INTERREGNUM

Interregnum Plc

REPORT AND FINANCIAL STATEMENTS

Year ended 30 June 2001

Company Registration No. 3914068

Interregnum Plc
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Interregnum Plc
DIRECTORS' AND OFFICERS

DIRECTORS
K Olisa
G Ransom
R Jeynes
A Merryman
M Cooper
G Shingles
T Rosenberg
R Fifield
I Taylor
S Stern

SECRETARY AND REGISTERED OFFICE
M Cooper
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London W1S 2JJ

NOMINATED ADVISER AND NOMINATED BROKER
Teather & Greenwood Limited
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15 St Botolph Street
London EC3A 7QR

AUDITORS
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Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

BANKERS
HSBC Bank Plc
31 Holborn
London EC1N 2HR

SOLICITORS
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33 St John's Lane
London EC1M 4DB

REGISTRARS
IRG plc
390/398 High Road
Ilford
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REGISTERED NUMBER
3914068

Introduction

I am pleased to report that Interregnum has made good progress in the last year. We continue to deliver profitable growth year on year and have now successfully completed our transition into a fully integrated IT (Information Technology) investment and advisory company.

Despite the unprecedented turbulence in the global IT sector we have successfully demonstrated our ability to invest money alongside our intellectual capital to deliver impressive returns. Although the economic outlook remains uncertain, we are confident of continued growth in our portfolio and the opportunity for further investment in high potential technology companies.

At a time when others have lost significant sums and have laid off staff, Interregnum remains profitable and our new recruits have been applying their deep marketing expertise to help grow the value of our portfolio. Although some of our portfolio holdings were written down at the year-end, the vast majority of our holdings have increased in value.

As a result, our life-time IRR (Internal Rate of Return) is 72%* and, more importantly, the investments that we have made over the last twelve months which are to be transferred to the fund, Interregnum Fund 1, have in aggregate achieved an IRR of 60%*. This compares favourably to other technology investors who have seen their portfolio valuations decline.

The turmoil in the IT sector has had mixed effects on our business. On the positive side, valuations at which we can invest are at the lowest levels that we have seen for a long time and early-stage entrepreneurs are very open to our hands-on approach to value growth.

On the negative side however, the appetite amongst private equity institutions for investment into venture capital funds has been dampened by the fall in the value of their overall portfolios. This has resulted in slower progress than we would have liked in raising our first fund. Nevertheless, we and our advisors remain confident of achieving a first closing within the short term.

IT markets are currently depressed, but the critical importance of information processing to virtually all aspects of commercial and social life means that, although buying priorities may shift, we believe that the absolute demand for IT will continue to grow.

* based on British Venture Capital Association valuation criteria, and taking into account realisations, interest received and associated income.

Interregnum Plc
CHAIRMAN'S STATEMENT

The events of the last year or so have served to remind everyone that, just as in every other sector, high value IT companies are the product of hard work, not of fashion. At Interregnum we have always acknowledged this and we continue to apply our in-depth sectoral knowledge, expertise, track record and capital to achieve our mission - *transforming technology into wealth.*

Market Conditions

At the beginning of our financial year the technology-weighted NASDAQ Computer Index stood at 2351. By the end of the year, on June 30th 2001, it had fallen to 1084. That dramatic 54% decline charted an exceptionally turbulent time for the IT market.

The bursting of the dot.com bubble triggered the collapse, heralding the general realisation that the way to value internet businesses was exactly the same as the way used to value all other businesses – namely by how much cash they were likely to generate over a reasonable time period. Not by how fast they were burning it.

Unfortunately, most new economy internet companies had flawed models that were only capable of consuming, rather than generating cash. The collapse in the values of technology stocks had a knock-on effect elsewhere, hitting hardest those that depended on the internet boom for their own revenue growth. Companies providing telecommunications services, routers, web servers, web hosting, consultancy, investment banking and advertising were prime members of a long list whose travails are represented by the year-on-year fall in the NASDAQ index. That decline had several consequences for the market in which we operate.

- Investment capital dried up sending many companies to the wall irrespective of their quality and making it more difficult for us to find co-investment partners for our deals
- Falls in public equity prices led to the effective closure of the IPO (Initial Public Offering) market postponing the exit of the more mature portion of our portfolio
- Private equity investors found themselves over-exposed to IT stocks, thus reducing their appetite for new venture capital investment and slowing the process of raising our first fund.

Financial Highlights

The core of our company's value lies in our ability to generate free cashflow from the realisation of assets in our portfolio. The degree to which we are able to grow each portfolio holding is a function of our core Venture Marketing skills – working with high potential technology companies to develop, fund and implement aggressive business and marketing strategies.

Revenue Growth

During the year we reduced focus on that part of our M&A (Mergers and Acquisitions) activities connected with disposals of non-portfolio clients. This decision was made to enable us to concentrate our resources fully on building value in the portfolio.

	YE June 2001 / £000	YE June 2000 / £000	Growth / %
Venture Marketing	1,005.1	834.1	
Research & Consulting	314.5	234.9	
Venture Capital	202.1	77.4	
Subtotal	1,521.7	1,146.4	33
Mergers & Acquisitions	0	340.0	
Total	1,521.7	1486.4	2

In the previous year, our M&A revenues had been £340,000 (23% of the revenue 1999/00). Despite this cessation, our overall revenues grew for the year by 2% from £1,486,000 to £1,522,000 driven by a 21% increase in our core Venture Marketing revenues and a 34% increase in our Research revenues. These increases clearly demonstrate the relevance of our services to growing IT companies and to other investors who recognise the value of our IT industry expertise.

Profitability

The last year saw us grow the number of employees by 13, (81%) with a consequent increase in salary costs from £1,018,000 to £ 1,518,000. Despite this sharp rise in costs and a weak environment in which to dispose of our assets we were able to remain profitable, recording a small PBT (Profit before Tax) of £16,000.

Strong Balance Sheet

Our balance sheet remains healthy. During the second half of the year we concentrated on reducing our days sales outstanding. At the 30th June 2001 this had reduced from 96 to 64 days. This has enabled us to minimise our cash outflow for the year (excluding investments) to less than £600,000. This low burn rate ensures that we maximise the cash available for investment.

Portfolio Review

The table below summarises the movements in our portfolio during the year.

	£000
At 1st July, 2000	11,461
Cost of Additions	6,891
Cost of Exits	(1,566)
Valuation of investments written up	2,384
Valuation of investments written down	(4,619)
At 30th June, 2001	14,551

We invested in 16 companies, of which 11 were existing holdings in our portfolio and five were new entrants. The write down in our holding in Mediasurface of £3,346,565 represents the bulk of the decrease following a new investment round, led by the company's principal investors, at a valuation substantially below the previous round in 2000.

Excluding Mediasurface, the value of the overall portfolio grew by 16%.

Strategy

The last 25 years have seen a massive development of wealth within the global IT industry, even despite the recent downturn. However, the vast majority of that value has been generated in the USA where a mature venture capital sector applies money to high-potential businesses containing a combination of technology, established business acumen and a recognition of the central role of sales and marketing.

On this side of the Atlantic, the position is very different. Although Europe and the USA have roughly equivalent economies, populations, IT markets and science research bases, European companies are notably absent from the top of the list of the world's largest IT corporations.

This is due to two causes:

- European IT entrepreneurs lack the capital and confidence enjoyed by their American counterparts. Capital is relatively scarce because most European venture capitalists concentrate on the redistribution of wealth via MBOs and MBIs (management buy-outs and buy-ins) rather than creating wealth in seed and early-stage companies.
- Confidence is low because of the relatively risk-averse nature of our society which tends to favour the professions and a corporate career over entrepreneurship.

Prior to our IPO (in March 2000), Interregnum was an advisory company using our extensive IT marketing expertise and venture capital contacts to both inject confidence and raise capital for high-potential IT entrepreneurs.

We were rewarded with fees and to align our interests with those of our clients we received 'sweat equity' (a small number of shares or options granted at a price that equated to the value of the companies when we became involved). The majority of the return on a successful investment would go to our venture capital partners.

Our IPO provided us with the ability to invest capital ourselves and, although we have usually been co-investors with other venture capitalists, we are now able to increase our potential return by taking a larger direct stake in our investee companies.

At the IPO we raised £19.2m of which £10.9m has been invested to date. As reported elsewhere we have achieved an IRR of 72%* so far in difficult market conditions and are therefore confident of our investment abilities.

* based on British Venture Capital Association valuation criteria, and taking into account realisations, interest received and associated income.

We believe that by applying both financial capital and confidence to our portfolio companies – the latter through a wider understanding of the IT market in which they operate and a stronger focus on more aggressive sales and marketing – there are considerable opportunities for Interregnum to create outstanding European IT companies.

Current Activities

Venture Marketing – Portfolio Development

This year, revenues from Venture Marketing activities passed the £1m mark, an increase of 21% over the previous year. Our Venture Marketing team continues to work intensively with the boards of our investee companies, providing significant IT marketing and business management expertise to build value within our portfolio. In the prevailing tough market conditions, the deployment of such expertise is more crucial than ever before.

During the year we recruited an additional six Venture Marketing executives bringing with them the skills and knowledge gained as senior managers and entrepreneurs within key sectors of the international IT market. Between them they add over sixty years of industry experience taking our company aggregate years of IT experience to just under three hundred.

In the new financial year we have over 50% more experienced resource to deploy than in 2000/01 at a time when such expertise will command a premium.

Research & Consulting – Marketing-Centric Advice

Our research services were again in great demand during 2000/01 and our revenues in this area increased by 34% compared with 1999/00. Just under half of this revenue came from work with our investee companies, and the rest came from institutional investors for whom we undertook research projects to help them assess and manage the risks in their IT investments.

Perhaps more significant than the headline revenue growth has been the increase in Interregnum's research capability, and the establishment of a more formal Knowledge Base for the company. During the year, we recruited three experienced individuals from top IT analyst firms Gartner, Giga and IDC, and expanded our already wide range of IT industry information sources.

The team has refined our Four Pillars of Value© methodology – assessing the level of future free cashflow of a portfolio company against four key criteria: People, Offering, Base and Brand - and devised a simplified taxonomy for the IT industry which helps Interregnum to identify opportunities which arise from changes, discontinuities or vacuums in the IT industry.

We are confident that Interregnum is now extremely well positioned with the resources and knowledge to undertake proactive prospecting for investment opportunities, rather than relying on qualifying those referred to us. Our research team is at the heart of that proactive capability.

Venture Capital – Investing for growth

Our success during 2000/01 has been a further validation of the Interregnum strategy for building wealth within our portfolio.

During the year we have:

- Invested in those sectors identified by our Research & Consulting and Venture Marketing groups as offering significant potential.
- Applied our Venture Marketing capability to help build, de-risk and value enhance those companies in which we choose to invest.
- Structured our investments to achieve the highest possible returns irrespective of market conditions.

This strategy has generated a 36% IRR* on our post-IPO cash investments (May 2000 – June 2001) and a 60% IRR* on the investments made in 2000/01 warehoused for Interregnum Fund I. Investments made since 1st July 2000 have been warehoused.

Ironically, these short-term results are derived from a strategy that is long term focused and which we will continue to employ to benefit our shareholders.

2001/02 is, in our view, a year in which we must ensure that our portfolio companies survive difficult and rapidly consolidating markets, and make judicious investments at very attractive valuations.

* based on British Venture Capital Association valuation criteria, and taking into account realisations, interest received and associated income.

Conclusion

The public equity market turbulence of the last twelve months is likely to continue for some time yet. However, the developed world's dependency on information processing can only continue to increase in line with the need to improve productivity. This will in turn drive the formation of many new IT companies as innovators compete to offer ever more effective systems.

Traditionally the growth could have been expected to have come from the USA and not Europe. However, one positive outcome from recent difficult times is that IT entrepreneurs are less fearful of starting a business. We believe that Interregnum is well positioned to attract the best of the next generation of leaders with our unique mix of intellectual and financial capital.

In order to be able to take advantage of this, we have set ourselves three current priorities:

1. Funds: Increase our investment power by closing Interregnum Fund I. This will be structured as a traditional venture capital fund to be managed by Interregnum. It will, once raised, significantly increase the funds available for investment and will provide us with a management fee from institutional monies committed and a share of the Fund's profits without diluting existing shareholders.

2. People: Recruit and retain IT business talent. Central to the successful development of our portfolio is access to a global network of contacts and the application of knowledge that can only come from practical experience. Over the last year we have recruited some of the best qualified IT marketeers in the UK who have brought over 80 years of experience in the IT industry to Interregnum.

3. Momentum: At our IPO we declared our intention to become a different style of IT investor –not just investing money, but rolling up our sleeves to work alongside our portfolio companies, providing them with well-placed confidence in their potential. As these results show, despite extremely difficult market conditions, we have made very good progress in this direction. In the new financial year we intend to continue this work and to remain on-track to deliver our strategic objective - *transforming technology into wealth.*

Thanks

Our first full year as a public company has been characterised by unprecedented change both internally and externally.

We would not have been able to grow our revenues, remain profitable, invest £10,910,000 or recruit the depth of talent without our portfolio companies, our partners, our advisors, our shareholders and of course, the people at Interregnum.

Thank you all.

Ken Olisa
Chairman & CEO

The Directors submit their report and the group financial statements of Interregnum Plc for the year ended 30 June 2001. These are the first statutory accounts of the company covering the period from incorporation and including the acquisition of Interregnum Venture Marketing Limited. The accounts presented to shareholders last year were non-statutory accounts in respect of the period to 30 June 2000 prepared in order to provide additional information to shareholders. The accompanying accounts show financial information for the years ended 30 June 2001 and 2000, as though the group had always existed.

INCORPORATION AND MERGER

The company was incorporated on 21 January 2000 as Interregnum Holdings Plc and changed its name on 3 March 2000 to Interregnum Plc.

On 8 March 2000, Interregnum Plc issued ordinary shares as consideration for the acquisition of the entire issued share capital of Interregnum Venture Marketing Limited, such acquisition being accounted for as a merger. The consolidated financial statements, prepared under merger accounting rules, have been presented as if Interregnum Venture Marketing Limited had always so been owned, regardless of the actual merger date.

PRINCIPAL ACTIVITIES

The group's principal activities, carried out both in the United Kingdom and internationally, were those of management and marketing consultants, business advisers, and investors in early stage technology companies.

RESULTS AND DIVIDENDS

The group profit for the year after taxation was £15,162.

The directors are not able to recommend the payment of a dividend. It is proposed that the retained profit for the period be transferred to reserves.

BUSINESS REVIEW, FUTURE DEVELOPMENTS AND EVENTS SINCE THE END OF THE YEAR

The review of the business for the year, future developments and events since the end of the year are set out in the Chairman's Statement.

FIXED ASSET INVESTMENTS

Fixed asset investments are stated at cost or valuation and in accordance with the "Guidelines for the valuation and disclosure of venture capital portfolios" published by the British Venture Capital Association. Details of changes in fixed asset investments are set out in note 10 to the financial statements.

INTRODUCTION OF THE EURO

The directors have considered the impact of the Euro and believe that all parts of the group will be able to handle transactions in the Euro with no substantial difficulties or costs.

POLICY ON PAYMENT OF CREDITORS

It is group policy to agree and clearly communicate the terms of payment as part of the commercial arrangements negotiated with suppliers and then to pay according to those based on the timely receipt of an accurate invoice. The company supports and follows the CBI Prompt Payers Code. A copy of the code can be obtained from the CBI at Centre Point, 103 New Oxford Street, London WC1A 1DU.

POLICY ON PAYMENT OF CREDITORS (*continued*)

Trade creditor days based on creditors at 30 June 2001 were 39 days (2000: 39 days).

DIRECTORS

The directors who have held office since 21 January 2000, together with the beneficial interests of those directors holding office as at 30 June 2001 in the shares of company were as follows:

		Ordinary shares of £0.05 each	
		21 January 2000*	30 June 2001
K Olisa	(appointed 28 February 2000)	-	35,720,076+
G Ransom	(appointed 28 February 2000)	-	2,533,384
R Jeynes	(appointed 28 February 2000)	-	253,384
A Merryman	(appointed 28 February 2000)	-	1,013,384
M Cooper	(appointed 10 November 2000)	-	-
T Rosenberg	(appointed 28 February 2000)	-	-
S Stern	(appointed 28 February 2000)	-	-
G Shingles	(appointed 28 February 2000)	-	-
R Fifield	(appointed 28 February 2000)	-	17,857
I Taylor	(appointed 21 September 2000)	-	-
K Barrow	(resigned 28 February 2000)	-	-
T Couldrick	(resigned 28 February 2000)	-	-
Instant Companies Limited	(appointed and resigned 21 January 2000)	-	-
Swift Incorporations Limited	(appointed and resigned 21 January 2000)	-	-

* or date of appointment, if later.

+This holding includes 18,848,000 ordinary shares held by Restoration Limited, which is controlled by K Olisa.

The following directors have been granted options:

	Date of grant	Options Granted	Exercise price
K Olisa	13 March 2000	*1,174,048	£0.05
G Ransom	13 March 2000	**7,995,200	£0.05
G Shingles	13 March 2000	760,000	£0.05
R Jeynes	13 March 2000	**4,385,200	£0.05
A Merryman	13 March 2000	**2,162,200	£0.05
M Cooper	29 November 2000	***50,000	£1.05

* Special conditions apply to 642,048 of these shares, whereby one third may be exercised after March 2001, one third may be exercised after March 2002 and one third may be exercised after March 2003.

** Special conditions apply to 642,200 of these shares, whereby one third may be exercised after March 2001, one third may be exercised after March 2002 and one third may be exercised after March 2003.

*** Special conditions apply to these shares, whereby one third may be exercised after November 2001, one third may be exercised after November 2002 and one third may be exercised after November 2003.

DIRECTORS *(continued)*

Subject to the above and the options held by M Cooper which expire in November 2010, the options can be exercised on any date until March 2010. The market price of the company's shares at the end of the period was £0.64. The range during the period was £2.65 to £0.58. None of the directors have yet exercised any options.

Between 30 June 2001 and 31 August 2001, there have been no changes in the directors' holdings or options except for a further 30,000 options that were issued to M Cooper on 24 July 2001 at an exercise price of £0.59 per option.

SUBSTANTIAL SHAREHOLDINGS

Other than the directors' interests shown above, the company has been advised of the following substantial shareholdings as at 31 August 2001.

	No of ordinary shares held	Percentage of ordinary shares
CIBC Wood Gundy Plc	3,940,000	5.94%
Norwich Union	3,664,100	5.82%

CHANGES IN SHARE CAPITAL

2 Ordinary shares of £1 each, subsequently sub-divided into 40 Ordinary shares of £0.05 each, were issued on incorporation.

On 8 March 2000 50,160,112 Ordinary shares of £0.05 each were issued at par to acquire the entire share capital of Interregnum Venture Marketing Limited.

On 13 March 2000 14,285,714 Ordinary shares of £0.05 each were issued through a placing agreement at £1.40 per share.

On 31 March 2000, 260,741 Ordinary shares of £0.05 were issued for cash at £1.40 per share under a placing agreement between the company and Teather & Greenwood Limited.

During the period 726,500 Ordinary shares were issued as a result of the exercise of options.

AUDITORS

A resolution to appoint Baker Tilly, Chartered Accountants, as auditors will be put to the members at the annual general meeting.

By order of the board

Martin Cooper

M Cooper
Secretary

27-9-2001

Interregnum Plc

DIRECTORS' RESPONSIBILITIES IN THE PREPARATION OF FINANCIAL STATEMENTS

Company law requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of affairs of the company and of the group and of the profit or loss of the group for that period. In preparing those financial statements, the directors are required to:

a. select suitable accounting policies and then apply them consistently;

b. make judgements and estimates that are reasonable and prudent;

c. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;

d. prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the requirements of the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Compliance with the Combined Code

Under the rules of the Alternative Investment Market (AIM) the company is not required to comply with the Combined Code. However, the company has taken steps to comply with the Combined Code in so far as it can be applied practically, given the size of Interregnum Plc and the nature of its operations.

The Directors consider that the Group is not sufficiently large to warrant the need for certain requirements of the Combined Code.

Board of Directors

The Board of Directors, comprising five executive and five independent non-executive directors meets regularly throughout the period. Of these, eight are also Directors of Interregnum Venture Marketing Limited and the board of this subsidiary also meets regularly throughout the year.

Audit Committee

The audit committee is chaired by Richard Fifield with the other members being Geoff Shingles, Adrian Merryman, Roger Jeynes, Teddy Rosenberg and Stanley Stern. The purpose of the committee is to ensure the preservation of good financial practices throughout the group; to monitor that controls are enforced to ensure the integrity of financial information; to review the interim and annual financial statements; and to provide a line of communication between the board and the external auditors.

Remuneration Committee

The remuneration committee is chaired by Geoff Shingles with other members being Richard Fifield and Stanley Stern. It is responsible for the executive directors' remuneration, other benefits and terms of employment, including performance related bonuses and share options.

Internal Control

The board is ultimately responsible for the group's system of internal control and for reviewing its effectiveness.

A comprehensive budgetary process is completed once a year and is reviewed and approved by the board. The group's results as compared to the budget and prior year are reported to the board on a monthly basis. Revenue is reforecast on a monthly basis.

Going Concern

After making appropriate enquiries that the group has adequate resources to continue in operation for the foreseeable future, the board considers that the group's finances are sound. For this reason they continue to adopt the going concern basis in preparing the financial statements.

AUDITORS' REPORT TO THE MEMBERS OF INTERREGNUM PLC

We have audited the financial statements on pages 15 to 33.

Respective responsibilities of directors and auditors
As described on page 12, the directors are responsible for preparing the financial statements. Our responsibilities, as independent auditors, are established by statute, the Auditing Practices Board and by our profession's ethical guidance.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the other information contained in the Annual Report, including the corporate governance statement and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements.

Basis of opinion
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion
In our opinion the financial statements give a true and fair view of the state of affairs of the company and the group at 30 June 2001 and of the group profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Baker Tilly

BAKER TILLY

Registered Auditor
Chartered Accountants
2 Bloomsbury Street
London WC1B 3ST

27-9-2001

Interregnum Plc

GROUP PROFIT AND LOSS ACCOUNT
for the year ended 30 June 2001

	Notes	2001 £	2000 £
TURNOVER	1	1,521,724	1,486,411
Administrative expenses		(2,886,123)	(1,918,358)
Other operating income		91,109	88,743
OPERATING LOSS	2	(1,273,290)	(343,204)
Profit on realisation of investments	4	324,964	177,516
Interest receivable		1,018,840	335,492
Interest payable	5	(54,556)	(24,808)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		15,958	144,996
TAXATION	6	(796)	(24,600)
RETAINED PROFIT FOR THE FINANCIAL YEAR	16	15,162	120,396
Earnings per share			
- Basic	8	0.02p	0.26p
- Fully diluted	8	0.02p	0.19p

Turnover and operating loss for the year arise from the group's continuing operations.

STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
For the year ended 30 June 2001

	2001 £	2000 £
Profit for the financial year	15,162	120,396
Unrealised (deficit)/surplus on revaluation of fixed asset investments	(2,235,426)	4,899,654
Realised gains on fixed asset investments	(140,076)	(41,285)
Total recognised gains and losses relating to the year	(2,360,340)	4,978,765

Interregnum Plc
GROUP BALANCE SHEET
30 June 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Tangible assets	9	355,791	216,752
Investments	10	14,551,452	11,461,094
		14,907,243	11,677,846
CURRENT ASSETS			
Debtors	11	1,316,048	844,698
Cash at bank and in hand		7,994,754	13,903,515
		9,310,802	14,748,213
CREDITORS: Amounts falling due within one year	12	(1,109,747)	(581,723)
NET CURRENT ASSETS		8,201,055	14,166,490
TOTAL ASSETS LESS CURRENT LIABILITIES		23,108,298	25,844,336
CREDITORS: Amounts falling due after more than one year	13	-	(398,023)
NET ASSETS		23,108,298	25,446,313
CAPITAL AND RESERVES			
Called up share capital	15	3,271,655	3,249,330
Share premium account	16	18,876,852	18,876,852
Revaluation reserve	16	3,637,871	6,013,373
Merger reserve	16	(2,406,655)	(2,406,655)
Profit and loss account	16	(271,425)	(286,587)
EQUITY SHAREHOLDERS' FUNDS	16	23,108,298	25,446,313

Approved by the board on 27/9/01

Ken Olisa Director

Interregnum Plc
COMPANY BALANCE SHEET
30 June 2001

	Notes	2001 £	2000 £
FIXED ASSETS			
Investments	10	15,248,446	7,944,018
CURRENT ASSETS			
Debtors	11	2,378,913	14,182,164
Cash at bank and in hand		6,788,433	-
		9,167,346	14,182,164
CREDITORS: Amounts falling due within one year	12	(67,613)	-
NET CURRENT ASSETS		9,099,733	14,182,164
NET ASSETS		24,348,179	22,126,182
CAPITAL AND RESERVES			
Called up share capital	15	3,271,655	3,249,330
Share premium account	16	18,876,852	18,876,852
Revaluation reserve	16	1,850,745	-
Profit and loss account	16	348,927	-
EQUITY SHAREHOLDERS' FUNDS	16	24,348,179	22,126,182

Approved by the board on 27/9/01

Ken Olisa Director

Interregnum Plc

CASH FLOW STATEMENT

for the year ended 30 June 2001

	Notes	2001 £	2000 £
Net cash flow from operating activities	17a	(1,488,442)	(379,265)
Returns on investments and servicing of finance	17b	964,284	134,155
Taxation		(24,600)	(2,792)
Capital expenditure and financial investment	17b	(5,374,953)	(5,295,979)
CASH OUTFLOW BEFORE USE OF LIQUID RESOURCES AND FINANCING		(5,923,711)	(5,543,881)
Financing	17b	14,950	19,618,195
(DECREASE)/INCREASE IN CASH		(5,908,761)	14,074,314

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET DEBT

		2001 £	2000 £
(Decrease)/increase in cash in the period		(5,908,761)	14,074,314
Decrease in debt and lease financing		7,375	16,813
Loan		-	(375,621)
Exchange movements		(27,814)	(20,654)
Change in net debt		(5,929,200)	13,694,852
OPENING NET FUNDS/(DEBT)		13,498,118	(196,734)
CLOSING NET FUNDS	17c	7,568,918	13,498,118

BASIS OF ACCOUNTING

The financial statements have been prepared under the historical cost convention modified to include the revaluation of fixed asset investments and in accordance with applicable accounting standards.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate those of Interregnum Plc and all of its subsidiary undertakings for the year. Subsidiaries acquired during the year are generally consolidated using the acquisition method. Their results are consolidated from the date that control passes. The difference between the acquisition cost of the shares in the subsidiary and the fair value of the separable net assets acquired is carried as goodwill. The acquisition of Interregnum Venture Marketing Limited has been accounted for as a merger. The consolidated financial statements merge the financial statements of the company and Interregnum Venture Marketing Limited as if they had always so been owned. Accordingly, in those periods when mergers take place, the whole of the results, assets, liabilities and shareholders funds of the merged companies are consolidated regardless of the actual merger date, and corresponding figures for the previous periods are restated.

All financial statements have been made up to 30 June.

TANGIBLE FIXED ASSETS

Tangible fixed assets are stated at cost. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value evenly over its expected useful life, as follows:-

Improvements to short leasehold land and buildings	15% straight line
Fixtures, fittings and computer equipment	15%-33% straight line

FOREIGN CURRENCIES

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

LEASING AND HIRE PURCHASE COMMITMENTS

Assets held under finance leases and hire purchase contracts, which are those where substantially all the risks and rewards of ownership of the asset have passed to the group, are capitalised in the balance sheet and depreciated over their useful lives.

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding.

Rentals paid under operating leases are charged to the profit and loss account on straight line basis over the lease term.

VALUATION OF FIXED ASSET INVESTMENTS

Fixed asset investments, comprising equity shares and share options, are stated at cost or valuation and in accordance with the "Guidelines for the valuation and disclosure of venture capital portfolios" published by the British Venture Capital Association on the following basis:

- Early stage investments: these are investments in immature companies, including seed, start-up and early stage investments. Such investments are valued at cost less any provision considered necessary, until no longer viewed as early stage or unless a significant transaction involving an independent third party at arm's-length values the investment at a materially different value.

VALUATION OF FIXED ASSET INVESTMENTS *(continued)*

- Development stage investments: such investments are in mature companies having a maintainable trend of sustainable profits and from which an exit, by way of flotation or trade sale, can be reasonably foreseen. An investment of this stage is periodically revalued by reference to open market value. Valuation will usually be by one of four methods as indicated.

  i) At cost for at least one period unless such a basis is unsustainable;

  ii) On a third party basis based on the price at which a subsequent issue of capital is made involving a significant investment by a new investor;

  iii) On an earnings basis, but not until at least a period since the investment was made, by applying a discounted price/earnings ratio to profit after taxation, either before or after interest; or

  iv) On a net asset basis, again applying a discount to reflect the illiquidity of the investment.

- Quoted investments: such investments are valued using the quoted market price, discounted if the shares are subject to any particular restrictions or are significant in relation to the issued share capital of a small quoted company.

- Share options are subject to vesting and other conditions set out in the options agreements. The valuation is based on all share options which have vested.

A review of permanent diminution in value is undertaken by reference to funding, investment or offers in progress after the balance sheet date. No adjustment is made for any uplift in value after the balance sheet date.

PENSION CONTRIBUTIONS
The costs of providing pension contributions for employees are charged to the profit and loss account. The company contributes 2% of an employee's gross salary into a personal pension fund of their choice.

DEFERRED TAXATION
Provision is made for taxation deferred or accelerated by the effect of timing differences to the extent that it is probable that a liability will crystallise at the rate expected to be ruling at that date. Deferred tax is recognised in the Statement of Total Recognised Gains and Losses on revaluations where at the balance sheet date there is an agreement to sell the asset. Details of the liability that would arise if the assets were to be sold at their carrying values is disclosed in note 10.

TURNOVER
Turnover represents the total invoice value, excluding Value Added Tax, of services rendered during the period.

1 TURNOVER

The group's turnover and profit before taxation were all derived from its principal activities. Sales were made in the following geographical markets:

	2001 £	2000 £
United Kingdom	1,191,252	1,162,057
Other European countries	90,972	26,683
USA and Canada	239,500	297,671
	1,521,724	1,486,411

2 OPERATING LOSS

	2001 £	2000 £
The operating loss is stated after charging/(crediting):		
Depreciation of owned tangible fixed assets	86,603	24,055
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	8,529	14,772
Operating lease rentals:		
Land and buildings	170,000	170,000
Auditors' remuneration	22,250	16,000
Exchange losses	27,814	20,654
Operating lease rental income	(91,109)	(88,743)

Amounts payable to the company's auditors in respect of non-audit services were £81,450 (2000: £85,500).

3 EMPLOYEES

	2001 No.	2000 No.
The average monthly number of persons (including directors) employed by the group during the period was:		
Office and management	25	14

	2001 £	2000 £
Staff costs for above persons:		
Wages and salaries	1,356,051	940,385
Social security costs	147,808	72,459
Other pension costs	14,293	5,018
	1,518,152	1,017,862

3 EMPLOYEES (*continued*)

	2001 £	2000 £
DIRECTORS' REMUNERATION		
Emoluments	463,384	489,860
Highest paid director		
Emoluments	120,000	147,323

4 PROFIT ON REALISATION OF INVESTMENTS

	2001 £	2000 £
Realisation of investments	184,888	136,231
Transfer from revaluation reserve on realisation of disposal of investments	140,076	41,285
	324,964	177,516

5 INTEREST PAYABLE

	2001 £	2000 £
Bank loans and overdrafts	-	6,870
Other loans	53,659	14,794
Finance charges payable under finance leases and hire purchase contracts	897	3,144
	54,556	24,808

6 TAXATION

	2001 £	2000 £
Corporation tax for the year	2,000	24,600
Overprovision in prior year	(1,204)	-
	796	24,600

7 PROFIT ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

	2001 £	2000 £
Dealt with in the financial statements of the parent company	348,927	-
Retained by subsidiary undertaking	(332,969)	120,396
	15,958	120,396

No profit and loss account is prepared for Interregnum Plc as provided by section 230(3) Companies Act 1985.

The group profit and loss account for the period from incorporation of Interregnum Plc on 21 January 2000 until 30 June 2001 is as follows:

	£
TURNOVER	2,281,354
Administrative expenses	(3,961,337)
Other operating income	127,267
OPERATING LOSS	(1,552,716)
Profit on realisation of investments	502,480
Interest receivable	1,348,314
Interest payable	(71,214)
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION	226,864
TAXATION	(11,088)
RETAINED PROFIT FOR THE FINANCIAL PERIOD	215,776

8 EARNINGS PER SHARE

The calculation of earnings per share is calculated on a Group profit of £15,162 (2000: £120,396) and on a weighted average of 65,141,092 (2000: 45,530,929) shares in issue during the period.

The calculation of fully diluted earnings per share is calculated on a Group profit of £15,162 (2000: £120,396) and on a fully diluted number of shares subject to options of 82,270,546 (2000: 63,024,988) during the period.

9 TANGIBLE FIXED ASSETS

Group	Improvements to short leasehold land and buildings	Fixtures, fittings and computer equipment	Total
	£	£	£
Cost			
1 July 2000	42,694	252,186	294,880
Additions	25,072	209,099	234,171
30 June 2001	67,766	461,285	529,051
Depreciation			
1 July 2000	8,398	69,730	78,128
Charged in year	9,225	85,907	95,132
30 June 2001	17,623	155,637	173,260
Net book value			
30 June 2001	50,143	305,648	355,791
30 June 2000	34,296	182,456	216,752

The net book value of fixtures, fittings and computer equipment includes £7,305 (2000 : £13,250) in respect of assets held under finance leases and hire purchase contracts

10 INVESTMENTS

Group	Unlisted investments	Listed investments	Loans	Total
	£	£	£	£
1 July 2000	7,046,982	212,256	4,201,856	11,461,094
Additions	3,146,806	1,274,840	2,470,225	6,891,871
Disposals	-	(316,087)	-	(316,087)
Repayments	-	-	(1,250,000)	(1,250,000)
Revaluation	(2,207,081)	(28,345)	-	(2,235,426)
30 June 2001	7,986,707	1,142,664	5,422,081	14,551,452

10 INVESTMENTS *(continued)*

On an historical cost basis, these fixed asset investments would have been included as follows:

	2001 £	2000 £
Listed investments	1,098,829	-
Unlisted investments	4,794,039	5,447,721
	5,892,868	5,447,721
Valuation:		
Listed investments – market value	1,002,588	209,631
Estimated taxation on potential capital gain if sold at valuation	1,091,361	1,804,012

Company:	Subsidiary undertakings £	Unlisted investments £	Listed investments £	Loans £	Total £
Cost or valuation					
21 January 2001	-	-	-	-	-
Additions	2,508,003	1,636,015	-	3,800,000	7,944,018
1 July 2000	2,508,003	1,636,015	-	3,800,000	7,944,018
Additions	150,000	3,061,155	1,022,303	2,470,225	6,703,683
Disposals	-	-	-	(1,250,000)	(1,250,000)
Revaluation	-	1,904,849	(54,104)	-	1,850,745
30 June 2001	2,658,003	6,602,019	968,199	5,020,225	15,248,446

The Group holds more than 20% of the equity share capital of Computerwire.Com Limited, being an unlisted investment included above. The Group's interests are set out below

	Class of holding	Proportion held	Nature of business
Computerwire.Com Limited	Ordinary	21% *	Publishers
	"A" Preferred Shares	13%	

* Of this percentage, 2% is held by Interregnum Venture Marketing Limited. In addition, the Group has advanced loans of £223,717 to Computerwire.Com Limited.

Computerwire.Com Limited is not treated as an associated undertaking because it forms part of the group's investment portfolio. At 31 July 2000, being the first and latest financial statements available, the aggregate capital and reserves of Computerwire.Com Limited were £1,630,679 and its loss after taxation for the period then ended was £966,135.

10 INVESTMENTS (*Continued*)

Subsidiary undertakings

Name of subsidiary	Class of Holding	Proportion held directly	Nature of business
Interregnum Venture Marketing Limited	Ordinary	100%	Management and marketing consultants
Interregnum Investment Partners Limited	Ordinary	100%	Fund Manager

Interregnum Venture Marketing Limited was acquired on 8 March 2000 and such acquisition has been accounted for as a merger. Interregnum Investment Partners was incorporated on 27th June 2000.

On 8 March 2000 50,160,112 ordinary shares of £0.05 in Interregnum Plc were issued in respect of 100% of the issued ordinary shares of £0.01 in Interregnum Venture Marketing Limited.

The aggregate value of the net assets of each party to the merger at the date of the merger was:

	Interregnum Plc £	Interregnum Venture Marketing Limited £
Net assets	-	4,183,031

Profit and Loss Account

	Pre Merger		Post Merger	
	2000 Interregnum Plc £	2000 Interregnum Venture Marketing Limited £	2000 Interregnum Plc £	2000 Interregnum Venture Marketing Limited £
	-	(65,644)	-	186,040

Statement of total recognised gains and losses for the period end 30 June 2001

	Pre Merger		Post Merger	
	2000 Interregnum Plc £	2000 Interregnum Venture Marketing Limited £	2000 Interregnum Plc £	2000 Interregnum Venture Marketing Limited £
	-	293,913	-	4,684,852

11 DEBTORS

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Due within one year:				
Trade debtors	485,914	298,740	-	-
Amounts due from group undertakings	-	-	2,071,442	14,182,164
Other debtors	628,296	351,813	294,334	-
Prepayments and accrued income	101,838	94,145	13,137	-
	1,216,048	744,698	2,378,913	14,182,164
Due in more than one year:				
Other debtors	100,000	100,000	-	-
	1,316,048	844,698	2,378,913	14,182,164

Included in other debtors is an amount of £246,934 (2000: £Nil) that relates to the costs incurred in the process of raising Interregnum Fund 1. In accordance with the fund rules, establishment costs of up to 1% of total commitments will be borne by the fund. The directors have carried these costs forward as they remain confident the fund raising process will be successful. In the event that the fund does not proceed to completion it would be necessary to charge the costs to profit and loss account.

12 CREDITORS: Amounts falling due within one year

	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Obligations under finance leases and hire purchase contracts	1,747	7,374	-	-
Trade creditors	398,005	233,745	2,362	-
Corporation tax	796	24,600	-	-
Loan	424,089	-	-	-
Other taxation and social security	58,367	34,921	-	-
Other creditors	118,128	149,207	65,251	-
Accruals and deferred income	108,615	131,876	-	-
	1,109,747	581,723	67,613	-

13 CREDITORS: Amounts falling due in more than one year	Group 2001 £	Group 2000 £	Company 2001 £	Company 2000 £
Obligations under finance leases and hire purchase contracts	-	1,748	-	-
Loan	-	396,275	-	-
	-	398,023	-	-

Obligations under finance leases and hire purchase contracts are secured on the related assets.

14 FINANCIAL INSTRUMENTS

With the exception of the following items, all of the company's financial assets and liabilities are designated in sterling:

	2001 £	2000 £
Trade investments		
US dollars	1,305,357	248,409
Euros	968,199	-
	2,273,556	248,409
Bank deposit in US dollars	523,205	-
Loan repayable in US dollars	424,089	396,275

The US dollar loan is repayable on 30 September 2001 and bears interest at a fixed rate of 12%.

The group had cash balances on deposit at 30 June 2001 of £7,994,754 (2000: £13,903,515) which were earning interest at variable market rates.

As part of its trade investment portfolio the company has made loans, which aggregated £5,422,081 at 30 June 2001 (2000: £4,201,856) and bear interest at fixed rates varying between 6% and 8%.

The group had undrawn committed borrowing facilities at 30 June 2001 of £100,000 (2000: £200,000) which facilities are available for utilisation until February 2002.

15 SHARE CAPITAL

	2001	2000
	£	£
Authorised:		
Ordinary shares of £0.05 each	5,000,000	4,600,000

Allotted, issued and fully paid:	2001	2001	2000	2000
	No	£	No	£
Ordinary shares of £0.05 each	65,433,107	3,271,655	64,986,607	3,249,330

2 Ordinary shares of £1 each, subsequently sub-divided into 40 Ordinary shares of £0.05 each, were issued on incorporation.

On 8 March 2000, 50,160,112 Ordinary shares of £0.05 were issued at par to acquire the entire issued share capital of Interregnum Venture Marketing Limited.

On 13 March 2000, 14,285,714 Ordinary shares of £0.05 were issued through a placing agreement at £1.40 per share.

On 31 March 2000, 260,741 Ordinary shares of £0.05 were issued for cash at £1.40 per share under a placing agreement between the company and Teather & Greenwood Limited.

During the period, 726,500 ordinary shares were issued as a result of the exercise of options.

The net proceeds of the placing are being used to accomplish the following objectives:

- expand the core of Interregnum Venture Marketing Limited's line of business
- to establish a managed fund to invest in venture marketing clients
- the expansion of all other lines of business

Share Options

The company has granted options, which remain exercisable, to subscribe for ordinary shares of £0.05 each as follows:

Date Granted	Number of ordinary shares	Option price per share £
10 March 2000	20,411,348	0.05
10 March 2000	4,360,000	1.12
15 September 2000	40,000	1.13
29 November 2000	50,000	1.05
12 January 2001	17,500	0.56
24 January 2001	3,000	0.56
31 January 2001	200,000	0.83
31 January 2001	210,000	0.88
12 February 2001	2,500	0.56
1 March 2001	200,000	0.83
1 March 2001	25,000	0.71
23 April 2001	2,500	0.56
1 May 2001	35,000	0.65
13 May 2001	50,000	0.66
6 June 2001	200,000	0.68
	25,806,848	

15 SHARE CAPITAL *(continued)*

Subject to the disclosures in the directors' report, these options are exercisable in whole or in part any time up to the tenth anniversary of their respective grant dates.

During the period options were exercised as noted below:

Date exercised	Number of ordinary shares	Consideration per share £
15 March 2000	80,000	0.05
31 March 2000	200,000	1.12
25 October 2000	38,000	0.05
11 December 2000	47,500	0.05
21 December 2000	161,000	0.05
20 March 2001	19,000	0.05
25 May 2001	19,000	0.05
6 June 2001	162,000	0.05
	726,500	

16 RESERVES AND RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

	Share capital £	Share premium account £	Merger reserve £	Revaluation reserve £	Profit and loss account £	Total shareholders' funds £
Group						
1 July 2000	3,249,330	18,876,852	(2,406,655)	6,013,373	(286,587)	25,446,313
New share capital issued	22,325					22,325
Adjustment on revaluation				(2,235,426)		(2,235,426)
Gains realised in year				(140,076)		(140,076)
Profit for financial period					15,162	15,162
30 June 2001	3,271,655	18,876,852	(2,406,655)	3,637,871	(271,425)	23,108,298

	Share capital £	Share premium account £	Revaluation reserve £	Profit and loss account £	Total shareholders' funds £
Company					
New share capital issued	3,249,330				3,249,330
Premium on issue of shares		19,851,714			19,851,714
Issue costs written off		(974,862)			(974,862)
1 July 2000	3,249,330	18,876,852			22,126,182
New share capital issued	22,325				22,325
Adjustment on revaluation			1,850,745		1,850,745
Profit for financial year				348,927	348,927
30 June 2001	3,271,655	18,876,852	1,850,745	348,927	24,348,179

17 CASH FLOWS

		2001	2000
		£	£
a	Reconciliation of operating loss to net cash inflow from operating activities		
	Operating loss	(1,273,290)	(343,204)
	Depreciation	95,132	38,827
	Increase in debtors	(471,350)	(297,148)
	Increase in creditors	133,252	201,606
	Exchange loss	27,814	20,654
	Net cash flow from operating activities	(1,488,492)	(379,265)

		2001	2000
		£	£
b	Analysis of cash flows for headings netted in the cash flow		
	Returns on investments and servicing of finance		
	Interest received	1,018,840	158,963
	Interest paid	(53,659)	(21,664)
	Interest element of finance lease rental payments	(897)	(3,144)
	Net cash inflow from returns on investments and servicing of finance	964,284	134,155
	Capital expenditure and financial investment		
	Payments to acquire tangible fixed assets	(234,171)	(147,903)
	Payments to acquire investments	(6,891,871)	(5,426,162)
	Sale of investments	1,751,089	278,086
	Net cash outflow from capital expenditure and financial investment	(5,374,953)	(5,295,979)
	Financing		
	Issue of share capital	22,325	20,223,046
	Expenses paid in connection with share issue	-	(963,534)
	Loan received	-	375,496
	Capital element of finance lease rental payments	(7,375)	(16,813)
	Net cash inflow from financing	14,950	19,618,195

CASH FLOWS *(continued)*

		At 1 July 2000	Cash flow	Exchange movements	At 30 June 2001
17c	Analysis of changes in net debt	£	£	£	£
	Cash in hand, at bank	13,903,515	(5,908,761)	-	7,994,754
	Debt due within 1 year				
	Finance leases	(1,747)	-	-	(1,747)
	Loans	-	(396,275)	(27,814)	(424,089)
	Debt due after 1 year				
	Finance leases	(7,375)	7,375	-	-
	Loans	(396,275)	396,275	-	-
		(405,397)	7,375	(27,814)	(425,836)
	Total	13,498,118	(5,901,386)	(27,814)	7,568,918

18 COMMITMENTS UNDER OPERATING LEASES

At 30 June 2001 the group had annual commitments under non-cancellable operating leases as follows:

	2001 £	2000 £
Land and buildings expiring after five years	170,000	170,000