021	2020
	£000	£000
Government grants received (CJRS)	519	-
	519	-

11. Employee benefit expenses

Group

	2021 £000	2020 £000
Employee benefit expenses (including directors) comprise:		
Wages and salaries	4,258	5,109
National insurance	398	465
Defined contribution pension cost	193	224
	<u>4,849</u>	<u>5,798</u>

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.

	2021 £000	2020 £000
Salary	600	740
Defined contribution scheme costs	13	13
	<u>613</u>	<u>753</u>

The monthly average number of persons, including the directors, employed by the Group during the year was as follows:

	2021 No.	2020 No.
Admin	20	23
Sales and Marketing	14	20
Technical	56	55
	<u>90</u>	<u>98</u>

11. Employee benefit expenses (continued)

Company

	2021	<i>2020</i>
	£000	<i>£000</i>
Employee benefit expenses (including directors) comprise:		
Wages and salaries	779	<i>941</i>
National insurance	103	<i>121</i>
Defined contribution pension cost	26	<i>26</i>
	908	<i>1,088</i>

During the year retirement benefits were accruing to 2 directors (2020 : 2) in respect of defined contribution pension schemes.

The highest paid director received remuneration of £191,000 (2020 – £213,000).

The value of the company's contributions paid to a defined contribution pension scheme in respect of the highest paid director amounted to £8,000 (2020 - £3,000).

12. Employees

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

	Company	<i>Company</i>
	2021	<i>2020</i>
	£000	<i>£000</i>
Admin	15	<i>15</i>
	15	<i>15</i>

13. Finance income and expense**Recognised in profit or loss**

	2021	2020
	£000	£000
Finance income		
Interest on:		
- Loans and receivables	-	9
Total interest income arising from financial assets measured at amortised cost or FVOCI	<u>-</u>	<u>9</u>
	<u>-</u>	<u>-</u>
 Finance expense		
Finance leases (interest portion)	39	42
Interest on lease liabilities	1	19
Other loan interest payable	2,108	1,995
Other interest payable	15	48
Total finance expense	<u>2,163</u>	<u>2,104</u>
 Net finance expense recognised in profit or loss	<u><u>2,163</u></u>	<u><u>2,095</u></u>

14. Tax credit

14.1 Income tax recognised in profit or loss

	2021 £000	2020 £000
Current tax		
Current tax credit on loss for the year	(432)	(409)
Total current tax	<u>(432)</u>	<u>(409)</u>
Total tax credit		
Tax credit excluding tax on sale of discontinued operation and share of tax of equity accounted associates and joint ventures	(432)	(409)

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:

	2021 £000	2020 £000
Loss for the year	(4,589)	(6,769)
Income tax credit/expense (including income tax on associate, joint venture and discontinued operations)	<u>(432)</u>	<u>(409)</u>
Loss before income taxes	(5,021)	(7,178)
Tax using the Company's domestic tax rate of 19% (2020:19%)	(954)	(1,363)
Adjustment in research and development tax credit leading to an increase/(decrease) in the tax charge	(432)	(572)
Unrelieved tax losses carried forward	954	1,526
Total tax credit	<u>(432)</u>	<u>(409)</u>

Changes in tax rates and factors affecting the future tax charges

The corporation tax rate will be increased to 25% from April 2023 tapered for profits upto £250,000.

14. Tax credit (continued)**14.2 Current tax assets and liabilities**

	2021	2020
	£000	£000
Current tax assets		
R&D Tax credit	745	409

15. Property, plant and equipment

Group

	Short-term Leasehold property £000	Plant and machinery £000	Motor Vehicles £000	Fixtures and fittings £000	Office Equipment £000	Computer equipment £000	Total £000
Cost or valuation							
At 1 April 2019	297	2,325	387	179	23	0	3,211
Impact of change in accounting policy	1,146		292				1,438
At 1 April 2019 (adjusted balance)	1,443	2,325	679	179	23	0	4,649
Additions		105					105
Disposals	(71)	(602)	(14)				(687)
Exchange Adjustments	2	1					3
At 31 March 2020	1,374	1,829	665	179	23	0	4,070
At 1 April 2020	1,374	1,829	665	179	23	0	4,070
Additions			29				29
Disposals			(37)				(37)
Exchange Adjustments	(18)	(12)	(1)				(31)
At 31 March 2021	1,356	1,817	656	179	23	0	4,031

15. Property, plant and equipment (continued)

	Short-term Leasehold property £000	Plant and machinery £000	Motor Vehicles £000	Fixtures and fittings £000	Office Equipment £000	Computer equipment £000	Total £000
Accumulated depreciation and impairment							
At 1 April 2019	297	1,670	214	179	16	0	2,376
Impact of change in accounting policy	394		142				536
At 1 April 2019 (adjusted balance)	691	1,670	356	179	16	0	2,912
Charge for the year on own assets		199	70		3		272
Charge for the year on financed assets		99					99
Exchange Adjustments	(1)	(12)					(13)
Disposals	(72)	(600)	(14)				(686)
At 31 March 2020	618	1,356	412	179	19	0	2,584
At 1 April 2020	618	1,356	412	179	19	0	2,584
Charge for the year on own assets		221	52		2		275
Charge for the year on financed assets	344		87				431
Disposals			(35)				(35)
Exchange Adjustments	(3)	(13)	(2)				(18)
At 31 March 2021	959	1,564	514	179	21	0	3,237
Net Book Value							
At 1 April 2019	0	655	173	0	7	0	835
At 31 March 2020	756	473	253	0	4	0	1,486
At 31 March 2021	397	253	142	0	2	0	794

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

15. Property, plant and equipment (continued)

15.1 Assets held under leases (continued)

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

Net book value

	31 March 2021	31 March 2020
	£000	£000
Property	606	752
Plant and machinery	58	152
	<u>664</u>	<u>904</u>

Additions

	31 March 2021	31 March 2020
	£000	£000
Property	-	1,146
Other fixed assets	29	292
	<u>29</u>	<u>1,438</u>

Depreciation charge for the year ended

	31 March 2021	31 March 2020
	£000	£000
Property	34	394
	4	
Other fixed assets	45	513
	<u>389</u>	<u>907</u>

15. Property, plant and equipment (continued)

Company

	Short-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Office equipment £000	Total £000
Cost or valuation					
At 1 April 2019	297	376	179	23	875
Impact of change in accounting policy	486	-	-	-	486
At 1 April 2019 (adjusted balance)	783	376	179	23	1,361
Disposals	-	(14)	-	-	(14)
At 31 March 2020	783	362	179	23	1,347
At 31 March 2021	783	362	179	23	1,347

15. Property, plant and equipment (continued)

	Short-term leasehold property £000	Motor vehicles £000	Fixtures and fittings £000	Office equipment £000	Total £000
Accumulated depreciation and impairment					
At 1 April 2019	297	201	179	16	693
Impact of change in accounting policy	146	-	-	-	146
At 1 April 2019 (adjusted balance)	443	201	179	16	839
Charge owned for the year	-	69	-	3	72
Disposals	-	(14)	-	-	(14)
At 31 March 2020	443	256	179	19	897
Charge owned for the year	146	52	-	2	200
At 31 March 2021	589	308	179	21	1,097
Net book value					
At 1 April 2019 (adjusted balance)	340	175	-	7	522
At 31 March 2020	340	106	-	4	450
At 31 March 2021	194	54	-	2	250

15.2. 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 2021 £000	31 March 2020 £000
Property, plant and equipment owned	56	450
	56	450

15. Property, plant and equipment (continued)

15.2 Assets held under leases (continued)

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

Net book value

	31 March 2021 £000	31 March 2020 £000
Property	196	340
	196	340

16. Goodwill

Group

	2021 £000	2020 £000
Cost	13,303	13,303
Accumulated impairment	(9,338)	(9,338)
At 31 March 2021 and 31 March 2020	<u>3,965</u>	<u>3,965</u>
	2021 £000	2020 £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	9,338
At 31 March	<u>9,338</u>	<u>9,338</u>

16.1 Allocation of goodwill to cash generating units

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

	2021 £000	2020 £000
Mobile Tornado Plc	<u>3,965</u>	<u>3,965</u>

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

17. Investments in subsidiary companies

	2021	2020
	£000	£000
Cost or Valuation		
At 1 April 2020	14,520	15,920
Impairment	-	(1,400)
At 31 March 2021	14,520	14,520

18. 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 (%)	
			2021	2020
1) Welink Communications (UK) Ltd (formally Intechology Smart Cities Limited)	Supply of WiFi Services	England and Wales	95	95
2) Inhealthcare Limited	Digital Health	England and Wales	94	94
3) Mobile Tornado Group plc	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 Technologies (Europe) Limited	Dormant	England and Wales	100	100

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 2021 is £9,006,000(2020 - £9,880,000). Discounted cashflows have been considered which are in excess of the investment carrying value of the investment in Mobile Tornado Group Plc.

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19. Inventories

Group

	2021 £000	2020 £000
Finished goods and goods for resale	52	95

20. Trade and other receivables

Group

	2021 £000	2020 £000
Trade receivables	1,852	1,643
Less: provision for impairment of trade receivables	(149)	(79)
Trade receivables – net	1,703	1,564
Prepayments and accrued income	501	452
Unpaid share capital	19	19
Tax recoverable	745	514
Other receivables	178	428
Total current trade and other receivables	3,146	2,977

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20. Trade and other receivables (continued)

Company

	2021	2020
	£000	£000
Trade receivables	-	5
Trade receivables - net	-	5
Receivables from related parties	3,492	3,467
Total financial assets other than cash and cash equivalents classified as loans and receivables	3,492	3,472
Prepayments and accrued income	128	48
Other receivables	72	86
Total current trade and other receivables	3,692	3,606
Total current portion		

Of the overdue receivables, £752,143 (2020: £668,000) relates to one particular customer against which a provision of £51,000 (2020: £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.

21. Ageing of Group's receivables

	Impaired		Unimpaired	
	2021	2020	2021	2020
	£000	£000	£000	£000
Less than three months	34	-	613	557
Three to six months	-	-	258	208
Over six months	115	79	832	799
	149	79	1,703	1,564

22. Trade and other payables

Group

	2021 £000	2020 £000
Trade payables	971	755
Other payables	2,706	3,081
Accruals	838	747
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	4,515	4,583
Other payables - tax and social security payments	1,150	264
Deferred income	161	332
Total trade and other payables	5,826	5,179
Less: current portion - trade payables	(971)	(755)
Less: current portion - other payables	(2,406)	(1,488)
Less: current portion - accruals	(838)	(747)
Less: current portion - deferred income	(161)	(332)
Total current portion	(4,376)	(3,322)
Total non-current position	1,450	1,857

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

22. Trade and other payables (continued)

Company

	2021 £000	2020 £000
Trade payables	301	204
Payables to related parties	9,419	9,389
Other payables	129	127
Accruals	249	247
Total financial liabilities, excluding loans and borrowings, classified as financial liabilities measured at amortised cost	10,098	9,967
Other payables - tax and social security payments	1,057	170
Deferred income	10	10
Total trade and other payables	11,165	10,147
Less: current portion - trade payables	(301)	(204)
Less: current portion - other payables	(1,186)	(297)
Less: current portion - accruals	(249)	(247)
Less: current portion - deferred income	(10)	(10)
Total current portion	(1,746)	(758)
Total non-current position	9,419	9,389

Included within other creditors is £2,573,000 (2020: 2,947,000) relating to deferred consideration. Of this balance £1,122,000 (2020 - £1,090,000) 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.

23. Contract liabilities

Group

	2021	2020
	£000	£000
Current	1,072	331
Non-current	28	288
	<u>1,100</u>	<u>619</u>

24. Loans and borrowings

Group

	2021	2020
	£000	£000
Non-current		
Holf Investments Limited - secured	20,370	17,426
Bank loans - unsecured	46	-
Lease liabilities	102	517
	<u>20,518</u>	<u>17,943</u>
Current		
Bank loans - unsecured	4	-
Lease liabilities	1,191	1,075
	<u>1,195</u>	<u>1,075</u>
Total loans and borrowings	<u>21,713</u>	<u>19,018</u>

24. Loans and borrowings (continued)

Company

	2021 £000	2020 £000
Non-current		
Holf Investments Limited - secured	20,370	17,427
Lease liabilities	60	213
	<u>20,430</u>	<u>17,640</u>
Current		
Lease liabilities	142	197
Total loans and borrowings	<u>20,572</u>	<u>17,837</u>

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 and 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.

25. Maturity analysis

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
In one year or less	6,643	4,728	1,880	955
Between two and five years	21,996	20,088	29,990	27,029
	<u>28,639</u>	<u>24,816</u>	<u>31,870</u>	<u>27,984</u>

26. Hire purchase and finance leases

	Group 2021 £000	Group 2020 £000	Company 2021 £000	Company 2020 £000
Within one year	920	774	142	197
Between 1 - 5 years	64	261	59	213
	<u>984</u>	<u>1,035</u>	<u>201</u>	<u>410</u>

27. Financial instruments

	Group 2021 £000	<i>Group 2020 £000</i>	Company 2021 £000	<i>Company 2020 £000</i>
Financial assets that are debt instruments				
Measured at amortised cost	1,703	<i>1,564</i>	3,492	<i>3,472</i>
Financial liabilities measured at amortised cost	(27,380)	<i>(24,086)</i>	(30,658)	<i>(28,177)</i>
	<u>(25,677)</u>	<u><i>(22,522)</i></u>	<u>(26,966)</u>	<u><i>(24,705)</i></u>

28. 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.

29. Share capital

Authorised, Issued and Fully paid

	2021 Number	2021 £000	<i>2020 Number</i>	<i>2020 £000</i>
Shares treated as equity				
Ordinary shares of £0.01 each	294,282,600	2,943	<i>294,282,600</i>	<i>2,943</i>
	<u>294,282,600</u>	<u>2,943</u>	<u><i>294,282,600</i></u>	<u><i>2,943</i></u>

30. 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 17.

31. Non-controlling interests

	2021	2020
	£000	£000
Balance at beginning of the year	3,237	3,503
Share of loss for the year	410	445
Interest on consolidation	-	(711)
	3,647	3,237

32. Leases

Group

(i) Leases as a lessee

Lease liabilities are due as follows:

	2021	2020
	£000	£000
Contractual undiscounted cash flows due		
Not later than one year	1,191	1,075
Between one year and five years	102	514
	1,293	1,589
 Lease liabilities included in the Consolidated Statement of Financial Position at 31 March 2021	 1,293	 1,589
 Non-current	 102	 514
Current	1,191	1,075

33. Share based payments

Mobile Tornado Group Plc, a subsidiary of 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		Exercise price pence	Earliest exercise date	Vesting condition	Expiry date
	2021	2020				
	'000	'000				
UK scheme	100	100	5.0	07/07/13	100,000 subscribers	07/07/20
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	1,050	1,350	6.0	07/09/18		31/12/23
Israel scheme	2,500	2,500	2.0	16/05/19		31/12/26
Israel scheme	3,350	3,500	4.0	04/11/19		31/12/26
Israel scheme	5,250	5,650	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	2,100	2,650	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
Israel scheme	7,450	-	6.0	22/06/23		22/06/30
UK Scheme	500	-	6.0	22/06/23		22/06/30
Total	30,450	23,900				

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

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

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	2021 Weighted average exercise price Pence	Number of options	2020 Weighted average exercise price Pence
Balance at the beginning of the year	23,900,000	5.50	26,832,000	5.50
Granted during the year	7,950,000	6.00	-	-
Forfeited during the year	(1,400,000)	5.50	(650,000)	5.80
Exercised during the year	-	-	-	-
Expired during the year	(100,000)	5.00	(2,282,000)	4.40
Outstanding at 31 March	30,350,000	5.60	23,900,000	5.50

Share options outstanding at the end of the year

The closing mid-market share price of Mobile Tornado Group Plc on 31 March 2021 was 4.6p (2020 - 2.6p).

The weighted average remaining contracted life of the share options outstanding at 31 March 2021 was 6.6 years at exercise pricing ranging from 2p to 7.5p.

The total charge for the year relating to employee share-based payment plans was £28,000 (2020 - £nil), all of which related to equity-settled share-based payment transactions.

34. 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% (2020 - 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 (2020: £nil) to Mobile Tornado Group plc in the year. As at 31 March 2021 InTechnology plc was owed £2,809,000 (2020: £2,809,000) by Mobile TornadoGroup plc.

Included in other debtors is £72,000 (2020 - £72,000) owed from Holf Investments Limited, a company that Peter Wilkinson controls.

Included in lease creditors £771,000 (2020 - £625,000) was owed to Holf Investments Limited.

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

A balance of £20,371,000 was owed to Peter Wilkinson at the year end (2020 - £17,427,000). Interest is charged at a rate of 10% and late repayment penalties are charged.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2021

35. 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.

36. 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.

37. 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 £193,000 (2020 - £224,000). Contributions totalling £43,000 (2020 £42,000) were payable to the fund at the reporting date.

38. Notes supporting statement of cash flows

	2021	2020
	£000	£000
Cash at bank available on demand	224	380
Cash and cash equivalents in the statement of financial position	224	380
Cash and cash equivalents in the statement of cash flows	224	380