**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document you should consult your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised for the purposes of the Financial Services and Markets Act 2000 who specialises in advising on the acquisition of shares and other securities.**

If you have sold or transferred all your Ordinary Shares in Mobile Tornado Group plc, you should send this document, together with the accompanying Form of Proxy, to the stockbroker, bank or other agent through whom the sale or transfer was effected, for transmission to the purchaser or transferee.

The Directors of Mobile Tornado Group plc, whose names appear on page 3 of this document, accept responsibility for the information contained in this document (save for the information in relation to InTechnology and the Concert Party and save, in respect of John Swingewood and Mark Hughes only, for the recommendation of the Independent Director set out on page 12 of this document). To the best of the knowledge and belief of the Directors, who have taken all reasonable care to ensure that such is the case, the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each individual member of the Concert Party, whose names appear on page 52 of this document, accepts responsibility for the information contained in this document relating to himself. To the best of the knowledge and belief of such persons, who have taken all reasonable care to ensure such is the case, all such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

The InTechnology Directors, as defined on page 5 of this document, accept responsibility for the information contained in this document relating to InTechnology plc. To the best of the knowledge and belief of the InTechnology Directors, who have taken all reasonable care to ensure such is the case, the information contained in this document in relation to InTechnology plc is in accordance with the facts and does not omit anything likely to affect the import of such information.

**This document, which relates to Mobile Tornado Group plc, has been prepared in accordance with the City Code on Takeovers and Mergers.**

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# Mobile Tornado Group plc

*(incorporated in England and Wales under registered number 5136300)*

## Subscription for 80,000,000 New Ordinary Shares of 2p each at 5p per share

## Waiver of Rule 9 of the City Code on Takeovers and Mergers

## Notice of EGM

## Nominated Adviser and Broker:

Corporate Synergy Plc

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Corporate Synergy Plc, which is authorised and regulated in the United Kingdom by the Financial Services Authority, is acting for the Company in relation to the proposals contained in this document. No representation or warranty, express or implied, is made by Corporate Synergy Plc as to any of the contents of this document (without limiting the statutory rights of any person to whom this document is issued). Corporate Synergy Plc will not be offering advice and will not otherwise be responsible to anyone other than the Company for providing the protections afforded to customers of Corporate Synergy Plc or for providing advice in relation to the contents of this document or any other matter. Corporate Synergy Plc is acting as nominated adviser and broker to the Company in connection with the arrangements described in this document. Its responsibilities as the Company's nominated adviser under the AIM Rules are owed solely to the London Stock Exchange and are not owed to the Company or to any Director or to any other person in respect of his decision to acquire shares in the Company in reliance on any part of this document.

**Notice of an Extraordinary General Meeting of the Company, to be held at Kempson House, Camomile Street, London EC3A 7AN at 10 a.m. on 23 October 2006 is set out at the end of this document. Shareholders will find enclosed a Form of Proxy for use at the Extraordinary General Meeting. To be valid, the Form of Proxy should be completed and returned in accordance with the instructions printed thereon as soon as possible and in any event so as to be received by the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, no later than 48 hours before the time appointed for holding the Extraordinary General Meeting. Completion and posting of the Form of Proxy will not prevent a Shareholder from attending and voting in person at the Extraordinary General Meeting.**

# CONTENTS



# EXPECTED TIMETABLE OF PRINCIPAL EVENTS

| | |
|---|---|
| Latest time and date for receipt of Forms of Proxy in respect of the EGM | 10 a.m. on 21 October 2006 |
| Extraordinary General Meeting | 10 a.m. on 23 October 2006 |
| New Ordinary Shares admitted to trading on AIM | 24 October 2006 |
| CREST accounts to be credited for the New Ordinary Shares in uncertificated form | 24 October 2006 |

# SUBSCRIPTION STATISTICS

| | |
|---|---|
| Issue Price | 5p |
| Number of Ordinary Shares in issue prior to the Proposals | 104,431,430* |
| Number of New Ordinary Shares to be issued pursuant to the Proposals | 80,000,000 |
| Number of Ordinary Shares in issue following the Proposals | 184,431,430 |
| Percentage of enlarged issued share capital represented by the New Ordinary Shares | 43.38 per cent. |
| Net proceeds of the Subscription available to the Company | £3,823,000 |
| Market capitalisation following the Proposals at the Issue Price | £9,221,572 |

* Includes 12,251,333 Ordinary Shares which have no voting rights

# DIRECTORS, SECRETARY AND ADVISERS

| | |
|---|---|
| **Directors:** | Christopher Robin Akers – *Non-Executive Director*<br>John Swingewood – *Executive Chairman*<br>Mark Vaughan Hughes – *Finance Director* |
| **Company Secretary:** | Mark Vaughan Hughes |
| | *All of* |
| **Registered Office:** | 4th Floor<br>French Railways House<br>178 - 180 Piccadilly<br>London W1J 9EN |
| **Nominated Adviser & Broker:** | **Corporate Synergy Plc**<br>30 Old Broad Street<br>London EC2N 1HT |
| **Auditors:** | **Grant Thornton**<br>Grant Thornton House<br>Melton Street<br>London NW1 2EP |
| **Solicitors to the Company:** | **Norton Rose**<br>Kempson House<br>Camomile Street<br>London EC3A 7AN |
| **Registrars:** | **Capita Registrars**<br>The Registry<br>34 Beckenham Road<br>Beckenham<br>Kent BR3 4TU |

# DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

| | |
|---|---|
| "Act" | the Companies Act 1985, as amended |
| "Admission" | admission of the New Ordinary Shares to trading on AIM |
| "AIM" | the market of that name operated by the London Stock Exchange |
| "AIM Rules" | the rules governing the admission to, and operation of, AIM published by the London Stock Exchange |
| "April Placing" | the placing by the Company of 14,551,333 Shares at 16p per Share undertaken in April 2006 |
| "City Code" | The City Code on Takeovers and Mergers |
| "Code Waiver" | the waiver by the Panel, conditional upon the passing of the Whitewash Resolution, of the obligation on the Concert Party or any member thereof (arising as a result of the issue of New Ordinary Shares to InTechnology pursuant to the Proposals) that may otherwise arise under Rule 9 of the City Code to make a mandatory cash offer for the issued Ordinary Shares not already owned by the Concert Party |
| "Company" or "Mobile Tornado" | Mobile Tornado Group plc |
| "Concert Party" | as defined in paragraph 8 of Part IV of this document |
| "Corporate Synergy" | Corporate Synergy Plc, nominated adviser and broker to the Company |
| "CREST" | the computer based system and procedures which enable title to securities to be evidenced and transferred without a written instrument and which is operated by CRESTCo |
| "CRESTCo" | CRESTCo Limited, the operator of CREST |
| "Directors" or the "Board" | the directors of the Company at the date of this document, whose names are set out on page 3 of this document |
| "Enlarged Share Capital" | together, the Existing Ordinary Shares and the New Ordinary Shares |
| "Existing Options" | the currently existing warrants and options to subscribe for Shares held by members of the Concert Party, which if fully exercised would result in the issue of 2,500,000 Shares |
| "Existing Ordinary Shares" | the Ordinary Shares in issue on the date of this document |
| "Extraordinary General Meeting" or "EGM" | the extraordinary general meeting of the Company (or any adjournment of such meeting) convened for 10 a.m. on 23 October 2006 to be held at Kempson House, Camomile Street, London EC3A 7AN for which the notice is set out at the end of this document |
| "Form of Proxy" | the form of proxy enclosed with this document for use by Shareholders in connection with the EGM |
| "Group" | the Company and its subsidiaries |

| | |
|---|---|
| "Independent Director" | Christopher Akers (Mark Hughes and John Swingewood being members of the Concert Party) |
| "Independent Shareholders" | Shareholders, other than Shareholders who are members of the Concert Party |
| "InTechnology" | InTechnology plc, further details of which are set out in Part I of this document |
| "InTechnology Directors" | the Rt. Hon Lord Parkinson, Peter Wilkinson, Mark Lower, Richard James, Andrew Kaberry, Stephen Pearce, Jason Firth, Bryn Sage, Joe McNally and Charles Scott, being directors of InTechnology |
| "Issue Price" | 5p per New Ordinary Share |
| "London Stock Exchange" | London Stock Exchange plc |
| "MTIL" | Mobile Tornado International Limited |
| "New Ordinary Shares" | the 80,000,000 Ordinary Shares to be issued by the Company pursuant to the Subscription |
| "Official List" | the Official List of the UK Listing Authority |
| "Ordinary Shares" or "Shares" | ordinary shares of 2p each in the capital of the Company |
| "Panel" | the Panel on Takeovers and Mergers |
| "Proposals" | together the Code Waiver and the implementation of the Subscription Agreement |
| "Regulations" | the Uncertificated Securities Regulations 2001 (SI 2001/3755) |
| "Resolutions" | the resolutions set out in the notice of EGM at the end of this document |
| "Shareholders" | holders of Ordinary Shares |
| "Subscription" | the subscription by InTechnology of 80,000,000 New Ordinary Shares at the Issue Price pursuant to the Subscription Agreement |
| "Subscription Agreement" | the conditional subscription agreement entered into on 22 September 2006 between the Company, InTechnology and Peter Wilkinson |
| "UK" | the United Kingdom of Great Britain and Northern Ireland |
| "US" | the United States of America, its states and territories and the District of Columbia |
| "Whitewash Resolution" | Resolution number 1 in the notice of EGM at the end of this document, in relation to approval by Independent Shareholders of the Code Waiver |

# PART I

## LETTER FROM THE CHAIRMAN

## MOBILE TORNADO GROUP PLC

*(Company number 5136300)*

*Directors:*

Christopher Robin Akers, *Non-Executive Director*
John Swingewood, *Executive Chairman*
Mark Vaughan Hughes, *Finance Director*

*Registered Office:*

4th Floor
French Railways House
178 – 180 Piccadilly
London W1J 9EN

25 September 2006

Dear Shareholder

**Introduction**

In March 2006, the Company completed its acquisition of Mobile Tornado International Limited and the Company's Shares were readmitted to trading on AIM. The Company subsequently changed its name to Mobile Tornado Group plc.

On 26 April 2006, the Company announced a placing of 14,551,333 Shares at a price of 16p per Share to fund the acceleration of its global marketing and the development of extensions to its fixed-mobile convergence products. Jorge Pinievsky, then a director of the Company, subscribed for 12,251,333 Shares in the April Placing.

On 27 June 2006 the Company announced that it had not received payment for the Shares issued to Mr Pinievsky in the April Placing. Mr Pinievsky subsequently resigned from the board of directors of the Company, although he remains an employee of the Group, owing to his technical expertise in the Group's market. Mr Pinievsky has surrendered all Shares issued to him in the April Placing to the Company.

Since the announcement of 27 June 2006, the Company's management has sought to protect the financial position of the Group against the shortfall of the proceeds of the April Placing by taking action to reduce development costs, delay the Group's proposed expansion programme, manage creditors and access funding under shareholder loans.

However, the Group still intends to accelerate its global marketing and extend its fixed-mobile convergence products. This requires additional funding. In order to secure the Group's financial position, InTechnology has conditionally agreed to subscribe for 80,000,000 New Ordinary Shares at an Issue Price of 5p.

The purpose of this document is to give you details of the Proposals and to recommend that you vote in favour of the Resolutions.

**Background to and reasons for the Proposals**

The Directors have examined fundraising options available to the Company given its current stage of development and the non-payment of a substantial element of the consideration due in respect of the April Placing. The Directors have considered the size of the funding required to sustain and to further expand the Group's sales and development activities, the need for sufficient working capital, and the current Share price. After careful consideration, the Directors believe that the Proposals are in the best interests of Shareholders as a whole.

The Directors have no plans for the redeployment of the Group's fixed assets. There is no intention to make redundant any of the Group's employees as a result of the Proposals and no significant changes are envisaged to the Group's business model.

**The Directors believe that the absence of the proceeds of the Subscription would seriously impair the ability of the Company to expand its business. The funds are required to support the Company's medium term growth plans and it is unlikely that short term sales targets will be met in the absence of such funding.**

The Board has considered how best to deal with the debt owed by Jorge Pinievsky in respect of his non-payment for Shares in the April Placing. In its deliberations, the Board has taken into account the importance of the Israeli co-founders (Eyal Fishler and Jorge Pinievsky) to the continuing operations of the Group.

The Board is of the view that the commencement of formal debt recovery proceedings at this time is not in the best interests of the Company. Mr Pinievsky's unpaid Shares, which have been surrendered to the Company, will be held by the Company and either re-allotted or cancelled in due course.

If the surrendered Shares are not re-allotted within three years of their surrender, they must be cancelled. Mr Pinievsky remains liable to the Company for the unpaid issue price (less any amount realised by the Company if the Shares are re-allotted).

In the meantime, an offer for funding has been made by InTechnology by means of the Subscription and the Directors believe that this will secure the Group's financial position in the medium term.

**Financial Trading and Prospects**

In June 2006, the Company announced that revenues for MTIL (the main trading entity in the Group) for the 12 months to June 2006 were expected to be €290,000.

The Group continues to pursue a number of significant business opportunities around the world. The Group hopes that it will soon enter into a contract to supply its Push to Talk service to its first small US mobile operator. It has entered into small, paid-for trials/developments with a European mobile operator and a significant North American mobile operator. Together with existing contracts, the Directors expect that these new contracts should result in a significant improvement in the Group's operating performance over the next 18 months.

The Directors continue to believe that Push to Talk services are of the biggest new revenue sources available to mobile operators and are still of the opinion that historical barriers that have inhibited Push to Talk take-up outside North America are being overcome.

**Use of Funds**

The net proceeds of the Subscription are expected to be approximately £3.8m and the Directors intend to use such net proceeds to expand the Group's sales and development activities, including the emerging hosted PTT services market, and to provide additional working capital.

**Board Changes**

Mark Hughes has expressed his intention to resign as Finance Director and Secretary following the EGM and has entered into a compromise agreement with the Company to that effect. It is intended that Richard James be appointed as Secretary with effect from the date of Mr Hughes' resignation. The Company expects to announce a successor Finance Director shortly.

**Information on InTechnology**

***Introduction***

InTechnology's principal activity is providing IT services and products via channel partners for the deployment of data storage and security, and data and voice services through its wide-area private network infrastructure. The group also provides IT professional services relating to pre-sales consultancy, technical services, customer support and training.

InTechnology, which is listed on AIM, currently operates solely in the UK through two divisions: a specialist distribution division ("Specialist Distribution") and a managed services division ("Managed Services").

***Specialist Distribution***

The Specialist Distribution division sells, through accredited resellers, enterprise data storage and security products. It is focused on distributing mid-and high end branded storage and security products, and software from leading manufacturers.

Key vendors are IBM, HP, Network Appliance, Sun Microsystems, Symantec, Checkpoint, Nokia, Juniper and Nortel.

***Managed Services***

The Managed Services division offers a comprehensive range of IT infrastructure services, including managed data backup and recovery, networks and data centres, helping customers to reduce IT costs, increase efficiency and, critically, ensure business continuity. This division commenced in 1999 and continues to grow revenues, operating on much higher gross profit margins compared to Specialist Distribution.

Managed Services recently formed a new Voice over IP ("VoIP") service within its networking business.

The Managed Services division allows the efficient management of the ever increasing amount of data, which needs to comply with business and legal requirements, as an outsourced service. It offers a comprehensive range of solutions to protect and manage client data and voice networks, thus ensuring business continuity.

***Financial trading and prospects***

The table set out below summarises key financial information for InTechnology for the years ended 31 March 2005 and 2006:

| | *2006* | *2005* |
|---|---|---|
| | *£'m* | *£'m* |
| *Turnover* | *audited* | *audited* |
| UK Specialist Distribution | 189.7 | 198.2 |
| Managed Services | 25.3 | 22.1 |
| Continuing operations | 215.0 | 220.3 |
| Discontinued operations[2] | 69.7 | 63.2 |
| **Group Turnover** | 284.7 | 283.5 |
| *EBITAE[1]* | | |
| UK Specialist Distribution | 4.2 | 6.0 |
| Managed Services | 1.8 | (2.0) |
| Continuing operations | 6.0 | 4.0 |
| Discontinued operations[2] | (2.0) | 0.4 |
| **Group EBITAE** | 4.0 | 4.4 |

| | 2006 £'m audited | 2005 £'m audited |
|---|---|---|
| *Turnover* | | |
| *Group operating profit/(loss)* | | |
| UK Specialist Distribution | 0.6 | 3.9 |
| Managed Services | (1.5) | (4.3) |
| Continuing operations | (0.9) | (0.4) |
| Discontinued operations[2] | (5.3) | 0.1 |
| **Group operating profit/(loss)** | (6.2) | (0.3) |
| *Group net assets* | | |
| UK Specialist Distribution (excluding cash) | 45,069 | 55,926 |
| Managed Services (excluding cash) | 22,028 | 25,063 |
| | 67,097 | 80,989 |
| Cash | 12,719 | 10,488 |
| **Group net assets** | 79,816 | 91,477 |

*Source: InTechnology plc 2006 Annual Report*

[1] EBITAE comprises earnings before interest, taxation, amortisation of goodwill and exceptional items

[2] Discontinued operations relate to the European Specialist Distribution subsidiaries disposed of on 31 March 2006

***Prospects***

Reflected in the audited financial results for the year ended 31 March 2006, InTechnology implemented a cost reduction program within its UK Specialist Distribution division and reorganised its sales and marketing teams. This resulted in operating EBITAE profit for the second half of the year. InTechnology hopes this result continues in the future so as to improve full year profits and generate positive cash flows.

In addition the disposal of the loss making European Specialist Distribution division on 31 March 2006 will have a positive impact on the profitability of InTechnology in the future by eliminating trading losses and substantially reducing group net debt.

The Managed Services division was EBITAE profitable last financial year. The division is characterised by high gross margin recurring services revenues and semi-fixed direct operating costs. InTechnology is of the belief that this division will continue to be successful and profitable in the years ahead by increasing services revenues, gross margins, and controlling the rate of increase of operating costs.

**The Subscription**

Pursuant to the Subscription Agreement, InTechnology has conditionally agreed to subscribe for 80,000,000 new Ordinary Shares at the Issue Price. The New Ordinary Shares will represent approximately 43.38 per cent. of the Enlarged Share Capital. Peter Wilkinson and Richard James, directors of InTechnology, will together also own approximately 14.91 per cent. of the Enlarged Share Capital in their personal capacities. Peter Wilkinson is also a 57 per cent. shareholder in InTechnology.

The Subscription Agreement is conditional on the Resolutions being passed at the EGM and the New Ordinary Shares to be issued pursuant thereto being admitted to AIM by 8.00 a.m. on 24 October 2006 or such later date as the parties may agree (being no later than 8.30 a.m. on 30 November 2006). The agreement can be terminated by InTechnology prior to Admission on the occurrence of certain events, including a material adverse change in the financial condition or prospects of the Company.

The Subscription Agreement also includes certain provisions regulating the relationship between InTechnology, Peter Wilkinson and the Company. In particular, InTechnology and Peter Wilkinson have undertaken not to exercise any control of the Company in a manner which prevents the Company from carrying on business in an independent manner in all material respects. These provisions shall cease to apply to Peter Wilkinson and InTechnology jointly if Peter Wilkinson holds less than 20 per cent. of the issued share capital of InTechnology and has ceased to be a director of InTechnology. In these circumstances, these provisions shall continue to apply to each of Peter Wilkinson and InTechnology on a general basis for so long as they are Shareholders holding votes individually over at least 30 per cent. of the issued Ordinary Shares.

The New Ordinary Shares will, when issued and fully paid, rank *pari passu* in all respects with the Ordinary Shares, including the right to receive all dividends and other distributions thereafter declared, made or paid on the Ordinary Shares.

**The City Code and the Code Waiver***

The terms of the Proposals set out in this letter give rise to certain considerations under the City Code. Brief details of the Panel, the City Code and the protection they afford are given below.

The City Code does not currently have the force of law. It has, however, been acknowledged by both government and other regulatory authorities that those who seek to take advantage of the facilities of the securities markets in the United Kingdom should conduct themselves in matters relating to takeovers (and related transactions) in accordance with high business standards and so according to the City Code.

The City Code is issued and administered by the Panel. The City Code applies to all takeover and merger transactions (and certain other related transactions), however effected, when the offeree company is, *inter alia*, a listed or unlisted public company resident in the United Kingdom (and to private companies in certain circumstances) and, where not listed on a regulated market, are considered by the Panel to have their place of central management and control in the United Kingdom. The Company is a public company resident in the United Kingdom and managed and controlled in the United Kingdom and as such its Shareholders are therefore entitled to the protections afforded by the City Code.

Under Rule 9 of the City Code, where any person acquires, whether by a single transaction or a series of transactions over a period of time, an interest in shares which (taken together with shares in which persons acting in concert with him are interested) carry 30 per cent. or more of the voting rights of a company, that person is normally required by the Panel to make a general offer, in cash, to the shareholders of that company to acquire the balance of the equity share capital and any other class of transferable security carrying voting rights of the company at the highest price paid by that person or any person acting in concert with him in the previous 12 months.

Rule 9 of the City Code further provides that, *inter alia*, where any person who, together with persons acting in concert with him is interested in shares which in aggregate carry, not less than 30 per cent. of the voting rights of a company but does not hold shares carrying not more than 50 per cent. of such voting rights and such person, or any such person acting in concert with him, acquires an interest in additional shares which increase his percentage of shares carrying voting rights, such person is normally required by the Panel to make a general offer to the shareholders of that company to acquire the balance of the equity share capital and every other class of transferable security carrying voting rights of the company at the highest price paid by that person or any person acting in concert with him in the previous 12 months.

Under the City Code, a concert party arises when persons who, pursuant to an agreement or understanding (whether formal or informal), co-operate to obtain or consolidate control of that company. Under the City Code, control means an interest, or aggregate interests, in shares carrying 30 per cent. or more of the voting rights of a company, irrespective of whether the interest or interests gives *de facto* control.

Following the issue of the New Ordinary Shares, the Concert Party will increase their interests from an interest in 70,519,619 Shares representing 76.50 per cent. of the existing issued share capital, to an interest in 150,519,619 Shares, being 87.42 per cent. of the Enlarged Share Capital. Upon full exercise of the Existing Options and warrants in accordance with their terms, the aggregate holding of the Concert Party would be 87.60 per cent. (assuming no other Ordinary Shares are issued following the Proposals).

* For the purpose of the City Code and the Code Waiver calculations, the April Placing shares have not been included as part of the issued share capital of the Company as they do not currently carry any Voting rights.

The Panel has been consulted and has agreed that it will not require the members of the Concert Party, individually or collectively, to make a general offer under Rule 9 of the City Code in cash for Ordinary Shares in the Company which might otherwise arise as a result of the issue of the New Ordinary Shares to InTechnology pursuant to the Proposals, subject to Resolution 1 (as set out in the notice convening the Extraordinary General Meeting) being passed on a poll by the Independent Shareholders. To be passed, Resolution 1 will require a simple majority of the votes cast by the Independent Shareholders. Those members of the Concert Party who already own Ordinary Shares will abstain from voting on Resolution 1.

**Following the Subscription, the Concert Party will together hold Shares carrying more than 50 per cent. of the voting rights in the Company. Thereafter for so long as they continue to be treated as acting in concert and their aggregate holding in Shares continues to carry more than 50 per cent. of the voting rights in the Company, the Concert Party may accordingly be able to increase their aggregate holding or interest in Shares without incurring any further obligation under Rule 9 of the City Code to make a general offer. Individual members of the Concert Party will not be able to increase their percentage interests in Shares through or between a Rule 9 threshold without Panel consent.**

**The EGM**

You will find at the end of this document a notice convening an EGM of the Company, to be held at 10 a.m. on 23 October 2006 at Kempson House, Camomile Street, London EC3A 7AN, at which the following Resolutions will be proposed:

*Resolution 1 (the Whitewash Resolution)*

The first Resolution is an ordinary resolution and relates to the disapplication of the application of Rule 9 of the City Code in respect of the Subscription described above. The Panel has confirmed that, subject to the first Resolution being passed by the requisite majority of the Independent Shareholders on a poll, no mandatory bid obligation under Rule 9 of the City Code would be triggered by virtue of the Subscription.

In accordance with the requirements of the City Code, Shareholders who are members of the Concert Party will not vote on the Resolution in respect of their holdings of 70,519,619 Shares. Voting on the Whitewash Resolution will be by way of poll, and following the Extraordinary General Meeting, the Company will announce its result.

*Resolution 2*

The second Resolution is a special resolution and relates to the share capital authorities required to implement the Subscription and to provide flexibility for additional share issues in the future.

If passed, the authorities granted by this Resolution will replace the prior share issue authorities of the Company obtained at the last extraordinary general meeting of the Company and will:

(1) increase the authorised share capital of the Company by the creation of 200,000,000 New Ordinary Shares;

(2) provide your Board with authority to allot New Ordinary Shares in connection with the Subscription and otherwise up to a maximum aggregate nominal amount of £1,229,543;

(3) provide your Board with authority to allot for cash (or sell equity securities which are, from time to time held by the Company in treasury) without being required first to offer such securities to existing shareholders in accordance with statutory pre-emption rights, provided that such authority will be limited to:

   (i) the issue of Shares pursuant to rights issues or open offers;

   (ii) the issue of Shares pursuant to any share scheme adopted by the Company;

   (iii) the issue of the New Ordinary Shares pursuant to the Subscription; and

   (iv) (otherwise than pursuant to sub-paragraphs (i), (ii) and (iii)) up to an aggregate nominal amount of £368,862.86.

**Shareholders should note that these Resolutions are inter-conditional and, if either or both are not passed, the Proposals described in this letter will not proceed. The absence of the proceeds of the Subscription would seriously impair the ability of the Company to expand its business.**

**Action to be taken**

You will find enclosed a Form of Proxy for use at the EGM. Please complete, sign and return the Form of Proxy as soon as possible in accordance with the instructions printed thereon. Whether or not you intend to be present at the EGM, you are requested to complete the enclosed Form of Proxy and return it to the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, so as to arrive as soon as possible and in any event no later than 48 hours before the time appointed for the EGM. Completion and return of the Form of Proxy will not preclude you from attending the EGM and voting in person should you subsequently find that you are able to be present.

**Admission to AIM**

Application will be made to the London Stock Exchange for all of the New Ordinary Shares to be admitted to trading on AIM. Conditional upon the passing of the Resolutions, Admission is expected to become effective and trading in the New Ordinary Shares will commence on 24 October 2006.

**Additional information**

Your attention is drawn to the additional information in Parts II to IV of this document.

**Recommendation**

**The Subscription constitutes a related party transaction for the purposes of the AIM rules. The Independent Director having been so advised by Corporate Synergy, the Company's nominated adviser, considers that the terms of InTechnology's Subscription and the Code Waiver are fair and reasonable insofar as Independent Shareholders are concerned.**

**In providing advice to the Independent Director, Corporate Synergy has taken into account the Directors' commercial assessments.**

**The Independent Director recommends, for the reasons set out above, that you vote in favour of the Resolutions to be proposed at the EGM, as he intends to do in respect of his own shareholding, which in aggregate amounts to 1,312,500 Ordinary Shares representing approximately 1.42 per cent. of the issued voting share capital of the Company as at the date of this document.**

Yours sincerely,

Chris Akers

*Non-executive Director*

# PART II (A)

# FINANCIAL RESULTS FOR THE COMPANY FOR THE THIRTEEN MONTHS ENDED 30 JUNE 2005

**PROFIT AND LOSS ACCOUNT**

*For the period ended 30 JUNE 2005*

| | *Note* | *2005* |
|---|---|---|
| | | *£* |
| Turnover | | – |
| Cost of sales | | – |
| Gross profit | | – |
| Administrative expenses | | (207,907) |
| **Operating loss** | | (207,907) |
| Interest receivable | | 37,008 |
| **Loss on ordinary activities before taxation** | 2 | (170,899) |
| Tax on profit on ordinary activities | 4 | – |
| **Loss for the period** | | (170,899) |
| **Loss per share** | 5 | 3.03p |

All transactions arise from continuing operations.

There are no recognised gains or losses other than the loss for the period.

**BALANCE SHEET AT 30 JUNE 2005**

| | *Note* | *2005* |
|---|---|---|
| | | *£* |
| **Current assets** | | |
| Debtors | 6 | 26,234 |
| Cash at bank and in hand | | 938,389 |
| | | 964,623 |
| **Creditors: amounts falling due within one year** | 7 | (42,350) |
| **Net current assets** | | 922,273 |
| **Capital and reserves** | | |
| Called up share capital | 8 | 118,750 |
| Share premium account | 9 | 974,422 |
| Profit and loss account | 9 | (170,899) |
| **Equity shareholders' funds** | 10 | 922,273 |

**CASH FLOW STATEMENT**

| | Note | 2005 £ |
|---|---|---|
| **Net cash outflow from operating activities** | 11 | (165,557) |
| **Returns on investments and servicing of finance** | | |
| Bank interest received | | 10,774 |
| **Management of liquid resources** | | |
| Cash on deposit | 12 | (200,000) |
| **Financing** | | |
| Issue of new shares | | 1,200,000 |
| Costs of share issue | 9 | (106,828) |
| **Net cash inflow from financing** | | 1,093,172 |
| **Increase in cash** | 12 | 738,389 |

**NOTES TO THE FINANCIAL STATEMENTS**

*For the period ended 30 June 2005*

## 1 BASIS OF PREPARATION

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention. The Company's principal accounting policies are set out below.

### DEFERRED TAXATION

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

### FINANCIAL INSTRUMENTS

Financial assets are recognised in the balance sheet at the lower of cost and net realisable value. Provision is made for diminution in value where appropriate. Income and expenditure arising on financial instruments is recognised on the accruals basis, and credited or charged to the profit and loss account in the financial period to which it relates.

## 2 LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

The loss on ordinary activities before taxation is stated after charging:

| | *2005* |
|---|---|
| | *£* |
| Auditors' remuneration: | |
| Audit services | 5,000 |
| Non-audit services – advice on accounting matters, and abortive acquisitions | 25,000 |

Additionally, Grant Thornton UK LLP have been paid £10,000 offset against the share premium account, in respect of corporate finance services.

## 3 DIRECTORS AND EMPLOYEES

The Directors were paid £30,280 in emoluments for their services to the Company. There were no contributions to pension schemes. The Company has no employees.

## 4 TAX ON LOSS ON ORDINARY ACTIVITIES

No tax charge arises for the period and there are no adjusting items between the profits for accounting and taxation purposes. Subject to agreement with the Inland Revenue, the Company has UK losses of approximately £170,899 for relief against future trading profits. No deferred tax asset has been recognised in respect of these losses as the Company has not yet completed the acquisition of its first target.

## 5 LOSS PER SHARE

The calculation of the basic loss per share is based on the loss attributable to Shareholders of £170,899 divided by the weighted average number of shares in issue during the period.

The weighted average number of shares used in the calculations are set out below:

| | *2005* |
|---|---|
| | *Number of shares* |
| | 5,648,438 |

## 6 DEBTORS

| | 2005 £ |
|---|---|
| Accrued interest receivable | 26,234 |

## 7 CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

| | 2005 £ |
|---|---|
| Other creditors | 27,300 |
| Other taxes and social security | 3,300 |
| Accruals and deferred income | 11,750 |
| | 42,350 |

## 8 SHARE CAPITAL

| | 2005 £ |
|---|---|
| Authorised | |
| 25,000,000 Ordinary Shares of 2 pence each | 500,000 |
| Allotted, called up and fully paid | |
| 5,937,500 Ordinary Shares of 2 pence each | 118,750 |

The Company issued the following 2 pence Ordinary Shares during the period:

| *Date of issue* | *Number of shares* | *Issue price* | *Cash consideration £* |
|---|---|---|---|
| 14 June 2004 | 2,500,000 | 4p | 100,000 |
| 27 July 2004 | 3,406,250 | 32p | 1,090,000 |
| 11 August 2004 | 31,250 | 32p | 10,000 |

All shares were issued to provide working capital for the company.

## 9 RESERVES

| | *Share premium account £* | *Profit and loss account £* |
|---|---|---|
| At 24 May 2004 | – | – |
| Loss for the period | – | (170,899) |
| Premium on shares issued | 1,081,250 | – |
| Issue costs | (106,828) | – |
| At 30 June 2005 | 974,422 | (170,899) |

## 10 RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

| | 2005 |
|---|---|
| | £ |
| Loss for the financial period | (170,899) |
| Issue of new shares (net of expenses) | 1,093,172 |
| Opening shareholders' funds | – |
| Closing shareholders' funds | 922,273 |

## 11 RECONCILIATION OF OPERATING LOSS TO OPERATING CASH FLOWS

| | 2005 |
|---|---|
| | £ |
| Operating loss | 207,907 |
| Increase in creditors | 42,350 |
| Net cash outflow from operating activities | 165,557 |

## 12 ANALYSIS OF CHANGES IN NET FUNDS

| | At 24 May 2004 | Cash flow | At 30 June 2005 |
|---|---|---|---|
| | £ | £ | £ |
| Cash in hand | – | 738,389 | 738,389 |
| Cash on deposit | – | 200,000 | 200,000 |
| | – | 938,389 | 938,389 |

## 13 FINANCIAL INSTRUMENTS

*Financial Risk*

The Company's financial instruments comprise cash and liquid resources, and various items, such as trade debtors and trade creditors that arise directly from its operations.

The main risks arising from the Company's financial instruments are interest rate and liquidity. The Board reviews and agrees policies for managing each of these risks and they are summarised below. These policies have remained unchanged during the year.

*Liquidity risk*

The Company seeks to manage financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

*Interest rate risk*

The Company finances its operations through equity group funds are invested in deposit accounts with the objective of maintaining a balance between accessibility of funds and competitive rates of return. The average rate of return on financial assets was LIBOR plus 2.5 per cent.

*Fair values*

The Directors consider there to be no material difference between the book value and fair value of the Company's financial instruments in either financial year.

## 14 CAPITAL COMMITMENTS

The Company had no capital commitments at 30 June 2005.

## 15 CONTINGENT LIABILITIES

There were no contingent liabilities at 30 June 2005.

# PART II (B)

# INTERIM RESULTS ON THE COMPANY FOR THE SIX MONTH PERIOD ENDING 31 DECEMBER 2005

**Unaudited Profit and Loss Account**

*For the period ended 31 December 2005*

| | *2005* | *2004* |
|---|---|---|
| | *£* | *£* |
| Turnover | – | – |
| Cost of sales | – | – |
| Gross profit | – | – |
| Administrative expenses | (56,951) | (145,845) |
| **Operating loss** | (56,951) | (145,845) |
| Interest receivable | 12,026 | 19,530 |
| **Loss on ordinary activities before taxation** | (44,925) | (126,315) |
| Tax on profit on ordinary activities | – | – |
| **Loss for the period** | (44,925) | (126,315) |

All transactions arise from continuing operations.

**Unaudited Balance Sheet**

*For the period ended 31 December 2005*

| | *2005* | *2004* |
|---|---|---|
| | *£* | *£* |
| **Fixed assets** | 257,202 | – |
| **Current assets** | | |
| Debtors | 29,797 | 19,538 |
| Cash at bank and in hand | 616,747 | 1,068,628 |
| | 903,746 | 1,088,166 |
| **Creditors: amounts falling due within one year** | (35,305) | (116,945) |
| Net current assets | 868,441 | 971,221 |
| **Total assets less current liabilities** | 868,441 | 971,221 |
| **Capital and reserves** | | |
| Called up share capital | 118,750 | 118,750 |
| Share premium account | 978,786 | 978,786 |
| Profit and loss account | (229,095) | (126,315) |
| **Equity shareholders' funds** | 868,441 | 971,221 |

**Unaudited Cashflow Statement**

*For the period ended 31 December 2005*

| | 2005 | 2004 |
|---|---|---|
| | £ | £ |
| **Net cash inflow/(outflow) from operating activities** | (72,911) | (25,969) |
| **Returns on investments and servicing of finance** | | |
| Bank interest receivable | 8,471 | – |
| **Investments** | (257,202) | – |
| **Financing** | | |
| Issue of new shares | – | 1,199,992 |
| Costs of share issue | – | (105,395) |
| **Net cash inflow from financing** | – | 1,094,597 |
| **(Decrease)/Increase in cash** | (321,642) | 1,068,628 |

# PART III

# FINANCIAL INFORMATION ON INTECHNOLOGY FOR THE YEAR ENDED 31 MARCH 2006

**Consolidated profit and loss account**

*For the year ended 31 March 2006*

| | *Note* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| **Turnover** | | | |
| Continuing operations | | 214,966 | 220,339 |
| Discontinued operations | | 69,763 | 63,183 |
| | 1 | 284,729 | 283,522 |
| Cost of sales | 3 | (235,656) | (230,579) |
| **Gross profit** | | 49,073 | 52,943 |
| Net operating expenses before depreciation, amortisation of goodwill and exceptional items | | (39,359) | (42,204) |
| Depreciation | | (5,716) | (6,388) |
| Amortisation of goodwill | | (4,732) | (4,635) |
| Exceptional costs of reorganisation: | | | |
| – Continuing operations | 2 | (2,387) | – |
| – Discontinued operations | 2 | (3,104) | – |
| Net operating expenses | 3 | (55,298) | (53,227) |
| **Group operating (loss)/profit** | | | |
| Continuing operations | | (885) | (403) |
| Discontinued operations | | (5,340) | 119 |
| **Group operating loss** | 1 | (6,225) | (284) |
| Loss on sale of subsidiary undertakings | 3 | (3,661) | – |
| Net interest payable | 4 | (2,226) | (2,181) |
| **Loss on ordinary activities before taxation** | | (12,112) | (2,465) |
| Tax on loss on ordinary activities | 6 | 451 | (110) |
| **Loss sustained for the financial year** | | (11,661) | (2,575) |
| **Loss per share (pence)** | | | |
| Basic and diluted | 8 | (8.26) | (1.84) |

**Consolidated statement of total recognised gains and losses**

*For the year ended 31 March 2006*

| | *2006* *£'000* | *2005* *£'000* |
|---|---|---|
| **Loss sustained for the financial year** | (11,661) | (2,575) |
| Unrealised gain on revaluation of land and buildings | – | 1,754 |
| Exchange gain on translation of overseas subsidiaries | – | 172 |
| Exchange loss on translation of hedging loan | – | (172) |
| **Total recognised gains and losses relating to the year** | (11,661) | (821) |

**Note of Group historical cost losses**

*For the year ended 31 March 2006*

| | *2006* *£'000* | *2005* *£'000* |
|---|---|---|
| **Reported loss on ordinary activities before taxation** | (12,112) | (2,465) |
| Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount | 108 | – |
| **Historical cost loss on ordinary activities before taxation** | (12,004) | (2,465) |
| **Historical cost loss for the year retained after taxation** | (11,553) | (2,575) |

**Reconciliation of movements in Group shareholders' funds**

*For the year ended 31 March 2006*

| | *Note* | *2006* *£'000* | *2005* *£'000* |
|---|---|---|---|
| Loss sustained for the financial year | | (11,661) | (2,575) |
| Unrealised gain on revaluation of land and buildings | | – | 1,754 |
| Proceeds of ordinary share capital issued | | – | 27 |
| Premium on ordinary share capital issued | | – | 248 |
| Exchange gain on translation of overseas subsidiaries | | – | 172 |
| Exchange loss on translation of hedging loan | | – | (172) |
| **Net change in shareholders' funds** | | (11,661) | (546) |
| Opening shareholders' funds | 19 | 91,477 | 92,023 |
| **Closing shareholders' funds** | 19 | 79,816 | 91,477 |

**Balance sheets**

*As at 31 March 2006*

| | | *Group* | | *Company* | |
|---|---|---|---|---|---|
| | | *2006* | *2005* | *2006* | *2005* |
| | *Note* | *£'000* | *£'000* | *£'000* | *£'000* |
| **Fixed assets** | | | | | |
| Intangible assets | 9 | 65,104 | 74,813 | 66,084 | 70,568 |
| Tangible assets | 10 | 10,424 | 14,773 | 10,422 | 13,795 |
| Investments in subsidiary undertakings | 11 | – | – | 7,049 | 19,180 |
| | | 75,528 | 89,586 | 83,555 | 103,543 |
| **Current assets** | | | | | |
| Stocks | 12 | 6,622 | 13,179 | 6,622 | 12,597 |
| Debtors – due after more than one year | 13 | – | – | 1,455 | 1,455 |
| Debtors – due within one year | 13 | 89,247 | 105,399 | 88,901 | 82,286 |
| | | 89,247 | 105,399 | 90,356 | 83,741 |
| Cash at bank and in hand | | 12,719 | 10,488 | 12,661 | 9,473 |
| | | 108,588 | 129,066 | 109,639 | 105,811 |
| **Creditors** – amounts falling due within one year | 14 | (100,285) | (118,174) | (100,787) | (100,166) |
| **Net current assets** | | 8,303 | 10,892 | 8,852 | 5,645 |
| **Total assets less current liabilities** | | 83,831 | 100,478 | 92,407 | 109,188 |
| **Creditors** – amounts falling due after more than one year | 15 | (4,015) | (9,001) | (12,525) | (17,511) |
| **Net assets** | | 79,816 | 91,477 | 79,882 | 91,677 |
| **Capital and reserves** | | | | | |
| Called up share capital | | | | | |
| – equity | 18 & 19 | 1,411 | 1,411 | 1,411 | 1,411 |
| – non-equity | 18 & 19 | 480 | 480 | 480 | 480 |
| Share premium account | 19 | 188,668 | 188,668 | 188,668 | 188,668 |
| Revaluation reserve | 19 | 1,646 | 1,754 | 1,646 | 1,754 |
| Profit and loss account | 19 | (112,389) | (100,836) | (112,323) | (100,636) |
| **Shareholders' funds (including non-equity interests)** | | 79,816 | 91,477 | 79,882 | 91,677 |
| **Shareholders' funds comprise:** | | | | | |
| Equity interests | | 77,576 | 89,237 | 77,642 | 89,437 |
| Non-equity interests | | 2,240 | 2,240 | 2,240 | 2,240 |
| | | 79,816 | 91,477 | 79,882 | 91,677 |

**Consolidated cash flow statement**

*For the year ended 31 March 2006*

| | Note | 2006 £'000 | 2005 £'000 |
|---|---|---|---|
| **Net cash inflow/(outflow) from operating activities** | 20 | 10,667 | (2,000) |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 92 | 160 |
| Interest element of finance lease payments | | (232) | (282) |
| Interest paid | | (2,008) | (2,033) |
| **Net cash outflow from returns on investments and servicing of finance** | | (2,148) | (2,155) |
| **Taxation paid** | | (822) | (1,135) |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | | (2,077) | (6,106) |
| Sale of tangible fixed assets | | 67 | 1,542 |
| **Net cash outflow from capital expenditure and financial investment** | | (2,010) | (4,564) |
| **Acquisitions and disposals** | | | |
| Purchase of subsidiary undertakings (including costs) | | – | (980) |
| Cash disposed of on sale of subsidiary undertakings | | (2,185) | – |
| **Net cash outflow for acquisitions and disposals** | | (2,185) | (980) |
| **Net cash inflow/(outflow) before financing** | | 3,502 | (10,834) |
| **Financing** | | | |
| Issue of ordinary share capital | | – | 275 |
| Net increase in borrowings | | 431 | 6,615 |
| Capital element of finance lease payments | | (1,706) | (1,991) |
| **Net cash (outflow)/inflow from financing** | | (1,275) | 4,899 |
| **Increase/(decrease) in cash in the year** | 21 & 22 | 2,227 | (5,935) |

**Accounting policies**

The financial statements have been prepared in accordance with the Companies Act 1985 and applicable Accounting Standards in the United Kingdom. A summary of the main accounting policies which have been applied consistently (except as explained below) is set out as follows.

*Changes in accounting policies*

The Group has adopted FRS 21 'Events after the balance sheet date'. FRS 22 'Earning per share' and FRS 25 'Financial instruments: Disclosure and presentation'. The adoption of these standards have not had an effect on the results of the Group.

*Basis of accounting*

The financial statements have been prepared in accordance with the historical cost convention modified to include the revaluation of certain fixed assets.

*Basis of consolidation*

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

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

*Goodwill*

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

*Tangible fixed assets*

The cost of tangible fixed assets is their purchase cost with the exception of freehold land & buildings (which are held at valuation), together with any incidental expenses of acquisition.

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

| | |
|---|---|
| Freehold buildings | 2% to 25% |
| Leasehold improvements | 20% |
| Office fixtures and fittings | 10% to 50% |
| Vehicles and computer equipment | 20% to 50% |

Freehold land is not depreciated.

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

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

*Investments*

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

*Stocks*

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

*Revenue recognition*

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

*Foreign currencies*

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

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

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

*Lease agreements*

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

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

*Deferred taxation*

Full provision is made for deferred taxation resulting from timing differences between profits computed for taxation purposes and profits stated in the financial statements to the extent that there is an obligation to pay more tax or right to pay less tax, in the future as a result of the reversal of those timing differences. Deferred tax is not provided where a timing difference arises from the revaluation of fixed assets for which there is no binding agreement to sell.

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

*Research and development*

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

*Pension costs*

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

*Share schemes*

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

*Debt issue costs*

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

**Notes to the financial statements**

*For the year ended 31 March 2006*

## 1 Segmental information

| | *Turnover by destination* | | *Turnover by source* | | *Group operating (loss)/profit by source* | |
|---|---|---|---|---|---|---|
| | *2006* | *2005* | *2006* | *2005* | *2006* | *2005* |
| | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* |
| **Geographical analysis** | | | | | | |
| United Kingdom | 210,944 | 217,761 | 214,966 | 220,339 | (885) | (403) |
| Continental Europe | 72,488 | 64,970 | 69,763 | 63,183 | (5,340) | 119 |
| North America | 555 | 207 | – | – | – | – |
| South and Central America | 151 | – | – | – | – | – |
| Africa | 455 | 68 | – | – | – | – |
| Asia | 136 | 516 | – | – | – | – |
| **Total** | 284,729 | 283,522 | 284,729 | 283,522 | (6,225) | (284) |

| | *Turnover* | | *Group operating profit/(loss) Before goodwill amortisation and exceptional items* | | *Group operating profit/(loss) After goodwill amortisation and exceptional items* | |
|---|---|---|---|---|---|---|
| | *2006* | *2005* | *2006* | *2005* | *2006* | *2005* |
| | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* | *£'000* |
| **Business analysis** | | | | | | |
| Special Distribution | 259,295 | 261,449 | 2,229 | 6,321 | (4,763) | 3,967 |
| Managed Services | 25,334 | 22,073 | 1,769 | (1,970) | (1,462) | (4,251) |
| **Total** | 284,729 | 283,522 | 3,998 | 4,351 | (6,225) | (284) |

| Net assets/(liabilities) | *Including goodwill* | | *Excluding goodwill* | |
|---|---|---|---|---|
| | *2006* | *2005* | *2006* | *2005* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| **Geographical analysis** | | | | |
| United Kingdom | 79,939 | 78,586 | 14,835 | 9,031 |
| Continental Europe | (123) | 12,891 | (123) | 7,633 |
| **Group Total** | 79,816 | 91,477 | 14,712 | 16,664 |
| **Business analysis** | | | | |
| Special Distribution (excluding cash) | 45,069 | 55,926 | 12,638 | 16,067 |
| Managed Services (excluding cash) | 22,028 | 25,063 | (10,645) | (9,891) |
| | 67,097 | 80,989 | 1,993 | 6,176 |
| Cash | 12,719 | 10,488 | 12,719 | 10,488 |
| **Group Total** | 79,816 | 91,477 | 14,712 | 16,664 |

The segmental analysis above excludes net interest payable of £2,226,000 (2005: £2,181,000) which is not analysed by business segment.

## 2 Exceptional costs of reorganisation

The exceptional costs of reorganisation for continuing operations of £2,387,000 (2005: £nil) relate to headcount reductions of £1,255,000, property related costs of £760,000 and fixed asset write-offs of £372,000. Reorganisation costs of £2,017,000 (2005: £nil) have been paid in the year. The corporation tax effect of these costs is a credit of £600,000.

The exceptional costs of reorganisation for discontinued operations of £3,104,000 (2005: £nil) relate to the headcount reductions of £1,627,000, property related costs of £787,000, fixed asset write-offs of £357,000, provision for on-going support services of £206,000 and legal and professional fees of £127,000. Reorganisation costs of £784,000 (2005: £nil) have been paid in the year. The corporation tax effect of these costs is a credit of £43,000.

## 3 Loss on sale of European Operations

On 31 March 2006 the Group substantially ended its European operations by selling Allasso SAS, Allasso GmbH, Allasso Iberia SAU, Allasso Italia Srl and Allasso Benelux bv ('Allasso Europe') for provisional consideration of €7,573,000 (£5,285,000) and also repayment of inter-company debt of €22,700,000 (£15,800,000). Consideration may be subject to change dependent on collection of debtors and the valuation of stock and will be finalised on 31 March 2007. This resulted in a provisional loss on disposal of €5,246,000 (£3,661,000). As a result of the material change in the nature and focus of the Group's operations that this disposal represented, the European operations have been shown as discontinued operations in the financial statements. The corporation tax effect of this disposal is a charge of £62,000.

Cost of sales attributed to continuing operations were £174,524,000 and discontinued operations were £61,132,000. Net operating expenses attributed to continuing operations were £41,327,000 and discontinued operations were £13,971,000.

## 4 Net interest payable

| | *2006* *£'000* | *2005* *£'000* |
|---|---|---|
| Interest payable on bank loans and overdrafts | (76) | (42) |
| Interest payable on other loans | (1,935) | (1,942) |
| Amortisation of debt issue costs | (75) | (75) |
| Interest payable on finance leases | (232) | (282) |
| | (2,318) | (2,341) |
| Bank interest receivable | 92 | 160 |
| **Net interest payable** | (2,226) | (2,181) |

## 5 Loss on ordinary activities before taxation

| | 2006<br>£'000 | 2005<br>£'000 |
|---|---|---|
| Loss on ordinary activities beofre taxation is stated after charging/(crediting): | | |
| Staff costs (note 24) | 25,211 | 24,471 |
| Depreciation of owned tangible fixed assets (note 10) | 4,311 | 4,302 |
| Depreciation of leased tangible fixed assets (note 10) | 1,405 | 2,086 |
| Exceptional costs of reorganisation – fixed asset depreciation | 332 | – |
| Amortisation of goodwill (note 9) | 4,732 | 4,635 |
| Other operating lease rentals | 4,038 | 3,823 |
| Exceptional operating lease rentals | 1,180 | – |
| Auditors' remuneration – audit | 170 | 175 |
| Auditors' remuneration – tax compliance | 39 | 48 |
| Net exchange loss on foreign currency borrowings | 5 | 14 |
| Loss/(profit) on disposal of tangible fixed assets | 331 | (262) |

Auditors' remuneration includes £54,500 (2005: £49,000) in respect of audit services and £14,400 (2005: £22,000) in respect of tax compliance services provided to the Company.

## 6 Tax on loss on ordinary activities

| | 2006<br>£'000 | 2005<br>£'000 |
|---|---|---|
| Tax charge comprises: | | |
| United Kingdom corporation tax at 30% (2005: 30%) | | |
| Current | (600) | (952) |
| Over provision in respect of prior years | 207 | 265 |
| UK current tax | (393) | (687) |
| Overseas current tax | (62) | (337) |
| Overseas over provision in respect of prior years | 7 | 19 |
| Total current tax | (448) | (1,005) |
| Deferred tax current year – origination and reversal of timing differences | (47) | 256 |
| Deferred tax in respect of prior years | 946 | 639 |
| | 451 | (110) |

The tax charge is higher (2005: higher) than the standard rate of corporation tax in the UK. The differences are explained as follows:

| | 2006 £'000 | 2005 £'000 |
|---|---|---|
| Loss on ordinary activities before taxation | (12,112) | (2,465) |
| At standard rate of corporation tax of 30% (2005: 30%) | (3,634) | (740) |
| Effects of: | | |
| Amortisation of goodwill | 1,409 | 1,391 |
| Expenses not deductible for tax purposes | 3 | 171 |
| Adjustment to tax charge in respect of previous periods | (214) | (284) |
| Capital allowances for year lower than depreciation | 489 | 255 |
| Other permanent differences | 473 | – |
| Overseas tax rates/losses not used | – | 100 |
| Deferred tax not recognised | 879 | – |
| Loss on sale of subsidiaries | 1,104 | – |
| Disallowable exceptional costs | 475 | – |
| Utilisation of losses | (536) | – |
| Other timing differences | – | 112 |
| | 448 | 1,005 |

At 31 March 2006, the Company had accumulated tax losses of £1,188,000 (2005: £2,973,000) which are available for offset against future trading profits of certain Group operations, subject to agreement with the relevant tax authorities.

## 7 Loss of the holding company

As permitted by section 230 of the Companies Act 1985, the profit and loss account of the Company is not presented in these financial statements. The parent Company's loss for the year ended 31 March 2006 was £11,795,000 (2005: £2,388,000).

## 8 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £11,661,000 (2005: £2,575,000) by the weighted average number of ordinary shares in issue during the year of 141,111,944 (2005: 139,575,879).

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

| | *2006* | | *2005* | |
|---|---|---|---|---|
| | *Basic and diluted* | | *Basic and diluted* | |
| | *(Loss)/ earnings* | *(Loss)/ earnings per share* | *(Loss)/ earnings* | *(Loss)/ earnings per share* |
| | *£'000* | *pence* | *£'000* | *pence* |
| Loss attributable to ordinary shareholders | (11,661) | (8.26) | (2,575) | (1.84) |
| Amortisation of goodwill | 4,732 | 3.35 | 4,635 | 3.32 |
| Exceptional costs of reorganisation (note 2) | 4,848 | 3.44 | – | – |
| Loss on sale of subsidiary undertakings (note 3) | 3,723 | 2.64 | – | – |
| **Adjusted basic earnings per share** | 1,642 | 1.17 | 2,060 | 1.48 |

The loss attributable to ordinary shareholders and the weighted average number of ordinary shares for the purpose of calculating the diluted earnings per ordinary share are identical to those used for basic earnings per ordinary share. This is because the exercise of share options would have the effect of reducing the loss per ordinary share and is therefore not dilutive under the terms of FRS 22 'Earnings per share'.

# FINANCIAL INFORMATION ON INTECHNOLOGY FOR THE YEAR ENDING 31 MARCH 2005

**Consolidated profit & loss account**

*For the year ended 31 March 2005*

| | *Note* | *2005 (Unaudited) £'000* | *2004 (Audited) (Restated) £'000* |
|---|---|---|---|
| **Turnover** | | | |
| Continuing operations | | 282,262 | 221,868 |
| Acquisition | | 1,260 | – |
| | 2, 3 | 283,522 | 221,868 |
| Cost of sales | | (230,579) | (181,331) |
| **Gross profit** | 3 | 52,943 | 40,537 |
| Net operating expenses before depreciation and amortisation of goodwill | | (42,204) | (33,524) |
| Depreciation | | (6,388) | (5,640) |
| Amortisation of goodwill | | (4,635) | (4,403) |
| Net operating expenses | | (53,227) | (43,567) |
| **Group operating (loss)/profit** | | | |
| Continuing operations | | (551) | (3,030) |
| Acquisition | | 267 | – |
| **Group operating loss** | 2 | (284) | (3,030) |
| Net interest payable | | (2,181) | (1,050) |
| **Loss on ordinary activities before taxation** | | (2,465) | (4,080) |
| Tax on loss on ordinary activities | 3, 4 | (110) | (809) |
| **Loss sustained for the financial year** | 3 | (2,575) | (4,889) |
| EBITA | | 4,351 | 1,373 |
| **Loss per share (pence)** | | | |
| Basic and diluted | 5 | (1.84) | (3.54) |
| **Adjusted earnings/(loss) per share (pence)** | | | |
| Basic and diluted | 5 | 1.48 | (0.35) |

EBITA comprises earnings before interest, taxation, and amortisation of goodwill.

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

**Consolidated statement of total recognised gains and losses**

*for the year ended 31 March 2005*

| | *Note* | *2005 (Unaudited) £'000* | *2004 (Audited) £'000* |
|---|---|---|---|
| **Loss sustained for the financial year** | | (2,575) | (4,889) |
| Unrealised gain on revaluation of land & buildings | | 1,754 | – |
| Exchange gain/(loss) on translation of overseas subsidiaries | | 172 | (301) |
| Exchange (loss)/gain on translation of hedging loan | | (172) | 301 |
| **Total recognised gains and losses relating to the year** | | (821) | (4,889) |
| Prior year adjustment | 3 | (753) | – |
| **Total recognised gains and losses since last annual report** | | (1,574) | (4,889) |

**Consolidated balance sheet**

*As at 31 March 2005*

| | *Note* | *2005 (Unaudited) £'000* | *2004 (Audited) (Restated) £'000* |
|---|---|---|---|
| **Fixed assets** | | | |
| Intangible assets | | 74,813 | 76,910 |
| Tangible assets | | 14,773 | 13,443 |
| | | 89,586 | 90,353 |
| **Current assets** | | | |
| Stocks | | 13,179 | 10,811 |
| Debtors – amounts falling due within one year | | 105,399 | 91,265 |
| Cash at bank and in hand | | 10,488 | 16,379 |
| | | 129,066 | 118,455 |
| **Creditors –** amounts falling due within one year | | (118,174) | (98,395) |
| **Net current assets** | | 10,892 | 20,060 |
| **Total assets less current liabilities** | | 100,478 | 110,413 |
| **Creditors –** amounts falling due after more than one year | | (9,001) | (18,246) |
| **Provisions for liabilities and charges** | | – | (144) |
| **Net assets** | 2 | 91,477 | 92,023 |
| **Capital and reserves** | | | |
| Called up share capital – equity | | 1,411 | 1,384 |
| – non-equity | | 480 | 480 |
| Share premium account | | 188,668 | 188,420 |
| Revaluation reserve | | 1,754 | – |
| Profit and loss account | | (100,836) | (98,261) |
| **Shareholders' funds (including non-equity interests)** | | 91,477 | 92,023 |

**Consolidated cash flow statement**
*for the year ended 31 March 2005*

| | Note | 2005 (Unaudited) £'000 | 2004 (Audited) £'000 |
|---|---|---|---|
| **Net cash (outflow)/inflow from operating activities** | 6 | (2,000) | 3,485 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | 160 | 324 |
| Interest element of finance lease payments | | (282) | (220) |
| Interest paid | | (2,033) | (1,104) |
| Debt issue costs | | – | (300) |
| **Net cash outflow from returns on investments and servicing of finance** | | (2,155) | (1,300) |
| **Taxation paid** | | (1,135) | (1,305) |
| **Capital expenditure and financial investment** | | | |
| Purchase of tangible fixed assets | | (6,106) | (4,010) |
| Sale of tangible fixed assets | | 1,542 | 349 |
| **Net cash outflow from capital expenditure and financial investment** | | (4,564) | (3,661) |
| **Acquisitions** | | | |
| Purchase of subsidiary undertakings (including costs) | | (980) | (18,578) |
| Net cash at bank acquired with purchase of subsidiary undertakings | | – | 2,731 |
| **Net cash outflow for acquisitions** | | (980) | (15,847) |
| **Net cash outflow before financing** | | (10,834) | (18,628) |
| **Financing** | | | |
| Issue of ordinary share capital | | 275 | 32 |
| Net increase in borrowings | | 6,615 | 18,090 |
| Capital element of finance lease payments | | (1,991) | (1,173) |
| **Net cash inflow from financing** | | 4,899 | 16,949 |
| **Decrease in cash in the year** | 7 | (5,935) | (1,679) |

**Notes to the Preliminary Announcement**

*For the year ended 31 March 2005*

**1 Basis of preparation**

The financial information included in this Preliminary Announcement does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985. The financial information has been prepared on the basis of accounting policies consistent with those set out in the statutory Annual Report and Accounts for the year ended 31 March 2004, other than as described in note 3, which have been filed with the Registrar of Companies and on which the auditors gave an unqualified opinion. The Annual Report and Accounts for the year ended 31 March 2005, on which the auditors have still to report, will be delivered to the Registrar of Companies and will be posted to shareholders on 6 July 2005. Further copies are available on request from the registered office of the Company at Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, HG3 1SA.

## 2 Segmental information

| Geographical analysis | 2005 (Unaudited) £'000 | Turnover by destination 2004 (Audited) (Restated) £'000 | 2005 (Unaudited) £'000 | Turnover by source 2004 (Audited) (Restated) £'000 | 2005 (Unaudited) £'000 | Operating (loss)/profit by source 2004 (Audited) (Restated) £'000 |
|---|---|---|---|---|---|---|
| United Kingdom | 217,761 | 184,093 | 220,339 | 185,294 | (403) | (3,787) |
| Continental Europe | 64,970 | 37,174 | 63,183 | 36,574 | 119 | 757 |
| North America | 207 | 293 | – | – | – | – |
| Africa | 68 | 176 | – | – | – | – |
| Rest of the World | 516 | 132 | – | – | – | – |
| **Total** | 283,522 | 221,868 | 283,522 | 221,868 | (284) | (3,030) |

| | Turnover | | Operating profit/(loss) | | | |
|---|---|---|---|---|---|---|
| | | | Before goodwill amortisation | | After goodwill amortisation | |
| | 2005 (Unaudited) | 2004 (Audited) (Restated) | 2005 (Unaudited) | 2004 (Audited) (Restated) | 2005 (Unaudited) | 2004 (Audited) (Restated) |
| **Business analysis** | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Specialist Distribution | 261,449 | 207,374 | 6,321 | 9,131 | 3,967 | 7,015 |
| Managed Services | 22,073 | 14,494 | (1,970) | (7,758) | (4,251) | (10,045) |
| **Total** | 283,522 | 221,868 | 4,351 | 1,373 | (284) | (3,030) |

**Net assets**

| | Including goodwill | | Excluding goodwill | |
|---|---|---|---|---|
| | 2005 (Unaudited) | 2004 (Audited) (Restated) | 2005 (Unaudited) | 2004 (Audited) (Restated) |
| **Geographical analysis** | £'000 | £'000 | £'000 | £'000 |
| United Kingdom | 78,586 | 79,797 | 9,031 | 7,752 |
| Continental Europe | 12,891 | 12,226 | 7,633 | 7,361 |
| **Group Total** | 91,477 | 92,023 | 16,664 | 15,113 |
| **Business analysis** | | | | |
| Specialist Distribution | 55,926 | 38,479 | 16,067 | (1,196) |
| Managed Services | 25,063 | 37,165 | (9,891) | (70) |
| | 80,989 | 75,644 | 6,176 | (1,266) |
| Cash | 10,488 | 16,379 | 10,488 | 16,379 |
| **Group Total** | 91,477 | 92,023 | 16,664 | 15,113 |

The acquisition of the trade and assets of NetConnect Training (included in the above tables) contributed £1,260,000 of turnover, £305,000 of operating profit before goodwill amortisation and £267,000 of operating profit after goodwill amortisation to the Specialist Distribution division in the period following completion of the acquisition on 18 June 2004. The net operating cash inflows have not been disclosed since they were not significant.

The segmental analysis above excludes net interest payable of £2,181,000 (2004: £1,050,000) which is not analysed by business segment.

## 3 Prior year adjustment

During the year, the Group has completed a comprehensive review of its accounting policy for revenue recognition in light of the guidance provided by Application Note G, an amendment to FRS 5. The review identified instances where sales of equipment have been recognised before the Group has fulfilled all of its contractual obligations to the customer. As a result, the Group has amended its procedures such that it now only recognises revenue on the sale of equipment when the goods are received by the customer and when there are no unfulfilled obligations that affect the customer's final acceptance of the equipment. Previously, revenue was recognised on shipment of equipment to the customer.

The cumulative effect of the changes relating to previous years has been recognised in the results as a prior year adjustment and comparative figures have been restated in accordance with the revised accounting policy. The effects of the changes on turnover, cost of sales, gross margin and the tax charge for the year ended 31 March 2004 are summarised as follows:

| | *Turnover* | *Cost of sales* | *Gross margin* | *Tax charge* |
|---|---|---|---|---|
| | *£'000* | *£'000* | *£'000* | *£'000* |
| **Year ended 31 March 2004** | | | | |
| As previously stated | 223,509 | (182,706) | 40,803 | (889) |
| Restated | 221,868 | (181,331) | 40,537 | (809) |

The net effect of the change in policy in the year ended 31 March 2004 is to reduce turnover by £1,641,000, reduce gross margin by £266,000, reduce the tax charged on loss on ordinary activities by £80,000 and increase the loss sustained for the financial year by £186,000.

The net effect of the change in policy in the year ended 31 March 2005 is to increase turnover by £3,823,000, increase gross margin by £535,000, increase the tax charged on loss on ordinary activities by £160,700 and reduce the loss sustained for the financial year by £374,300.

The cumulative effect of implementing the revised policy is to reduce Group reserves at 31 March 2004 by £753,000, summarised as follows:

| | *Trade debtors* | *Trade creditors – amounts falling due within 1 year* | *Net assets* |
|---|---|---|---|
| | *£'000* | *£'000* | *£'000* |
| **Year ended 31 March 2004** | | | |
| As previously stated | 83,273 | (89,650) | 92,776 |
| Restated | 90,942 | (98,072) | 92,023 |

## 4 Tax on profit on ordinary activities

| | 2005 (Unaudited) £'000 | 2004 (Audited) (Restated) £'000 |
|---|---|---|
| Tax charge comprises: | | |
| United Kingdom corporation tax at 30% (2004: 30%) | | |
| Current | (952) | (632) |
| Prior year adjustment (note 3) | – | 80 |
| Over provision in respect of prior years | 265 | 198 |
| UK current tax | (687) | (354) |
| Overseas current tax | (337) | (430) |
| Overseas over provision in respect of prior years | 19 | – |
| Total current tax | (1,005) | (784) |
| Deferred tax current year | 256 | (25) |
| Deferred tax in respect of prior years | 639 | – |
| | (110) | (809) |

The tax charge is higher (2004: higher) than the standard rate of corporation tax in the UK. The differences are explained as follows:

| | 2005 (Unaudited) £'000 | 2004 (Audited) (Restated) £'000 |
|---|---|---|
| Loss on ordinary activities before taxation | (2,465) | (4,080) |
| At standard rate of corporation tax of 30% (2004: 30%) | (740) | (1,224) |
| Effects of: | | |
| Amortisation of goodwill | 1,391 | 1,321 |
| Expenses not deductible for tax purposes | 171 | 366 |
| Adjustment to tax charge in respect of previous periods | (284) | (198) |
| Capital allowances for year lower than depreciation | 255 | 161 |
| Overseas tax rates/losses not used | 100 | 251 |
| Other timing differences | 112 | 107 |
| | 1,005 | 784 |

At 31 March 2005, the Company had accumulated tax losses of £2,973,000 (2004: £2,973,000) which are available for offset against future trading profits of certain Group operations, subject to agreement with the relevant tax authorities.

## 5 Loss per share

Basic loss per share is calculated by dividing the loss attributable to ordinary shareholders of £2,575,000 (2004 restated: £4,889,000) by the weighted average number of ordinary shares in issue during the year of 139,575,879 (2004: 138,245,916).

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

| | *2005 (Unaudited) (Restated) Basic and diluted* | | *2004 (Audited) Basic and diluted* | |
|---|---|---|---|---|
| | *(Loss)/ earnings* | *(Loss)/ earnings per share* | *(Loss)/ earnings* | *(Loss)/ earnings per share* |
| | *£'000* | *pence* | *£'000* | *pence* |
| Loss attributable to ordinary shareholders | (2,575) | (1.84) | (4,889) | (3.54) |
| Amortisation of goodwill | 4,635 | 3.32 | 4,403 | 3.19 |
| **Adjusted basic earnings/(loss) per share** | 2,060 | 1.48 | (486) | (0.35) |

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

## 6 Reconciliation of operating (loss)/profit to net cash (outflow)/inflow from operating activities

| | | *2005 (Unaudited)* | | *2004 (Audited)* |
|---|---|---|---|---|
| | *Continuing* | *Acquisition* | *Total* | *(Restated)* |
| | *£'000* | *£'000* | *£'000* | *£'000* |
| Operating (loss)/profit | (551) | 267 | (284) | (3,030) |
| Depreciation of tangible fixed assets | 6,388 | – | 6,388 | 5,640 |
| Goodwill amortisation | 4,597 | 38 | 4,635 | 4,403 |
| Profit on disposal of tangible fixed assets | (262) | – | (262) | (87) |
| Exchange movements | 14 | – | 14 | (14) |
| Increase in stocks | (2,609) | – | (2,609) | (46) |
| Increase in debtors | (12,829) | (72) | (12,901) | (18,999) |
| Increase/(decrease) in creditors and provisions | 3,093 | (74) | 3,019 | 15,618 |
| **Net cash (outflow)/inflow from operating activities** | (2,159) | 159 | (2,000) | 3,485 |

## 7 Analysis of net debt

| | *At 1 April 2004 (Audited) £'000* | *Cashflow £'000* | *Exchange movements £'000* | *Other non-cash changes £'000* | *At 31 March 2005 (Unaudited) £'000* |
|---|---|---|---|---|---|
| Cash at bank and in hand | 16,379 | (5,935) | 44 | – | 10,488 |
| Finance leases | (3,465) | 1,991 | – | (1,070) | (2,544) |
| Debt due after more than one year | (15,679) | 7,738 | (27) | – | (7,968) |
| Debt due within one year | (7,640) | (14,353) | (108) | (75) | (22,176) |
| **Net debt** | (10,405) | (10,559) | (91) | (1,145) | (22,200) |

# PART IV

## GENERAL INFORMATION

**1. Responsibility**

1.1 The Directors whose names appear on page 3 of this document accept responsibility for the information contained in this document (save for the information in relation to InTechnology and the Concert Party and save, in respect of John Swingewood and Mark Hughes only, for the recommendation of the Independent Director set out on page 12 of this document). To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and there is no omission likely to affect the import of such information.

1.2 Each individual member of the Concert Party, whose names appear on page 52 of this document, accepts responsibility for the information contained in this document relating to himself. To the best of the knowledge and belief of such persons, who have taken all reasonable care to ensure such is the case, all such information is in accordance with the facts and does not omit anything likely to affect the import of such information.

1.3 The InTechnology Directors, as defined on page 5 of this document, accept responsibility for the information contained in this document relating to InTechnology. To the best of the knowledge and belief of the InTechnology Directors, who have taken all reasonable care to ensure such is the case, the information contained in this document in relation to InTechnology is in accordance with the facts and does not omit anything likely to affect the import of such information.

**2. The Company**

2.1 The Company was incorporated and registered with the Registrar of Companies in England and Wales on 24 May 2004 under the Act as a public company limited by shares with registered number 5136300 under the name TMT Group plc. On 25 June 2004, the Registrar of Companies issued the Company with a certificate to commence business and borrow pursuant to section 117 of the Act. On 26 April 2006, the name of the Company was changed to Mobile Tornado Group plc.

2.2 The Company's main activity is that of a general commercial company, including being a holding company for companies, particularly those in the telecoms, media and technology sector. The Company currently has two wholly owned UK subsidiaries, each incorporated with the Registrar of Companies in England and Wales, TMT Administration Limited (registered number 05136286) and TMT Ventures Limited (registered number 05136275), both of which are non-trading and whose registered address is 4th Floor, French Railways House, 178-180 Piccadilly, London W1J 9EN.

2.3 The Company has a further wholly owned subsidiary, Mobile Tornado International Limited which is registered in Ireland with number 376578, which itself has a wholly owned subsidiary, M.T. Labs Limited which is registered in Israel with number 513486217.

2.4 The principal legislation under which the Company operates is the Act and regulations made thereunder. The Company is subject to the City Code.

2.5 The Company's registered office and its principal place of business is located at 4th Floor, French Railways House, 178-180 Piccadilly, London W1J 9EN.

2.6 The liability of the members of the Company is limited.

## 3. Share Capital

The authorised and issued share capital of the Company at the date of this document is as follows:

| | *Authorised* | | *Issued* | |
|---|---|---|---|---|
| | *Number* | *£* | *Number* | *£* |
| Ordinary shares of 2p each | 200,000,000 | 4,000,000 | 104,431,430 | 2,088,628.60 |

Immediately following the Proposals, and assuming they are implemented in full, the authorised and issued share capital of the Company will be as follows:

| | *Authorised* | | *Issued* | |
|---|---|---|---|---|
| | *Number* | *£* | *Number* | *£* |
| Ordinary shares of 2p each | 400,000,000 | 8,000,000 | 184,431,430 | 3,688,628.60 |

On Admission, the New Ordinary Shares will rank *pari passu* in all respects with the Existing Ordinary Shares.

## 4. Interests and Dealings

4.1 *Directors interests in the Company*

The interests of the Directors and their immediate families and of persons connected with the Directors (within the meaning of section 346 of the Act) in the Shares, as at the date of this document (which fall to be notified to the Company pursuant to sections 324 to 328 of the Act, and required to be entered into the register of Directors' interests maintained under section 325 of the Act or which could, with reasonable diligence, be ascertained by the Directors) and as they are expected to be immediately following completion of the Proposals are as follows:

| | *Pre-Proposals* | | | *Post-Proposals* | | |
|---|---|---|---|---|---|---|
| | *Number of Ordinary Shares* | *Per cent.* | *Number of Ordinary Shares under option* | *Number of Ordinary Shares* | *Per cent.* | *Number of Ordinary Shares Under option* |
| Christopher Akers[1] | 1,312,500 | 1.26 | Nil | 1,312,500 | 0.71 | 0 |
| John Swingewood[2] | 7,805,511 | 7.47 | Nil | 7,805,511 | 4.23 | 0 |
| Mark Hughes | 291,530 | 0.28 | 500,000 | 291,530 | 0.16 | 500,000[3] |

1 Strand Nominees Limited holds Ordinary Shares nominally on behalf of Christopher Akers.

2 Redmayne (Nominees) Limited holds Ordinary Shares nominally on behalf of John Swingewood. In addition, John Swingewood holds warrants entitling him to subscribe for 375,000 Ordinary Shares.

3 The options granted to Mark Hughes will lapse on his resignation.

During the last 12 months, from the date of this document, there have been no dealings for value in Shares by any of the Directors, excluding dealings during the Company's placing on Admission to AIM.

4.2 *Directors interests in InTechnology*

| | *Number of ordinary shares* | *Per cent.* | *Number of ordinary shares under option* |
|---|---|---|---|
| John Swingewood | 1,000,000 | 0.71 | 500,000 |

4.3 *Concert Party dealings in the Company*

The Panel has been consulted and has agreed that the dealing below is not a disqualifying transaction under the Code.

| | *Number of Ordinary Shares* | *Purchase Price* | *Date* |
|---|---|---|---|
| Jonathan Freeland | 20,000 | 10p | 28 June 2006 |

4.4 Save as disclosed in this document, InTechnology, any person with whom InTechnology or the Concert Party has an arrangement, the Concert Party and the InTechnology Directors have no interests, rights to subscribe or short positions in the Company and there have been no dealings for value in shares in the Company or other interests by InTechnology, any person with whom InTechnology or the Concert Party has an arrangement, the Concert Party or the InTechnology Directors.

There is no agreement, arrangement or understanding that exists between InTechnology and any of the Directors, or recent Directors, Shareholders or recent Shareholders having any connection with, or dependence upon, the Proposals.

4.5 *General*

Save as disclosed or referred to in Part IV of this document,

(a) no Director (nor any member of their respective immediate families or related trustees) nor the Concert Party nor any person connected with any of them (within the meaning of section 346 of the Act) is interested in any relevant securities of the Company;

(b) neither the Company nor any Director has any interest in the relevant securities of any corporate member of the Concert Party, nor has the Company nor any Director dealt for value in any such securities during the 12 months prior to 25 September 2006 (the latest practicable date prior to the publication of this document);

(c) no Director (nor any member of their respective immediate families or related trustees) nor the Concert Party nor any person connected with any of them (within the meaning of section 346 of the Act) has dealt for value in any relevant securities of the Company during the last 12 months, from the date of this document;

(d) neither the Company nor, any member of the Concert Party has any arrangement with any other person in relation to relevant securities;

(e) the Company has no interests, rights to subscribe or short positions in InTechnology or any other member of the Concert Party;

(f) the Directors have no interests, rights to subscribe or short positions in InTechnology or any other member of the Concert Party;

(g) the InTechnology Directors have no interests, rights to subscribe or short positions in the Company;

(h) no member of the Concert Party has any interests, rights to subscribe or short positions in the Company;

(i) the Directors have no interests, rights to subscribe or short positions in the Company;

(j) no associate of the Company has any interests, rights to subscribe or short positions in the Company;

(k) the Company has no interests, rights to subscribe or short positions in any pension funds;

(l) no pension fund of the Company or of any associate of the Company has any interests, rights to subscribe or short positions in the Company;

(m) no employee benefit trust of the Company has any interests, rights to subscribe or short positions in the Company;

(n) no employee benefit trust of any associate of the Company has any interests, rights to subscribe or short positions in the Company;

(o) no connected adviser of the Company has any interests, rights to subscribe or short positions in the Company;

(p) no connected advisers of an associate of the Company or a person acting in concert with the Company have any interests, rights to subscribe or short positions in the Company;

(q) no person controlling, controlled by or under the same control as a connected adviser of an associate of the Company or a person acting in concert with the Company has any interests, rights to subscribe or short positions in the Company; and

(r) no member of the Concert Party or any concert party of the Company has borrowed or lent any Ordinary Shares.

For the purposes of this paragraph 4.4, "associate" has the meaning ascribed to it in category 1 of the definition of associate in the City Code. "Connected adviser" also has the meaning ascribed to it in the City Code.

4.6 No loan or guarantee has been granted or provided by the Company to any Director or any person connected with them.

4.7 Save as disclosed in this Part IV of this document no agreement, arrangement or understanding (including any compensation arrangement) exists between the Concert Party or any person acting in concert with it and any of the Directors, recent Directors, Shareholders or recent Shareholders of the Company, or the Company's nominated adviser or any person interested or recently interested in Shares of the Company, having any connection with or dependence upon the Proposals.

4.8 Save as disclosed in this Part IV of this document no Shares acquired in conjunction with the Subscription will be transferred to any other persons.

4.9 Save as disclosed in this document none of the Directors has or has had any interest in transactions effected by the Company since its incorporation which are or were unusual in their nature or conditions or which are or were significant to the business of the Company.

4.10 Save as disclosed in paragraph 4.1, the Company is only aware of the following persons who, at the date of this document and following the Proposals, directly or indirectly, jointly or severally, hold or will hold 3 per cent. or more of the ordinary share capital of the Company or exercise or could exercise control over the Company:

| | *Pre-Proposals* | | *Post-Proposals* | |
|---|---|---|---|---|
| | *Ordinary Shares* | *Per cent.* | *Ordinary Shares* | *Per cent.* |
| InTechnology plc | – | – | 80,000,000 | 43.38 |
| Peter Wilkinson | 24,536,392 | 23.50 | 24,536,392 | 13.30 |
| Eyal Fishler | 9,119,259 | 8.73 | 9,119,259 | 4.94 |
| Jorge Pinievsky | 9,168,624 | 8.78 | 9,168,624 | 4.97 |
| Jeremy Fenn[1] | 7,723,271 | 7.40 | 7,723,271 | 4.19 |
| Erin Invest & Finance Ltd | 3,849,102 | 3.69 | 3,849,102 | 2.09 |

[1] Redmayne (Nominees) Limited holds Ordinary Shares nominally on behalf of John Swingewood and Jeremy Fenn. Jeremy Fenn also holds warrants entitling him to subscribe for 375,000 Ordinary Shares.

4.11 Save as disclosed above, the Company is not aware of any person who, immediately following the Proposals will, directly or indirectly, be interested in 3 per cent. or more of the capital of the Company, or who, directly or indirectly, jointly or severally, exercises or could exercise control over the Company.

## 5. Service Contracts

5.1 The Directors have been appointed to the offices set out against their respective names on page 3 of this document.

5.1.1 *Christopher Akers*

On 2 July 2004 Christopher Akers entered into a letter of appointment with the Company which provides for him to act as Non-Executive Chairman of the Company for an initial fee of £15,000 per annum which may be terminated by either party giving not less than 6 months' notice at any time.

5.1.2 *John Swingewood*

On 9 February 2006 John Swingewood entered into a consultancy agreement with the Company pursuant to which he acts as Executive Chairman of the Company on a part-time basis for a salary of £120,000 per annum which may be terminated by either party giving 12 months' notice. Following the termination of this agreement John Swingewood is subject to a non-compete restriction for a 6 month period and a non-solicitation restriction (of either clients or the Company's employees) for a twelve month period.

5.1.3 *Mark Hughes*

On 9 February 2006 Mark Hughes entered into a service agreement with the Company pursuant to which he acts as Finance Director for a salary of £120,000 per annum which may be terminated by either party giving 6 months' notice. Following the termination of his employment, Mark Hughes is subject to a non-compete restriction for a 6 month period and a non-solicitation restriction (of either clients or the Company's employees) for a twelve month period.

Mark Hughes has indicated that he will resign as a Director and Secretary of the Company at the end of the EGM. He has entered into a compromise agreement with the Company dated 22 September 2006 as further described in paragraph 6.1(p) of this Part IV.

5.2 Save as disclosed in paragraph 5.1 above no new service agreements or letters of appointment have been entered into by the Company with any Directors and no existing service agreements or letters of appointment between the Company and any Director have been amended or replaced during the 6 months prior to 25 September 2006 (the latest practicable date prior to the date of this document).

5.3 On 27 June 2006 Jorge Pinievsky resigned as a director of the Company but has remained as an employee of the Company.

## 6. Material Contracts

6.1 *The Company*

Save as disclosed below, no member of the Group has entered into any contract not being a contract entered into in the ordinary course of business in the past 2 years, which is or may be material:

(a) a nominated adviser and broker agreement dated 2 July 2004 between the Company, the Directors and Corporate Synergy, whereby Corporate Synergy agreed to act as the Company's nominated adviser and broker as required by the AIM Rules. This agreement is terminable, *inter alia*, by either party on 3 months' written notice, such notice to be given not less than 9 months from the date of the agreement and contains certain indemnities by the Company and the Directors in favour of Corporate Synergy. This agreement has been amended by a deed of adherence dated 9 February 2006 between the Company, the Directors and Corporate Synergy;

(b) a share purchase agreement (the "Acquisition Agreement") dated 9 February 2006 between the Company and the vendors of MTIL. Under the terms of the Acquisition Agreement the Company agreed to acquire all of the shares in MTIL which it did not already own, meaning on completion it owned 100 per cent. of the issued share capital of MTIL in consideration for the issue of 78,130,096 Ordinary Shares at an issue price of 16p per Ordinary Share.

The Acquisition Agreement contained standard provisions preventing the principal vendors (being John Swingewood, Jeremy Fenn, Peter Wilkinson, Eyal Fishler and Jorge Pinievsky (the "Principal Vendors")) and Mark Hughes from competing with the business of the Company for a period of 2 years following completion.

The Principal Vendors gave warranties to the Company in relation to the business and affairs of MTIL together with certain indemnities in favour of the Company. These warranties and indemnities are subject to certain financial and time limits. All other vendors gave limited warranties in relation to their ownership of shares in MTIL.

All vendors holding 2 per cent. or more of the issued share capital of MTIL prior to Completion agreed not to dispose of any Ordinary Shares held by them in the Company including their consideration shares (save in certain limited circumstances) until the first anniversary of the Company's re-admission to AIM on 7 March 2006 and in the year thereafter agreed to give 5 business days' written notice to the Company's broker before disposing of any such shares, giving the Company's broker the opportunity to match the price. All other vendors agreed to give 5 business days' written notice to the Company's brokers before disposing of any Ordinary Shares held by them for a period of 2 years from such admission giving the Company's broker the opportunity to match the price;

(c) a placing agreement dated 9 February 2006 between the Company, Corporate Synergy and the Directors. Under the Placing Agreement, Corporate Synergy conditionally, *inter alia*, upon admission occurring by 7 March 2006 agreed to use its reasonable endeavours to procure subscribers for placing shares at a price of 16p per Ordinary Share (the "Placing Price"). Corporate Synergy received a corporate finance fee and a commission based on the value of the placing shares placed with investors sourced by Corporate Synergy at the Placing Price. Each of the Directors have undertaken therein that during the 12 months following Admission, he will not, save in the event of an intervening court order, acceptance of a takeover offer for the Company which is open to all Shareholders or the death of such Director, dispose of any Ordinary Shares. In addition, so as to maintain an orderly market in the Ordinary Shares, the Directors agreed that for a period of 12 months after the expiry of the initial 12 month period, any disposal of their Ordinary Shares would, subject to certain exceptions, only be effected through Corporate Synergy or the Company's broker from time to time;

(d) a loan facility agreement dated 9 February 2006 between the Company, Peter Wilkinson, John Swingewood and Jeremy Fenn (the "Lenders") whereby the Lenders agreed to provide a loan of up to £400,000 to the Company which may be drawn down upon the request of the Company in tranches of £50,000 at any time within 17 months of admission which occurred on 7 March 2006. Interest is payable to the Lenders at 10 per cent. per annum accrued on a daily basis against amounts drawn down. Repayment of the loan facility will be 18 months from such admission or, if later, 12 months from the date of drawdown;

(e) a warrant agreement dated 9 February 2006 whereby, as further consideration for the provision of the facility described in paragraph 6(d) above, the Company has issued to each of the Lenders warrants over an aggregate of 2,000,000 Ordinary Shares in the Company. The warrants are exercisable at any time from the date of the loan facility to the date falling three years from such date at an exercise price of 20 pence per Ordinary Share;

(f) an option agreement dated 9 February 2006 made between the Company (1) and Corporate Synergy (2) pursuant to which the Company granted Corporate Synergy an option to acquire such number of Ordinary Shares as represented 0.75 per cent. of the issued ordinary share capital of the Company upon the Company's re-admission to AIM on 7 March 2006 at an exercise price per Ordinary Share equivalent to the suspension price prior to such admission of 21.75p. The option may be exercised in whole or in part at any time following such admission and before the third anniversary of the date of such admission and contains certain anti-dilution provisions in favour of Corporate Synergy in the event certain changes occur to the Company's share capital;

(g) a warrant agreement between the Company and Nortel Networks which gives Nortel Networks warrants over 8,888,888 Ordinary Shares exercisable over a five year period at a price of £0.158 per share or if lower, 90 per cent. of the placing price subject to a minimum of 13.5p per share. Nortel Networks have agreed not to dispose of any Ordinary Shares issued to them without the consent of the Company and the Company's broker from time to time until 12 months after the Company's re-admission to AIM on 7 March 2006 and for a further 12 months only after giving 5 business days' written notice to the Company's broker. The implementation of the subscription may result in certain adjustments to the terms of the exercise of the warrants, including in relation to the exercise price as a result of the Issue Price;

(h) the Directors' consultancy agreement, service contract and letter of appointment described above in paragraph 5.1 of this Part IV;

(i) a share sale agreement dated 10 August 2005 between (1) MTIL, (2) Maria Archer, (3) Muir International BV and (4) John Swingewood. Under the terms of this agreement, Maria Archer agreed to sell as beneficial owner and John Swingewood agreed to purchase 8,752,500 ordinary shares in the share capital of MTIL for a consideration of £602,580.19. Maria Archer was also granted warrants over 2,577,762 ordinary shares in MTIL although these warrants lapsed prior to the date of this document;

(j) a share sale agreement dated 10 August 2005 between (1) MTIL, (2) Colin Orviss, (3) Oli Consulting Limited and (4) John Swingewood. Under the terms of this agreement, Oli Consulting Limited agreed to sell and John Swingewood agreed to purchase 2,137,500 ordinary shares in the share capital of MTIL for a consideration of £147,149.81. Oli Consulting Limited was also granted warrants over 855,818 ordinary shares in MTIL although these warrants lapsed prior to the date of this document;

(k) a loan agreement dated 10 August 2005 between (1) MTIL as borrower and (2) each of (i) Peter Wilkinson, (ii) Jon Wood, (iii) John Swingewood, (iv) Jeremy Fenn, (v) Richard James, (vi) Headline Securities Limited and (vii) Erin Invest & Finance Limited (the "Lenders"). Under the terms of the loan agreement, the lenders agreed to advance to MTIL the sum of £750,000 at an interest rate of 20 per cent. The loan amount was capable of conversion into convertible loan stock in MTIL as described below in paragraph (l). The Lenders were also granted warrants to subscribe at par for up to 5,346,852 ordinary shares in MTIL in aggregate at any time prior to repayment or conversion. On 10 August 2005, all such loan amounts were converted into convertible loan stock in MTIL and all such warrants were exercised. The resultant shares in MTIL were acquired by the Company pursuant to the Acquisition Agreement;

(l) a loan stock instrument dated 10 August 2005 relating to the issue of up to €6,000,000 redeemable convertible unsecured loan stock. All such loan stock converted into ordinary shares in MTIL and was acquired by the Company pursuant to the Acquisition Agreement;

(m) a letter of appointment dated 4 August 2006 between the Company and Corporate Synergy, whereby Corporate Synergy agreed to act as adviser in connection to the Proposals, for which Corporate Synergy is entitled to receive a corporate finance fee;

(n) a facility agreement dated 9 August 2006 between Peter Wilkinson and the Company whereby Peter Wilkinson agreed to provide a loan of up to £200,000 to the Company which may be drawn down at the request of the Company in such amounts as the Company requires from time to time for its working capital requirements. Interest is payable to Peter Wilkinson at a rate of 2 per cent. above the base rate of Lloyds TSB Bank plc from time to time, calculated on a daily basis against amounts drawn down. Repayment of the loan will be on or prior to 31 October 2006;

(o) a variation letter dated 22 September 2006 between the Company, Peter Wilkinson, Jeremy Fenn and John Swingewood, varying the terms of the loan facility agreement described in paragraph 6 (d) above ((the "Original Loan Agreement"). Such variation provides for Peter Wilkinson to make an advance of loan monies other than in the proportions agreed in the Original Loan Agreement and on the relevant terms of the facility agreement described in (n) above;

(p) a compromise agreement dated 22 September 2006 between the Company and Mark Hughes. Pursuant to this agreement, Mr Hughes will resign as director and employee of the Company and of MTIL, such terminations to take effect at the end of the EGM. Mr Hughes will be paid his outstanding salary and pension contributions up to and including this date and will receive a sum equivalent to one month's salary as an ex gratia payment as compensation. Mr Hughes will not be bound by any post-termination of employment restrictive covenants;

(q) a deed of surrender dated 11 September 2006 between the Company and Jorge Pinievsky whereby Jorge Pinievsky agreed to surrender and assign to the Company 12,251,333 Ordinary Shares on which no sum has been paid up. Pursuant to the deed of surrender, the Company reserved all rights and remedies against Jorge Pinievsky for liability in respect of the unpaid call, save that Jorge Pinievsky's liability shall be reduced to the extent that the Company receives consideration for any subsequent disposal of such Ordinary Shares; and

(r) the Subscription Agreement, which is fully described on page 9 of this document.

6.2 *The Concert Party*

Save as disclosed herein, no member of the Concert Party has entered into any contract not being a contract entered into in the ordinary course of business in the past 2 years, which is or may be material.

(a) A notarial deed dated 31 March 2006 relating to the disposal by InTechnology of its Allasso IT security solutions business (the "Allasso Business") to Magirus International GmbH ("Magirus International") pursuant to the terms of which:

   (i) InTechnology assigned to Magirus International intercompany loans owed to InTechnology by its subsidiaries Allasso GmbH, Allasso Italia Srl, Allasso Iberia SAU, Allasso Benelux BV and Allasso France SAS for a consideration equal to the value thereof at completion;

   (ii) Allasso GmbH, Allasso Italia Srl, Allasso Iberia SAU, Allasso Benelux BV and Allasso France SAS each assigned its client base to Magirus International for an aggregate consideration of €2,000,000;

   (iii) Allasso UK Limited transferred the issued share capital of Allasso GmbH and Allasso Benelux BV to Magirus Deutschland GmbH and Magirus AG respectively and InTechnology transferred the issued share capital of Allasso France SAS to Magirus France Sarl for an aggregate consideration equal to the net asset value of such companies at completion, together with an aggregate goodwill consideration of €180,000; and

   (iv) InTechnology contributed the sum of €1,304,545 in aggregate to Allasso GmbH and Allasso Benelux BV by way of capital contribution.

Magirus International has retained the sum of €3,000,000 from the consideration, which will be paid to InTechnology on 30 September 2006 less an amount equal to any debtors of the Allasso Business at completion which remain unpaid on 29 September 2006.

InTechnology has given indemnities to Magirus International in relation to the Allasso Business and the companies transferred (referred to in paragraph (iii) above). These indemnities are subject to certain financial and time limits. InTechnology has also undertaken on behalf of itself and its subsidiaries not to compete with the Allasso Business for a period of 30 months. The notarial deed is governed by German law.

(b) The Subscription Agreement, to which InTechnology is a party, which is fully described on page 9 of this document.

## 7. Material changes

7.1 Save as set out in Parts I, II(A) and II(B) of this document and save for the acquisition of MTIL which completed on 7 March 2006, there has been no material change in the financial or trading position of the Group since 30 June 2005 being the date of the last audited accounts of the Group.

7.2 Save as set out in Part III of this document there have been no material changes in the financial or trading position of InTechnology plc since 31 March 2006, being the date of the last audited accounts of InTechnology.

## 8. The Concert Party

8.1 Details of the interests of the Concert Party in the Company's Ordinary Shares which are, as at the date of this document, and will, following the Proposals, be owned or controlled by members of the Concert Party are as follows:

| | *Number of Ordinary Shares held* | *Percentage of issued share capital*[4] | *New Ordinary Shares issued pursuant to the Proposals* | *Number of Ordinary Shares following the Proposals* | *Percentage of Enlarged Share Capital*[4] | *options*[6] | *warrants*[6] | *Number of Ordinary Shares held following conversion of options and warrants* | *Percentage share capital assuming conversion of options and exercise of warrants only by the members of the Concert Party*[4] |
|---|---|---|---|---|---|---|---|---|---|
| **CONCERT PARTY** | | | | | | | | | |
| InTechnology | 0 | 0.00% | 80,000,000 | 80,000,000 | 46.46% | 0 | 0 | 80,000,000 | 45.80% |
| Peter Wilkinson | 24,536,392 | 26.62% | 0 | 24,536,392 | 14.25% | 0 | 1,250,000 | 25,786,392 | 14.76% |
| Jorge Pinievsky | 9,168,624 | 9.95% | 0 | 9,168,624 | 5.33% | 0 | 0 | 9,168,624 | 5.25% |
| Eyal Fishler | 9,119,259 | 9.89% | 0 | 9,119,259 | 5.30% | 0 | 0 | 9,119,259 | 5.22% |
| John Swingewood[1] | 7,805,511 | 8.47% | 0 | 7,805,511 | 4.53% | 0 | 375,000 | 8,180,511 | 4.68% |
| Jeremy Fenn[1] | 7,723,271 | 8.38% | 0 | 7,723,271 | 4.49% | 0 | 375,000 | 8,098,271 | 4.64% |
| Erin Invest & Finance Ltd | 3,849,102 | 4.18% | 0 | 3,849,102 | 2.24% | 0 | 0 | 3,849,102 | 2.20% |
| Richard James | 2,959,870 | 3.21% | 0 | 2,959,870 | 1.72% | 0 | 0 | 2,959,870 | 1.69% |
| Jonathan Freeland | 1,061,766 | 1.15% | 0 | 1,061,766 | 0.62% | 0 | 0 | 1,061,766 | 0.61% |
| Timothy Charles Dewhirst | 879,280 | 0.95% | 0 | 879,280 | 0.51% | 0 | 0 | 879,280 | 0.50% |
| John Doyle | 723,030 | 0.78% | 0 | 723,030 | 0.42% | 0 | 0 | 723,030 | 0.41% |
| Warren Todd[2] | 723,030 | 0.78% | 0 | 723,030 | 0.42% | 0 | 0 | 723,030 | 0.41% |
| Tigerhawk Limited | 624,154 | 0.68% | 0 | 624,154 | 0.36% | 0 | 0 | 624,154 | 0.36% |
| Alexander Acloque | 530,231 | 0.58% | 0 | 530,231 | 0.31% | 0 | 0 | 530,231 | 0.30% |
| David Poutney[3] | 361,514 | 0.39% | 0 | 361,514 | 0.21% | 0 | 0 | 361,514 | 0.21% |
| Mark Hughes | 291,530 | 0.32% | 0 | 291,530 | 0.17% | 500,000[5] | 0 | 791,530 | 0.45% |
| Richard Hartley | 163,056 | 0.18% | 0 | 163,056 | 0.09% | 0 | 0 | 163,056 | 0.09% |
| | 70,519,619 | 76.50% | 80,000,000 | 150,519,619 | 87.42% | 500,000 | 2,000,000 | 153,019,619 | 87.60% |

1 Redmayne (Nominees) Limited holds Ordinary Shares nominally on behalf of John Swingewood and Jeremy Fenn.

2 Held in the name of Courtney Investments Ltd

3 NCL (Nominees) Limited holds Ordinary Shares on behalf of David Poutney.

4 For the purpose of the City Code and Code Waiver calculations, the April Placing shares have not been included as they do not currently carry any voting rights

5 Mark Hughes options will lapse on his resignation

6 A waiver of Rule 9 of the City Code was granted for the options and warrants during the Company's admission to AIM. Further details can be found in the Company's admission document dated 9 February 2006

8.2 Further details of the material members of the Concert Party are set out below:

8.2.1 *InTechnology plc*

Details on InTechnology plc can be found in Part I of this document.

8.2.2 *Peter Wilkinson*

Peter Wilkinson, aged 51, founded STORM in 1983 and VData in 1998. Both of these businesses were sold to AIM listed InTechnology in 2000. Peter is still executive chairman and retains a 57 per cent. stake in InTechnology. InTechnology employs 350 people in the UK and has an annual turnover of £225 million. In 1995 Peter started Planet Online, the internet service provider, which was subsequently sold to Energis plc in 1998. Planetfootball.com Limited was not part of the sale but was sold to Sports Internet Group plc in 1999 and subsequently sold to BSkyB plc in 2000 for £301 million. In 1998, Peter was the architect of the free ISP model Freeserve, the internet access service which was launched by the Dixons Group Limited. In 2002, he formed Digital Interactive Television Group Limited where he retained a 40 per cent. shareholding which was subsequently sold to YooMedia plc in December 2004.

8.2.3 *Eyal Fishler*

Eyal Fishler is the Chief Technical Officer of the Group. He was an original developer of the Mobile Tornado technology with Jorge Pinievsky. He previously served in a classified communications unit of the Israel Defence Force. Before working for Mobile Tornado, he was involved in developing several innovative technologies, including a three dimensional virtual reality device and a biometrics speech recognition system.

8.2.4 *Jorge Pinievsky*

Jorge Pinievsky is the original developer of the Mobile Tornado technology with Eyal Fishler and brings over 20 years of management and marketing experience to Mobile Tornado. His extensive experience includes previously serving as general manager at Terayon Communications, vice president of business development at BATM Advanced Communications Limited, sales director at NICE Systems, vice president of sales and marketing at Medilog, and research and development engineer for Israel Aircraft Industries. Jorge joined Mobile Tornado in February 2001.

8.2.5 *John Swingewood*

John Swingewood is the Executive Chairman of the Company. He co-founded both Digital Interactive Television Group Limited and The Gaming Channel Limited in 2001 both of which were sold to YooMedia plc in December 2004. John is currently deputy chairman of YooMedia plc. Previously, John was responsible for launching interactive TV sports betting whilst director of New Media at BSkyB plc. Before joining Sky, he held a number of positions at British Telecommunications plc including director of Internet and Multimedia, and general manager, Broadcast TV Services. John was previously a director and chief technology officer of InTechnology plc.

8.2.6 *Jeremy Fenn*

Jeremy Fenn qualified as a chartered accountant in 1988. He joined Caspian Group plc in 1996 as finance director and played a key role in the acquisition of Leeds United Holdings plc in 1996. He was appointed as managing director of Leeds United Football Club plc in early 1997. He left in June 1999 to join Sports Internet Group plc as chief executive officer and oversaw its sale to BSkyB plc for £301 million in July 2000. He remained as an executive director of Skysports.com, a trading division of BSkyB plc, until January 2004. He is non-executive director of YooMedia plc and Eescape Holdings Limited.

8.2.7 *Erin Invest & Finance Ltd.*

Joe Dayani is the beneficial owner of Ordinary Shares held by Erin Invest & Finance Ltd. Joe has a number of business interests, primarily in the real estate sector.

8.2.8 *Richard James*

Richard James qualified as a solicitor with Allen & Overy in 1986. He specialised in corporate finance work and became a Partner with Simpson Curtis (now Pinsent Masons) and then Garretts before moving to Hammonds and becoming a Partner there in 1996. Richard left Hammonds in 1999 to work with his principal client Peter Wilkinson, becoming managing director of Planetfootball.com Limited, a subsidiary of Sports Internet Group plc which was sold to BSkyB plc in 2000. Richard then became a director and company secretary of InTechnology plc. Richard is currently a director of a number of other companies, including Hull City Association Football Club Limited and Eescape Holdings Limited.

8.2.9 *Jonathan Freeland*

Jonathan Freeland is a consultant to several companies and specialises in transaction support and fundraising. Jonathan was previously employed by UBS AG where he was an Executive Director and prior to his departure, head of the advisory and execution functions of UBS's Wealth Management division in London having held other specialist positions prior to this.

8.2.10 *Mark Hughes*

Mark Hughes was commercial director of both Digital Interactive Television Group Limited and The Gaming Channel Limited when they were sold to YooMedia plc in 2001. Previously, he was commercial director at New Media at BSkyB plc. Before joining Sky, he held a number of general management positions at British Telecommunications plc during which time he negotiated their involvement in the interactive television joint venture with BSkyB plc and others. He is qualified as a chartered management accountant and has held a number of financial controller positions whilst at British Telecommunications plc. He is now the Finance Director of the Company but has indicated his intention to resign following the EGM.

8.3 In accordance with the requirements of the City Code, the vote on Resolution 1, as set out in the Notice of EGM attached to this document, will be held on a poll and only Independent Shareholders will be permitted to vote thereon. The Shareholders detailed above in paragraph 8.1 shall not be entitled to vote on Resolution 1.

## 9. Middle Market Quotations

The following table sets out the middle market quotations for an Ordinary Share, as derived from the AIM section of the Daily Official List of the London Stock Exchange, at the close of business on the first business day of each month since 1 March 2006 and for 22 September 2006 (being the last practicable date prior to the publication of this document):

| *Date* | *Price per Share (p)* |
|---|---|
| 3 April 2006 | 18.0 |
| 1 May 2006 | 19.0 |
| 1 June 2006 | 18.0 |
| 3 July 2006 | 7.5 |
| 1 August 2006 | 6.5 |
| 1 September 2006 | 5.25 |
| 22 September 2006 | 5.75 |

**10. Rights over Shares**

Peter Wilkinson, John Swingewood and Jeremy Fenn hold the following warrants over Ordinary Shares:

| | |
|---|---|
| Peter Wilkinson | 1,250,000 |
| John Swingewood | 375,000 |
| Jeremy Fenn | 375,000 |

The terms of such warrants are further described in paragraph 6.1(e) of this Part IV.

**11. Source of Concert Party financing**

InTechnology will fund the Subscription from existing cash resources.

**12. General**

Corporate Synergy has given and has not withdrawn its written consent to the inclusion in this document of references to them in the form and context in which they appear.

The registered address of InTechnology is Nidderdale House, Beckwith Knowle, Otley Road, Harrogate, North Yorkshire, HG3 1SA.

**13. Documents Available for Inspection**

13.1 Copies of the following documents will be available for inspection at the office of Norton Rose, Kempson House, Camomile Street, London EC3A 7AN and at the Company's registered office during usual business hours for a period of 14 days following Admission:

- the Memorandum and Articles of Association of the Company and InTechnology;
- the audited consolidated accounts of the Company for the period ended 30 June 2005 and the interim accounts for the 6 month period to 31 December 2005 referred to in Parts II(A) and II(B) of this document;
- the financial information on InTechnology as referred to in Part III;
- the material contracts referred to in paragraph 6 of this Part IV above;
- the service agreements referred to in paragraph 5 of this Part IV; and
- the consent letter referred to in paragraph 12.1 of this Part IV above.

13.2 Copies of this Document will be available for inspection at the Company's registered office during usual business hours for a period of 1 month from the date of this Document.

25 September 2006

## NOTICE OF EXTRAORDINARY GENERAL MEETING

# MOBILE TORNADO GROUP PLC

*(Incorporated in England and Wales with Registered No. 5136300)*

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of Mobile Tornado Group plc (the "Company") will be held at Kempson House, Camomile Street, London EC3A 7AN at 10 a.m. on 23 October 2006 for the purpose of considering and, if thought fit passing the following resolutions, which will be proposed as an ordinary resolution and voted on by way of a poll vote on which only Independent Shareholders (as defined in the Circular of the Company dated 25 September 2006 (the "Circular")) are permitted to vote in the case of resolution 1 and as a special resolution in the case of resolution 2:

### ORDINARY RESOLUTION

1 THAT, conditional upon Resolution 2 being duly passed by the shareholders of the Company as a special resolution, the waiver by the Panel on Takeovers and Mergers described in the Circular of the obligation under Rule 9 of the City Code on Takeovers and Mergers that would otherwise arise from the Concert Party (as defined in the Circular) or any member thereof to make a general offer for the ordinary shares in the Company that would otherwise arise by reason of the issue to InTechnology plc of 80,000,000 new ordinary shares of 2p each in the Company pursuant to the Subscription (as defined in the Circular), resulting in the Concert Party having an aggregate maximum potential interest in ordinary shares in the Company carrying 87.60 per cent. of the voting rights of the Company (assuming options and warrants are only exercised by members of the Concert Party) be and hereby is approved.

### SPECIAL RESOLUTION

2 THAT, conditional upon Resolution 1 being duly passed as an ordinary resolution on a poll vote by Independent Shareholders (as defined in the Circular):

(a) the authorised share capital of the Company be increased from £4,000,000 to £8,000,000 by the creation of 200,000,000 new ordinary shares of 2p each ranking *pari passu* in all respects with the existing ordinary shares of 2p each;

(b) in substitution for all existing and unexercised authorities, pursuant to section 80 of the Act (as defined in the Circular), the directors of the Company be generally and unconditionally authorised to exercise all or any of the powers of the Company to allot relevant securities (within the meaning of section 80(2) of the Act) in the capital of the Company up to:

(i) a maximum nominal amount of £1,600,000 in connection with the Subscription (as defined in the Circular); and

(ii) otherwise, and generally, a maximum nominal amount of £1,229,543 (representing approximately one third of the issued ordinary share capital of the Company which would be in issue following the allotment and issue of the shares referred to in and pursuant to sub-paragraph (b)(i) of this Resolution 2), provided that this authority, shall, unless previously revoked or varied by the Company in general meeting, expire five years from the date of passing this Resolution save that the Company may before the expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired; and

(c) the directors of the Company be and they are hereby empowered, pursuant to section 95 of the Act and pursuant to the authority set out in paragraph (b) of this Resolution 2, to allot equity securities (as defined in section 94(2) of the Act) for cash out of any relevant securities (as defined in section 80(2) of the Act) which they are from time to time authorised to allot, as if section 89(1) of the Act did not apply to:

(i) the proposed allotment of 80,000,000 new ordinary shares of 2p each in the capital of the Company in connection with the Subscription;

(ii) the grant of options under any share option scheme of the Company;

(iii) the making of any rights issue or any offer to the holders of the Company's ordinary shares of 2p each on terms determined by the Directors (as defined in the Circular) at their discretion; and

(iv) in connection with an issue of equity securities up to an aggregate nominal amount of £368,862.86 representing approximately 10 per cent. of the issued share capital of the Company following the Subscription,

provided that this authority shall expire on the conclusion of the next annual general meeting of the Company or 15 months from the date of this Resolution, whichever is earlier and the Company may before such expiry make an offer, agreement or other arrangement which would or might require relevant securities to be allotted after such expiry and the directors of the Company may allot relevant securities pursuant to any such offer, agreement or other arrangement as if the authority hereby conferred had not so expired.

Dated 25 September 2006

By Order of the Board,

*Company Secretary*

*Registered Office:*
4th Floor
French Railways House
178-180 Piccadilly
London W1J 9EN

**Notes:**

1 A member entitled to attend and vote at the Meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the Company.

2 A Form of Proxy is provided with this notice. Completion and return of such a proxy will not prevent a member from attending the Meeting and voting in person.

3 To be effective, the Form of Proxy and any power of attorney or other authority under which it is signed (or a notarially certified copy of such authority) must be deposited with the Company's registrars, Capita Registrars, The Registry, 34 Beckenham Road, Beckenham, Kent BR3 4TU, not less than 48 hours before the time appointed for the Meeting or any adjournment thereof.

4 Pursuant to regulation 41(1) of the Uncertificated Securities Regulations 2001 (2001 No. 3755), the Company has specified that only those members registered on the register of members of the Company at 6 p.m. on 21 October 2006 shall be entitled to attend and vote at the meeting in respect of the number of shares registered in their names at that time. Changes to the register of members after 6 p.m. on 21 October 2006 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

5 Resolution 1 will be taken on a poll of independent shareholders of the Company in compliance with the requirements of the City Code on Takeovers and Mergers.