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INTERREGNUM PLC

REPORT AND FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2005



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YEAR ENDED 30 JUNE 2005

PKF (UK) LLP

INTERREGNUM PLC
(Registered Number 3914068)
ANNUAL REPORT
YEAR ENDED 30 JUNE 2005

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INTERREGNUM PLC

CHAIRMAN'S STATEMENT

Chairman's statement

In the following Q&A, Ken Olisa provides his analysis of Interregnum's year to 30 June 2005 and the prospects for the year ahead.

Q: The markets seem to be being kinder to technology stocks – is this a sustainable phenomenon or a flash in the pan?

A: The last year has seen the tech sector continue to regain positive momentum. The fundamental driver of this is the global move towards the use of the internet to conduct business, where we are seeing an explosion in the number of potentially interconnected devices taking advantage of the widespread access to data and users – what we call the 'Age of Ubiquity'. We are witnessing the early stages of a highly disruptive period as each new family of devices threatens an existing business.

As a result, large established companies are implementing defensive strategies by gaining scale through mergers and acquisitions. At the same time these organisations are sourcing competitive solutions to meet market needs by acquiring smaller innovative companies at the other end of the spectrum, both of which has resulted in an increase in transaction activity. One dark cloud on the horizon is the reducing level of capital available from professional VCs around Europe. However a consequence of this is that early stage companies are both more open to advice than in boom times and, equally, they are willing to explore innovative approaches to growing their value from more reasonably priced expectations.

These effects – consolidation at the top end through to an urgency to establish a market presence among smaller companies - provide Interregnum with a fertile environment which we expect to be sustained for years to come.

Q: In what way is this improving climate having an effect on your results?

A: As you will have noted in the Highlights section, Interregnum Group revenues grew by 112% from £3.77m to £7.98m, our operating losses stabilised at £1.55m and the key measure of our value added – total recognised gains and losses – has also stabilised.

Q: But that revenue growth was due in large part to companies that you have acquired – what's happening to the underlying business?

A: To talk of an 'underlying business' is to miss what we mean when we describe ourselves as a technology merchant bank.

To clarify things, let me describe what we do. As a technology merchant bank our mission is to "Transform technology into wealth". We do this in a variety of ways – buying, selling, advising, investing in and operating companies across the technology spectrum – anything where our intellectual capital, network and access to financial capital can help create value.

The Interregnum Group consists of three elements: 1) the core investment and advisory business, 2) the subsidiaries directly controlled by us during the year and 3) a portfolio of minority holdings in

INTERREGNUM PLC
CHAIRMAN'S STATEMENT
(continued)

other companies.

Our financial results include the first two of these and the increase in the value of the portfolio of holdings is included in the total recognised gains and losses.

In the last year, the value of our core business' revenues grew as well as those of our subsidiaries (Yospace, AVM and CDS). Importantly, in addition to the overall revenue increase of 112%, the value of our portfolio increased too. The core Interregnum revenues rose by 116% to £1.35m and the company's portfolio is now valued at £7.16m up 55% on the year before.

Q: Staying with the numbers – you say the operating losses have 'stabilised'. This sounds good, but you had previously said it was the intention to get this part of the business to break even – not stabilise its losses. When will this be?

A: The summary numbers do not yet fully reflect the major changes which we have made in the fee-earning advisory part of our business. During the period, seven new people were recruited which has significantly enhanced both the quality and quantity of our fee-earning capability and has resulted in second half revenue growth. Since year end, that growth has continued, exemplified by the significant advisory fees of over £500k which we generated from a large transaction which completed in October 2005. The additions to this team have genuinely transformed it, which is why I remain confident that we will reach operational profitability during the current financial year – our previously stated plan.

Q: OK, to get the structure clear, the core Interregnum does what?

A: We buy, sell, advise, invest in and operate technology companies.

Q: Does "buy and sell" mean the same as M&A – mergers and acquisitions?

A: Yes – we do this both for our clients and on our own account. Using our network of technology and business contacts, our deep knowledge of the industry and our tried and tested methodologies, we have worked for buyers and sellers in Europe and the US.

Q: Can you give some examples of buying and/or selling transactions?

A: During the last year we have worked for clients in the UK, Czech Republic, Italy and the USA. In January 2005 we acquired Audio Visual Machines (AVM) for ourselves and subsequently they purchased the assets of ITM Group Ltd (ITM). We led the sale of Chevin to Florida-based Allen Systems Group (ASG) on behalf of their venture capital owner, MTI, and, shortly after the year end, we sold a UK plc's high technology portfolio to a secondary private equity fund.

Q: And outside of M&A activity?

A: For over a decade, since Interregnum's foundation in 1992, we have also acted as a trusted advisor to ambitious IT entrepreneurs and their investors.

During the last financial year we have provided a range of advisory services, assisting clients, amongst other things, to develop strategies, raise funds, build partnerships and value their assets.

INTERREGNUM PLC
CHAIRMAN'S STATEMENT
(continued)

Companies with whom we have worked are as diverse as AIM-listed Petards (AIM: PED) to DestiNY USA – the 21st century technology cluster being developed as part of an estimated US\$20 billion initiative in Upstate New York. At DestiNY, we are working on IP commercialisation projects as well as providing financial advice and support and valuation methodologies.

Q: You have very little investment firepower – how are you able to invest?

A: We do have limited capital resources of our own which we have generally used to acquire control of businesses which we intend to operate, of which AVM and The Video Meeting Company (VMC) are the most recent examples. The main source of capital for other deals, on which we have advised, comes from external sources – mainly high net worth individuals – from whom we have successfully raised over £4m during the year. In these relationships our approach is to charge an arrangement fee and a share of the profits earned by our partners when the investment is realised.

Q: And finally, you also run businesses directly – how does that fit with your role as a venture capitalist?

A: Firstly, we are not a venture capitalist, we are a technology merchant bank. Where we do make VC-like investments, we ensure that, through the shareholder agreements and board structure, we can exert significant influence over the business strategy and its execution of the portfolio company. And where we can, we prefer to have majority ownership of our investments – they become operating subsidiaries of Interregnum. Currently we have two such subsidiaries, Yospace and AVM, having sold CDS to Red-M in 2005.

Q: Yospace and AVM – what do they do and how are they performing?

A: Yospace (www.yospace.com) is a software developer providing solutions to mobile operators such as Orange, Vodafone and 3. They have two core products: handset emulators and the MCP (Media Communications Platform) to enable MMS (multi media messaging system) applications to be developed. The handset emulation division helps the mobile operators' call centres to minimise costs by helping representatives to deal with functionality questions efficiently and without the need to have a version of every handset available for each call centre operator. MMS enabled applications form an important bridge between second and third generation mobile telephone use.

AVM (www.avmachines.com) is a systems integrator specialising in the installation of complex video conferencing and audiovisual solutions for major corporations such as Pfizer and BP.

As you will see from the detailed accounts, Yospace turned in flat revenues in year under review on disappointing sales of the MCP products following a delay to the implementation of a large contract with a major mobile phone company. The good news is that this project has now commenced and we expect to see revenue growth from Yospace in the current financial year.

AVM had a good year having been acquired by the Group in January 2005. AVM's revenues were £1.89m (for the five months to June 2005) which was an increase of 58% on the same period last year. Boosted by the subsequent acquisition of ITM, AVM concluded the year under review on an upward trajectory and we are confident that the recent merger with VMC will accelerate that growth.

INTERREGNUM PLC
CHAIRMAN'S STATEMENT
(continued)

Q: And what is the future for these subsidiaries - do you intend to become a diversified technology conglomerate?

A: No. As a technology merchant bank, we intend to build value in all of our assets and to exit them when appropriate either via a trade sale or a flotation.

Q: Just as your business seems to be travelling in the right direction you are growing in the US – isn't this a risky diversion?

A: The planners behind DestiNY USA (www.destinyusa.com) intend it to become America's most visited leisure destination based on the use of innovative technologies ranging from IT and communications through to renewable energy. Interregnum has been appointed as a key advisor and we enjoy a very constructive relationship with the project's leaders. While to have such a dominant client is not without its risks, the DestiNY project has already proved financially beneficial to us and our strong relationship there provides a springboard for our expansion into the US market.

Q: Where's the value in Interregnum?

A: Interregnum's value comes from three parts of the business: the fee-earning advisory activity, our operating subsidiaries (such as AVM and Yospace) and our portfolio of investments. I have discussed the value of our advisory business and operating subsidiaries above. One of our portfolio companies, Respond, gives an excellent example of the value in our investment portfolio. This software company, in which we hold a 20% equity stake, has had an outstanding two years, selling its complaint management and compliance software to the financial services sector, and delivering strong profit and cash growth. As a result, it has repaid debt which it owed to Interregnum and enabled us to record a significant increase in the value at which we carry the investment.

Portfolio table

Company	Holdin g %	BVCA value £000	Revenue multiple	
			1X £000	2X £000
AVM	77%	530	5,000	10,000
Yospace	54%	840	1,230	2,460
Red-M	46%	1,210	2,160	4,320
Metapraxis	18%	300	504	1,008
Respond	20%	3,280	1,180	2,360
Adaptive	15%	450	408	816
		<u>6,610</u>	<u>10,482</u>	<u>20,964</u>

INTERREGNUM PLC
CHAIRMAN'S STATEMENT
(continued)

Q: As ever, you sound very upbeat and the news all sounds positive. Did anything go wrong last year?

A: Ah that's a very British question! But not an unreasonable one. And yes, not everything did go as well as we had hoped. A great disappointment was the failed IPO of Red-M. In 2004, we acquired CDS, a consultancy specialising in designing wireless infrastructure systems for the mobile phone operators and large landlords such as BAA. We successfully repositioned CDS to take advantage of the explosion in wireless usage by focusing its business on what is known as "Total Airspace Management". In April 2005, we merged it with a wireless security company, Red-M, which was owned principally by the leading venture capitalists, Apax and Amadeus. The plan was to list the combined company on AIM and in so doing, to raise sufficient funds to see it through to profitability. Unfortunately, market conditions forced the flotation to be aborted.

Q: And what happens to CDS/Red-M now – will it go bust?

A: Despite the aborted flotation, the value inherent in Red-M has not changed. We are currently negotiating a further private round of investment which should provide it with sufficient funds to proceed to profitability. The vision for the company – Total Airspace Management – remains demonstrably relevant, and once Red-M has secured its financing I believe that our asset will grow in value, returning a profit to Interregnum.

Q: What's your prognosis for the next 12 months?

A: The market for technology will continue to favour our mix of activities over the coming year and our plan is to grow organically in each of our main activities while demonstrating our ability to add value by disposing of one or more of our assets. At the same time we will remain vigilant for any scale building opportunities that can take advantage of our assets.

Thank you.

INTERREGNUM PLC

DIRECTORS' REPORT

The directors present their report and financial statements for the year ended 30 June 2005.

RESULTS AND DIVIDENDS

The Group loss for the year after taxation amounted to **£355,552** (2004: loss of £423,819). The directors do not recommend a final dividend for the year (2004: £nil). It is proposed that the retained loss for the year be transferred from reserves.

PRINCIPAL ACTIVITY

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 technology companies.

REVIEW OF THE BUSINESS, FUTURE DEVELOPMENTS AND EVENTS SINCE THE BALANCE SHEET DATE

The review of the business for the year, future developments and events since the end of 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 13 to the financial statements.

CREDITOR PAYMENT POLICY

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.

Trade creditor days based on creditors at 30 June 2005 were 46 days (2004: 47 days) for the Group and 49 days (2004: 63 days) for the Company.

DIRECTORS AND THEIR INTERESTS

The directors who have held office during the year, together with the beneficial interests of those directors holding office as at 30 June 2005, are as follows:

	Ordinary shares of £0.05 each	
	At 30 June 2005	At 30 June 2004 (or date of appointment)
K Olisa	36,298,536	36,298,536
R Jeynes	418,384	418,384
M Cooper	45,770	45,770
I Taylor	323,250	250,000
G Shingles	-	-
R Fifield	17,857	17,857
R Cook	-	-
M Morris	1,120,000	1,120,000
J Forrest (Appointed 23 September 2004)	-	-
M Peck (Resigned 7 July 2004)	-	-
G Ransom (Resigned 2 November 2004)	-	2,544,919

INTERREGNUM PLC

DIRECTORS' REPORT

(Continued)

The following directors have been granted options:

	<u>Date of grant</u>	<u>Options granted</u>	<u>Exercise price</u>
K Olisa	13 March 2000	1,174,048	£0.05
R Jeynes	8 April 2003*	4,746,616	£0.05
M Cooper	8 April 2003**	250,000	£0.05
I Taylor	8 April 2003**	5,000,000	£0.05
G Shingles	13 March 2000	760,000	£0.05
G Shingles	27 April 2004***	125,000	£0.05
G Shingles	1 April 2005****	25,000	£0.0675
R Cook	24 July 2003*****	4,500,000	£0.0538
R Cook	8 April 2003**	500,000	£0.05
R Fifield	27 April 2004***	125,000	£0.05
R Fifield	1 April 2005****	25,000	£0.0675
J Forrest	8 April 2003 *****	30,000	£0.05
J Forrest	25 February 2005*****	25,000	£0.0575

* Special conditions apply to these shares, whereby 4,385,200 vested immediately on the date of grant. The remaining 361,416 shares vest equally over a five year period. The first fifth vested on the anniversary of the respective grant date.

** Special conditions apply to these shares, whereby they vest equally over a five year period. The first fifth vested on 1 July 2003.

*** Special conditions apply to these shares, whereby they vest equally over a three year period. The first third vested on 1 July 2004.

**** Special conditions apply to these shares, whereby they vest on 1 April 2006.

***** Special conditions apply to these shares whereby 1,498,141 vest equally over a five year period. The first fifth vest on the anniversary of the respective grant date. The remaining 3,001,859 vest equally over a five year period. The first fifth vested on 30 April 2005.

***** Special conditions apply to these shares whereby they vest equally over a three year period. The first third vested on the anniversary of the grant date.

***** Special conditions apply to these shares whereby they vested on 22 September 2005.

Subject to the above the options can be exercised at any date up to the tenth anniversary of the date of grant. The market price of the Company's shares at 30 June 2005 was £0.08 (2004: £0.0625). The range during the year was £0.0525 to £0.0925 (2004: £0.05 to £0.0941). None of the directors have yet exercised any options.

On 18 July 2005 I Taylor purchased a further 56,750 ordinary shares in Interregnum PLC at a price of £0.075. Other than this there have been no other changes in directors' holdings or options between 30 June 2005 and 27 October 2005.

All options granted above related to Interregnum PLC.

RESEARCH AND DEVELOPMENT

Yospace Technologies Limited build a range of innovative software products targeted at the mobile telecom industry. These products allow mobile operators to launch new customer developments for customer enhancements. CDS, the majority shareholding in which was disposed of during the year, develops services for deployment of efficient wireless infrastructures to support a wide range of technologies. Bespoke software tools have been developed to enhance the quality and transparency of designs, reducing the infrastructure cost for a given level of performance. The amount spent on research and development by the Group during the year totalled £323,331 (2004: £376,701).

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DIRECTORS' REPORT
(Continued)

SUBSTANTIAL SHAREHOLDINGS

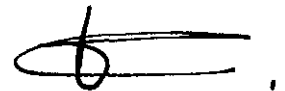
Other than the directors' interests shown above, the Company has been advised of the following substantial shareholdings as at 28 September 2005:

	No of ordinary <u>shares held</u>	% of ordinary <u>shares</u>
Liontrust	12,459,785	13.48%

AUDITORS

On 23 May 2005, PKF transferred their business to PKF (UK) LLP, a limited liability partnership. Under section 26(5) of the Companies Act 1989, the Company consented to extend the audit appointment to PKF (UK) LLP from 23 May 2005. Accordingly, the audit report has been signed in the name of PKF (UK) LLP and a resolution for the reappointment of PKF (UK) LLP will be proposed at the forthcoming Annual General Meeting.

BY ORDER OF THE BOARD



K OLISA
Director

INTERREGNUM PLC

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year 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:

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

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

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with Company law in the United Kingdom.

INTERREGNUM PLC

CORPORATE GOVERNANCE

COMPLIANCE WITH THE COMBINED CODE

Under the rules of the Alternative Investment Market (AIM) the Company is not required to comply with the FRC Code 2003. However, the directors are committed to high standards of corporate governance and have regard to the principles of the FRC Code dated July 2003. The Company's corporate governance procedures are described below.

BOARD OF DIRECTORS

The Board of Directors, currently comprising 5 executive and 4 non-executive directors, meets regularly throughout the year.

AUDIT COMMITTEE

The Audit Committee is chaired by Richard Fifield with the other non-executive director member being John Forrest. As executive director Roger Jeynes attends by invitation. 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 external auditors.

REMUNERATION COMMITTEE

The Remuneration Committee is chaired by Geoff Shingles with the other non-executive member being Richard Fifield. 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. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement of profit.

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, the directors have a reasonable expectation that the Group will continue in operation for the foreseeable future, although note 1 (a) to the financial statements provides further information on the uncertainties inherent in the Group's cash flow forecasts.

**INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
INTERREGNUM PLC**

We have audited the financial statements of Interregnum PLC for the year ended 30 June 2005 which comprise the Consolidated Profit and Loss Account, the Note of Historical Cost Profits and Losses, the Consolidated Statement of Total Recognised Gains and Losses, the Consolidated Balance Sheet, the Company Balance Sheet, the Consolidated Statement of Cash Flows and the related notes. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the Company's members, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 1985. 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 other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only the Directors' Report, the Chairman's Statement, and the Corporate Governance Statement. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Company's and the Group's circumstances, consistently applied and adequately disclosed.

We planned 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.

Fundamental uncertainties

In forming our opinion, we have considered the adequacy of the disclosures made in note 1(a) of the financial statements concerning the uncertainties over the carrying value of certain investments, intangible assets and trade debtors included within the Company and Group balance sheets.

As indicated in note 1 (a) the assumptions inherent in the carrying value of certain investments, intangible assets and trade debtors are dependent on a number of uncertainties which are not within the Group's control. If these assumptions were no longer appropriate, adjustments would be required to the Company and Group Profit and Loss Account and Balance Sheet to record additional liabilities and to write down assets to their recoverable amount. It is not practical to quantify these potential adjustments.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF
INTERREGNUM PLC
(Continued)

In view of the significance of these fundamental uncertainties, we consider that they should be drawn to your attention, however our opinion is not qualified in these respects.

Opinion

In our opinion the financial statements give a true and fair view of the state of the Group's and the Company's affairs as at 30 June 2005 and of the Group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

PKF(UK)LLP

PKF (UK) LLP
Registered Auditors

London, UK
27 October 2005

INTERREGNUM PLC
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 30 JUNE 2005

		<u>Continuing Operations</u>		<u>Discontinued</u>	<u>Total</u>	<u>Total</u>
		<u>Existing</u>	<u>Acquisitions</u>	<u>operations</u>	<u>2005</u>	<u>2004</u>
	<u>Notes</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>	<u>2004</u>
		<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>	<u>£</u>
Turnover	2	2,261,244	1,891,737	3,828,634	7,981,615	3,773,470
Cost of sales	2	-	(1,090,443)	(1,201,375)	(2,291,818)	(746,035)
Gross profit		2,261,244	801,294	2,627,259	5,689,797	3,027,435
Administrative expenses	2	(4,125,590)	(661,845)	(2,564,290)	(7,351,725)	(4,675,699)
Other operating income	2	108,198	-	-	108,198	108,313
Operating (loss)/profit	3	(1,756,148)	139,449	62,969	(1,553,730)	(1,539,951)
Profit on sale of investments	6				4,434	574,663
Release of prior year provision against investments	13				1,271,819	344,880
Amounts written off investments					(98,716)	(95,261)
Net interest (payable)/receivable	7				(58,687)	62,536
Loss on ordinary activities before taxation					(434,880)	(653,133)
Taxation	8				30,300	102,336
Loss on ordinary activities after taxation					(404,580)	(550,797)
Minority interest – equity	22				49,028	126,978
Loss retained for the financial year transferred from reserves	21				(355,552)	(423,819)
Loss per share – basic and diluted	10				(0.38p)	(0.56p)

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NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2005

	<u>2005</u> £	<u>2004</u> £
Loss on ordinary activities before taxation	(434,880)	(653,133)
Realisation of revaluation gains from previous years	-	551,755
Historical cost loss on ordinary activities before taxation	(434,880)	(101,378)
Historical cost (loss)/profit for year retained after taxation and minority interest	(355,552)	127,936

CONSOLIDATED STATEMENT OF
TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2005

	<u>2005</u> £	<u>2004</u> £
Loss for the financial year attributable to members of the parent company	(355,552)	(423,819)
Unrealised surplus on revaluation of fixed asset investments	953,305	451,933
Write-down of previous revaluation of fixed asset investments	(256,896)	-
Temporary diminution in value of fixed asset investments	(360,290)	-
Total recognised (losses)/gains relating to the year	(19,433)	28,114

INTERREGNUM PLC
CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2005

	<u>Notes</u>	<u>2005</u>	<u>2004</u>
		£	£
FIXED ASSETS			
Intangible assets	11	863,324	1,651,234
Tangible assets	12	617,484	386,062
Investments	13	5,648,003	2,280,843
		7,128,811	4,318,139
CURRENT ASSETS			
Stock		160,637	-
Debtors	14	2,038,681	2,143,567
Cash at bank and in hand		886,456	2,859,146
		3,085,774	5,002,713
CREDITORS			
Amounts falling due within one year (including convertible debt)	15	(3,296,519)	(1,915,638)
NET CURRENT (LIABILITIES)/ASSETS		(210,745)	3,087,075
TOTAL ASSETS LESS CURRENT LIABILITIES		6,918,066	7,405,214
CREDITORS			
Amounts falling due after more than one year (including convertible debt)	16	(825,274)	(1,280,833)
PROVISION FOR LIABILITIES AND CHARGES	18	(3,944)	-
NET ASSETS		6,088,848	6,124,381
CAPITAL AND RESERVES			
Called up share capital	20	4,621,263	4,621,263
Share premium account	21	19,430,496	19,430,496
Revaluation reserve	21	789,290	400,634
Merger reserve	21	(2,406,655)	(2,406,655)
Profit and loss account	21	(16,159,905)	(15,751,816)
EQUITY SHAREHOLDERS' FUNDS	21	6,274,489	6,293,922
MINORITY INTERESTS (EQUITY)	22	(185,641)	(169,541)
TOTAL FUNDS EMPLOYED		6,088,848	6,124,381

Approved by the board on 27 October 2005



K Olisa
Director

INTERREGNUM PLC
COMPANY BALANCE SHEET
AS AT 30 JUNE 2005

	<u>Notes</u>	£	<u>2005</u>	£	£	<u>2004</u>	£
FIXED ASSETS							
Tangible assets	12	136,397			175,236		
Investments	13	7,164,975			4,624,417		
				7,301,372			4,799,653
CURRENT ASSETS							
Debtors	14	928,691			1,070,336		
Cash at bank and in hand		595,918			2,593,012		
				1,524,609			3,663,348
CREDITORS							
Amounts falling due within one year (including convertible debt)	15	(1,903,948)			(796,563)		
NET CURRENT (LIABILITIES)/ASSETS				(379,339)			2,866,785
TOTAL ASSETS LESS CURRENT LIABILITIES							
				6,922,033			7,666,438
CREDITORS							
Amounts falling due after more than one year (including convertible debt)	16			(150,000)			(1,200,000)
NET ASSETS				6,772,033			6,466,438
CAPITAL AND RESERVES							
Called up share capital	20			4,621,263			4,621,263
Share premium account	21			19,430,496			19,430,496
Revaluation reserve	21			218,754			400,634
Profit and loss account	21			(17,498,480)			(17,985,955)
EQUITY SHAREHOLDERS' FUNDS				6,772,033			6,466,438

Approved by the board on 27 October 2005



K Olisa
Director

INTERREGNUM PLC
CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2005

	<u>Notes</u>	<u>2005</u> £	<u>2004</u> £
Net cash flow from operating activities	23(a)	(1,086,852)	(1,492,524)
Returns on investments and servicing of finance	23(b)	235,543	102,855
Taxation		96,724	24,089
Capital expenditure and financial investment	23(b)	(862,582)	890,028
Acquisitions and disposals	23(b)	(471,714)	(685,312)
Cash outflow before financing		(2,088,881)	(1,160,864)
Financing	23(b)	(110,814)	2,726,230
(Decrease)/increase in cash		(2,199,695)	1,565,366

RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	<u>Notes</u>	<u>2005</u> £	<u>2004</u> £
(Decrease)/increase in cash in the year		(2,199,695)	1,565,366
Decrease/(increase) in debt and lease financing		110,814	(1,371,121)
Loans and finance leases acquired/(disposed) of with subsidiaries		(162,743)	(18,918)
Loan stock issued on acquisition of subsidiary		(300,000)	(400,000)
Movement in net funds		(2,551,624)	(224,673)
Net funds at 1 July 2004		952,867	1,177,540
Net funds at 30 June 2005	23(c)	(1,598,757)	952,867

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of fixed asset investments and freehold land and buildings, and in accordance with applicable accounting standards.

Going concern

The Company's balance sheet shows that the cash balance has fallen from £2,593,012 to £595,918 during the year and the Company has loans of £1,350,000 due to be repaid within the next twelve months. The holder of the convertible loan note of £1,200,000 has agreed to extend the loan repayment date to 31 October 2006. Also the company has generated positive cash flow since the year end.

A cash flow forecast ("the forecast") has been prepared for the next twelve months which shows that the Company is anticipated to remain within its available cash resources and is able to settle its liabilities as they fall due. Based on the information currently available to them, the directors believe that the cash flow forecast is realistic and achievable. Accordingly, the accounts are prepared on a going concern basis.

Unlisted investments

The Group and Company balance sheets include a balance of £1,209,000 within investments in respect of loans to and shares held in an investee company. The investee company is currently in the process of a fundraising exercise which is intended to generate sufficient cash to enable it to continue to trade for the foreseeable future. Should the investee company not be successful in raising the funds required it would not be able to continue to trade and adjustments would be required to write down the investment in the accounts to its recoverable amount.

The Group and Company balance sheets also include an amount of £447,724 in respect of a loan to another investee company. This company does not currently have sufficient cash flow or assets to repay the loans but the trade in this investee company has recently been improving and the directors of Interregnum PLC believe that it is a reasonable expectation that this investee company will be able to generate sufficient cash flow and profits in the future to repay this debt. Accordingly, no provision has been included in the accounts against the carrying value of the loan.

Investments in subsidiaries and intellectual property

The Group balance sheet includes intellectual property valued at £388,549 and goodwill of £68,200, and the Company balance sheet includes loans to subsidiaries of £861,229 in respect of an investment in a subsidiary. This subsidiary does not currently have sufficient cash resources to enable it to continue to trade for the foreseeable future. However, the subsidiary has recently signed a new contract with a major customer which, taken together with its ongoing business and expected additional investments, the directors believe will generate sufficient income to enable the Company to continue to trade and to settle its liabilities as they fall due.

However, the precise timing of the cash receipts under this new contract is subject to uncertainty and the ability of third parties to provide further funds is also subject to a number of uncertainties.

Should the subsidiary not be able to continue as a going concern, adjustments would be required to record additional liabilities and to write down assets to their recoverable amount. It is not practical to quantify these possible adjustments.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

Trade debtors

The Group and Company balance sheets include trade debtors of approximately £182,000, which have not been received from customers since the year end as, in some cases, the debtors are in the process of raising additional funds. The directors of Interregnum PLC believe that the debtor companies will have sufficient funds to repay the debts and, accordingly, no provision has been included within the accounts against the carrying value of these debts.

(b) Basis of consolidation

The consolidated financial statements incorporate those of Interregnum PLC and all of its subsidiary undertakings for the year. Subsidiaries acquired and disposed of during the year are consolidated and deconsolidated from the date that control passes. Subsidiaries acquired are accounted for using the acquisition method of accounting. 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.

In accordance with the exemption allowed by section 230 of the Companies Act 1985, the Company profit and loss account is not presented.

(c) Goodwill

Positive goodwill arising on acquisitions is capitalised, classified as an asset on the balance sheet, and amortised on a straight line basis over its useful economic life up to a presumed maximum of 20 years. Goodwill arising on recent acquisitions has been written off over 10 years. It is reviewed for impairment at the end of the first full financial year following the acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

(d) Intangible assets

Intangible assets acquired as part of an acquisition of a business are capitalised separately from goodwill if the fair value can be measured reliably on initial recognition. Intangible assets created within the business are not capitalised.

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 10 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable. A discount factor of 30% has been applied to the cash flows in measuring the value in use of the intellectual property and goodwill within Yospace.

(e) Depreciation

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

Freehold buildings	- 2% per annum straight line
Short leasehold improvements	- 15% per annum straight line
Fixtures, fittings and computer equipment	- 15%-33% per annum straight line
Plant and machinery	- 33% per annum straight line
Motor vehicles	- 25-33% per annum straight line

The carrying values of tangible fixed assets are reviewed for impairment if events or changes in circumstances indicate the carrying value may not be recoverable.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

1 ACCOUNTING POLICIES (Continued)

(f) Fixed asset investments

Fixed asset investments, comprising equity shares, share options and loans 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 effective August 2003 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.
- 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 at 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 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 mid 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 the intrinsic value of all share options that have vested. This is the difference between the market value of shares at the balance sheet date and the exercise price. 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.

Investments in subsidiaries are held at cost less provision for impairment.

(g) 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 into sterling at the rate of exchange ruling at the balance sheet date. All differences are taken to the profit and loss account.

(h) Leasing and hire purchase agreements

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 are 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 payable and receivable under operating leases are charged or credited to the profit and loss account on a straight line basis over the lease term.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

1 ACCOUNTING POLICIES (Continued)

(i) Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax, with the following exceptions:

- Provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, or gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

(j) Pensions

The Company contributes 3% of employees' gross salary into personal pension funds of their choice. The costs of providing pension contributions for employees are charged to the profit and loss account as incurred.

(k) Turnover

Turnover from advisory business represents the amount derived from the provision of completed work to clients during the year. Contingency fees (including investment fees) are recognised on completion of the contingent event.

Software licence fees are recognised on delivery of the software licence. For bespoke projects income is recognised on acceptance of the software or hardware installation by the client. Software and hardware support income is recognised evenly over the period of the support agreement.

Mobile and wireless consultancy is recognised on customer acceptance of the completed report.

Turnover from the design, supply and installation of audio visual systems is recognised as contract activity progresses by reference to the value of work performed.

(l) Research and development

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

(m) Stock

Stock is valued at the lower of cost and net realisable value. Costs of finished goods and work in progress include overheads appropriate to the stage of manufacture. Net realisable value is based upon estimated selling price less further costs expected to be incurred to completion and disposal. Provision is made for obsolete and slow-moving items.

(n) Long term contracts

Amounts recoverable on long term contracts, which are included in debtors, are stated at the net sales value of the work done after provisions for contingencies and anticipated future losses on contracts, less amounts received as progress payments on account. Excess progress payments are included in creditors as payments on account.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

2 TURNOVER AND SEGMENTAL ANALYSIS

Turnover and loss by origin were sourced from the UK. The Group operated in four classes of business during the year as noted below.

Turnover by destination is as follows:

	<u>2005</u> £	<u>2004</u> £
UK	7,342,289	3,289,356
Other European countries	71,525	439,922
USA and Canada	444,651	27,824
Other	123,150	16,368
	<u>7,981,615</u>	<u>3,773,470</u>

	<u>2005</u> £	<u>2004</u> £	<u>2005</u> £	<u>2004</u> £	<u>2005</u> £	<u>2004</u> £
	Turnover		Loss on ordinary activities before taxation and minority interest		Net assets	
Continuing operations:						
Investment and advisory	1,351,612	624,948	(145,163)	(355,494)	6,767,762	6,040,514
Less: inter segmental sales	(325,000)	(65,100)	-	-		-
Software development, support and marketing	1,234,632	1,236,808	(478,698)	(369,578)	(777,494)	(370,257)
Acquisitions:						
Design, supply and installation of audio visual systems	1,891,737	-	125,864	-	98,580	-
	<u>4,152,981</u>	<u>1,796,656</u>	<u>(497,997)</u>	<u>(725,072)</u>	<u>6,088,848</u>	<u>5,670,257</u>
Discontinued operations:						
Mobile and wireless consultancy	3,828,634	1,976,814	63,117	71,939	-	454,124
	<u>7,981,615</u>	<u>3,773,470</u>	<u>(434,880)</u>	<u>(653,133)</u>	<u>6,088,848</u>	<u>6,124,381</u>

The analysis of operating profit/(loss) between continuing and discontinued operations is set out below:

	<u>2005</u> £	<u>2005</u> £	<u>2005</u> £	<u>2005</u> £	<u>2004</u> £	<u>2004</u> £	<u>2004</u> £
	Continuing operations		Discontinuing	Total	Continuing	Discontinuing	Total
	Existing	Acquisitions					
Turnover	2,261,244	1,891,737	3,828,634	7,981,615	1,796,656	1,976,814	3,773,470
Cost of sales	-	(1,090,443)	(1,201,375)	(2,291,818)	-	(746,035)	(746,035)
Gross profit	2,261,244	801,294	2,627,259	5,689,797	1,796,656	1,230,779	3,027,435
Administrative expenses	(4,125,590)	(661,845)	(2,564,290)	(7,351,725)	(3,568,711)	(1,106,988)	(4,675,699)
Other operating income	108,198	-	-	108,198	108,313	-	108,313
Operating profit/(loss)	<u>(1,756,148)</u>	<u>139,449</u>	<u>62,969</u>	<u>(1,553,730)</u>	<u>(1,663,742)</u>	<u>123,791</u>	<u>(1,539,951)</u>

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

3 OPERATING (LOSS)/PROFIT	<u>2005</u> £	<u>2004</u> £
This is stated after charging/(crediting):		
Auditors' remuneration - audit - parent	27,500	23,000
- subsidiaries	30,900	14,500
- non-audit	7,500	9,250
Depreciation of owned tangible fixed assets	201,140	171,596
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	16,934	4,064
Amortisation of intellectual property	52,983	52,984
Amortisation of goodwill	125,425	58,599
Operating lease rentals - land and buildings	284,932	305,564
- plant and machinery	47,210	56,652
- other	28,031	33,637
Research and development	323,331	376,701
Exchange (gain)/loss	(3,563)	6,535
Operating lease rental income	(108,198)	(108,313)

Charges for non audit services provided by the auditors in the year ended 30 June 2005 relate to the provision of tax compliance work. The directors consider the auditors were best placed to provide these services. The Audit Committee reviews the nature and extent of non audit services to ensure that independence is maintained.

4 DIRECTORS' EMOLUMENTS	<u>2005</u> £	<u>2004</u> £
Emoluments	488,787	509,761
Pension contributions	13,050	13,365
	<u>501,837</u>	<u>523,126</u>
Highest paid director:		
Emoluments	124,628	112,070
Pension contributions	3,600	3,240
	<u>128,228</u>	<u>115,310</u>

During the year 5 (2004: 6) directors accrued benefits under money purchase pension schemes.

Included within directors' emoluments is an amount for £9,370 (2004: £10,525) in respect of payments made to third parties for making available the services of an executive director.

5 STAFF COSTS	<u>2005</u> £	<u>2004</u> £
Wages and salaries	4,009,825	2,401,494
Social security costs	451,221	263,935
Other pension costs	68,791	46,495
	<u>4,529,837</u>	<u>2,711,924</u>

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

	<u>2005</u> No.	<u>2004</u> No.
Office and management	94	58

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

6	PROFIT ON SALE OF INVESTMENTS	<u>2005</u> <u>£</u>	<u>2004</u> <u>£</u>
	Realisation of investments	4,434	574,663
7	NET INTEREST (PAYABLE)/RECEIVABLE	<u>2005</u> <u>£</u>	<u>2004</u> <u>£</u>
	Interest receivable	96,882	206,244
	Interest payable on - bank loans	(26,109)	(9,942)
	- other loans	(122,751)	(44,194)
	- finance charges payable under hire purchase contracts	(354)	(447)
	Loan finance costs	(6,355)	(89,125)
		(58,687)	62,536
8	TAXATION	<u>2005</u> <u>£</u>	<u>2004</u> <u>£</u>
	(a) Analysis in year:		
	Current tax:		
	Based on the loss for the year:		
	Corporation tax	(21,982)	(68,561)
	Overprovided in prior year	(5,193)	(33,006)
	Total current tax (note 8(b))	(27,175)	(101,567)
	Deferred tax:		
	Origination and reversal of timing differences	(3,125)	(769)
	Tax credit on loss on ordinary activities	(30,300)	(102,336)
	(b) Factors affecting tax charge for the year:		
	The tax for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below.		
		<u>2005</u> <u>£</u>	<u>2004</u> <u>£</u>
	Loss on ordinary activities before tax	(434,880)	(653,133)
	Loss on ordinary activities multiplied by the tax rate above	(130,464)	(195,940)
	Effect of:		
	Expenses not deductible for tax purposes	86,950	47,779
	Depreciation in the year in excess of capital allowances	22,366	41,459
	Investments written down/(back) - not tax deductible	(83,807)	25,203
	Research and development tax relief	(45,885)	(51,361)
	Losses foregone on surrender for tax relief	43,664	55,769
	Difference in tax and accounting profit on disposal	(1,332)	165,523
	Unrelieved tax losses	99,014	221,174
	Losses utilised	(1,830)	(374,351)
	Marginal small companies rate relief	(10,658)	(3,816)
	Adjustment in respect of previous period	(5,193)	(33,006)
	Current tax for the year (note 8(a))	(27,175)	(101,567)

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

8 TAXATION (Continued)

(c) Deferred tax:

	<u>Group</u>		<u>Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
At 1 July 2004	(52,157)	-	-	-
Removed on sale of subsidiary during year	59,226	-	-	-
Credit in year	(3,125)	(52,157)	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
At 30 June 2005	<u>3,944</u>	<u>(52,157)</u>	<u>-</u>	<u>-</u>

Deferred taxation recognised and the amounts not recognised are as follows:

Group

	<u>Recognised</u>		<u>Not recognised</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Accelerated/(decelerated) capital allowances	3,944	(52,157)	(65,306)	(35,493)
Tax losses carried forward	-	-	(24,358,268)	(24,105,281)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Undiscounted deferred tax asset	<u>3,944</u>	<u>(52,157)</u>	<u>(24,423,574)</u>	<u>(24,140,774)</u>

Company

	<u>Recognised</u>		<u>Not recognised</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Accelerated/(decelerated) capital allowances	-	-	(64,861)	(35,311)
Tax losses carried forward	-	-	(24,216,655)	(24,063,565)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Undiscounted deferred tax asset	<u>-</u>	<u>-</u>	<u>(24,281,516)</u>	<u>(24,098,876)</u>

The Group has tax losses of approximately £11,456,000 (2004: £10,895,000) available for off set against future taxable trading profits and capital losses of approximately £69,696,000 (2004: £69,453,000) available to carry forward and off set against future chargeable gains. Deferred tax assets of £24.4m (2004: £24.1m) have not been recognised in respect of these losses since the benefit of the unrecognised losses will only accrue when taxable profits are realised on the sale of the Company's investments and gains are realised on future disposals.

9 PROFIT/(LOSS) ATTRIBUTABLE TO MEMBERS OF THE PARENT COMPANY

The profit dealt with in the financial statements of the parent company is £540,012 (2004: loss £305,898).

10 LOSS PER SHARE

The calculation of basic earnings per share is calculated on a Group loss of £355,552 (2004: loss of £423,819) and on a weighted average of 92,425,254 (2004: 75,461,656) shares in issue during the year.

Due to the loss in the year there is no further dilution of the earnings per share on a fully diluted basis.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

11 INTANGIBLE FIXED ASSETS
Group

	<u>Intellectual property</u> £	<u>Goodwill</u> £	<u>Total</u> £
Cost			
At 1 July 2004	529,839	1,274,501	1,804,340
Additions	-	424,242	424,242
Disposals	-	(1,181,501)	(1,181,501)
At 30 June 2005	529,839	517,242	1,047,081
Depreciation			
At 1 July 2004	88,307	64,799	153,106
Charged in the year	52,983	125,425	178,408
Disposals	-	(147,757)	(147,757)
At 30 June 2005	141,290	42,467	183,757
Net book value			
At 30 June 2005	388,549	474,775	863,324
At 30 June 2004	441,532	1,209,702	1,651,234

The goodwill disposed of in the year relates to the deconsolidation of CDS (note 23 (e)) following the merger of that business with Red-M and the dilution of the Group's interest to 45.7%.

12 TANGIBLE FIXED ASSETS
Group

	<u>Freehold land and buildings</u> £	<u>Short leasehold improvements</u> £	<u>Fixtures, fittings and computer equipment</u> £	<u>Plant and machinery</u> £	<u>Motor vehicles</u> £	<u>Total</u> £
Cost						
At 1 July 2004	-	118,304	611,274	144,049	92,563	966,190
Acquired with subsidiary	403,481	-	21,123	154	17,406	442,164
Disposed of with subsidiary	-	-	(270,823)	(161,400)	(89,021)	(521,244)
Additions	-	20,787	55,906	40,511	22,412	139,616
Disposals	-	-	-	-	(16,927)	(16,927)
At 30 June 2005	403,481	139,091	417,480	23,314	26,433	1,009,799
Depreciation						
At 1 July 2004	-	66,590	449,521	41,340	22,677	580,128
Charged in the year	3,001	21,550	87,020	64,738	41,765	218,074
Disposed of with subsidiary	-	-	(237,911)	(105,301)	(49,120)	(392,332)
Released on disposal	-	-	-	-	(13,555)	(13,555)
At 30 June 2005	3,001	88,140	298,630	777	1,767	392,315
Net book value						
At 30 June 2005	400,480	50,951	118,850	22,537	24,666	617,484
At 30 June 2004	-	51,714	161,753	102,709	69,886	386,062

The net book value of fixed assets includes £nil (2004: £12,192) in respect of assets held under hire purchase agreements. The amount of depreciation in respect of such assets amounted to £16,934 (2004: £4,064) for the year.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

12 TANGIBLE FIXED ASSETS (Continued)
Company

	<u>Short leasehold improvements</u> £	<u>Fixtures, fittings and computer equipment</u> £	<u>Total</u> £
Cost			
At 1 July 2004	90,233	343,274	433,507
Additions	20,787	28,156	48,943
At 30 June 2005	111,020	371,430	482,450
Depreciation			
At 1 July 2004	38,519	219,752	258,271
Charged in the year	21,550	66,232	87,782
At 30 June 2005	60,069	285,984	346,053
Net book value			
At 30 June 2005	50,951	85,446	136,397
At 30 June 2004	51,714	123,522	175,236

13 INVESTMENTS
Group

	<u>Unlisted shares</u> £	<u>Listed shares</u> £	<u>Loans</u> £	<u>Total</u> £
Cost or valuation				
At 1 July 2004	1,856,543	86,205	2,524,961	4,467,709
Reclassification	1,210,992	-	(1,210,992)	-
Transfer on deconsolidation of former subsidiary (note 23 (e))	987,556	-	140,000	1,127,556
Additions	463,716	-	270,000	733,716
Disposals	(11,897)	-	-	(11,897)
Revaluations	953,305	-	-	953,305
Eliminated on liquidation	(11,043)	-	-	(11,043)
At 30 June 2005	5,449,172	86,205	1,723,969	7,259,346
Amounts provided				
At 1 July 2004	1,084,442	-	1,102,424	2,186,866
Released during the year	(378,071)	-	(893,748)	(1,271,819)
Provided during the year	587,632	84,433	44,197	716,262
Disposal	(8,923)	-	-	(8,923)
Eliminated on liquidation	(11,043)	-	-	(11,043)
At 30 June 2005	1,274,037	84,433	252,873	1,611,343
Net book value				
At 30 June 2005	4,175,135	1,772	1,471,096	5,648,003
At 1 July 2004	772,101	86,205	1,422,537	2,280,843

Previous impairment losses in respect of investments have been reversed during the year due to the improved performance of the companies concerned.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

13 INVESTMENTS (Continued)

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

	<u>2005</u> £	<u>2004</u> £
Unlisted investments	4,624,449	3,890,118
Listed investments	1,772	1,772

The estimated taxation on the potential capital gain if sold at valuation is £nil since there are sufficient capital losses available to offset any potential gains.

Company

	<u>Subsidiary undertakings</u> £	<u>Unlisted shares</u> £	<u>Listed shares</u> £	<u>Loans</u> £	<u>Total</u> £
Cost or valuation					
At 1 July 2004	1,719,210	1,904,425	86,205	3,148,343	6,858,183
Reclassification	(1,558,092)	2,768,102	-	(1,210,010)	-
Transfer from debtors	-	-	-	140,399	140,399
Additions	532,091	463,356	-	469,000	1,464,447
Disposals	-	(11,897)	-	-	(11,897)
Revaluations	-	953,305	-	-	953,305
Eliminated on liquidation	-	(11,043)	-	-	(11,043)
At 30 June 2005	693,209	6,066,248	86,205	2,547,732	9,393,394
Amounts provided					
At 1 July 2004	-	1,131,342	-	1,102,424	2,233,766
Released during the year	-	(378,071)	-	(893,748)	(1,271,819)
Provided during the year	-	1,157,808	84,433	44,197	1,286,438
Disposals	-	(8,923)	-	-	(8,923)
Eliminated on liquidation	-	(11,043)	-	-	(11,043)
At 30 June 2005	-	1,891,113	84,433	252,873	2,228,419
Net book value					
At 30 June 2005	693,209	4,175,135	1,772	2,294,859	7,164,975
At 30 June 2004	1,719,210	773,083	86,205	2,045,919	4,624,417

Previous impairment losses in respect of investments have been reversed during the year due to the improved performances of the companies concerned.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

13 INVESTMENTS (Continued)

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

	<u>2005</u> £	<u>2004</u> £
Unlisted investments	6,141,421	6,282,353
Listed investments	1,772	1,772

The estimated taxation on the potential capital gain if sold at valuation is £nil since there are sufficient capital losses available to set off any potential gains.

Subsidiary undertakings

<u>Name of subsidiary</u>	<u>Class of holding</u>	<u>Proportion held directly</u>	<u>Nature of of business</u>
Interregnum Investment Partners Limited	Ordinary	100%	Fund managers
Interregnum Advisory Partners Limited	Ordinary	100%	Advisory services
Yospace Technologies Limited*	Ordinary	54%	Provision of wireless software
Audio Visual Machines Limited	Ordinary	77%	Audio visual solutions Provider

* On a fully diluted basis Interregnum PLC owns 47% of Yospace Technologies Limited.

Analysis of the acquisition of Audio Visual Machines Limited

On 27 January 2005 Interregnum PLC acquired 82% of Audio Visual Machines Limited for a consideration including costs of £532,091 satisfied by the issue of £300,000 of 6% unsecured loan notes at par and cash of £232,091. The assets acquired have been included in the Group's balance sheet at their fair value as at the date of acquisition.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

13 INVESTMENTS (Continued)

Net assets at date of acquisition of 27 January 2005 were:

	<u>Book value</u> £	<u>Adjustments</u> £	<u>Fair value to Group</u> £
Tangible fixed assets	442,164	-	442,164
Debtors	634,083	-	634,083
Stock	149,915	126,522 (a)	276,437
Bank overdraft	(181,640)	-	(181,640)
Creditors: amounts falling due within one year	(561,541)	(181,347) (a)	(742,888)
Creditors: amounts falling due after one year	(298,629)	-	(298,629)
Net assets	184,352	(54,825)	129,527
Share of assets acquired			107,849
Goodwill arising on acquisition			424,242
			532,091
Discharged by:			
Loan notes			300,000
Cash			200,000
Legal costs of acquisition			32,091
			532,091

(a) Adjustments reconciling income recognition policy to period in which value of work was performed.

Audio Visual Machines Limited contributed £257,564 to the Group's net operating cash flows and paid £6,250 of interest in addition to the payment of cash and costs of £232,091 shown in the Group's cash flow statement as part of the purchase as shown above.

The summarised profit and loss account for Audio Visual Machines Limited for the period from 1 April 2004 to 26 January 2005 is as follows:

	£
Turnover	2,138,412
Operating Loss	(11,539)
Loss before tax	(36,390)

In the 12 months to 30 June 2004 the profit after taxation was £21,503.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

14 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Due within one year				
Trade debtors	1,443,131	1,072,995	505,632	203,229
Amounts recoverable on contracts	64,507	-	-	-
Amounts due from Group undertakings	-	-	12,470	9,203
Other debtors	315,045	714,740	247,940	703,816
Prepayments and accrued income	195,614	303,675	162,649	154,088
	<u>2,018,297</u>	<u>2,091,410</u>	<u>928,691</u>	<u>1,070,336</u>
Due in more than one year				
Other debtors	20,384	-	-	-
Deferred tax asset	-	52,157	-	-
	<u>2,038,681</u>	<u>2,143,567</u>	<u>928,691</u>	<u>1,070,336</u>

15 CREDITORS

	<u>Group</u>		<u>Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Amounts falling due within one year				
Bank overdraft	227,005	-	-	-
Short term loans (note 17)	1,432,934	614,383	1,350,000	400,000
Obligations under finance leases and hire purchase contracts	-	11,063	-	-
Trade creditors	590,421	522,311	208,530	236,715
Corporation tax	10,255	12,063	-	-
Other taxes and social security costs	310,321	261,331	70,049	31,047
Other creditors	336,599	146,185	-	-
Accruals and deferred income	388,984	348,302	275,369	128,801
	<u>3,296,519</u>	<u>1,915,638</u>	<u>1,903,948</u>	<u>796,563</u>

16 CREDITORS

	<u>Group</u>		<u>Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Amounts falling due after more than one year				
Loans (note 17)	825,274	1,280,833	150,000	1,200,000

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

17 LOANS

	<u>Group</u>		<u>Company</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Amounts falling due:				
In one year or less or on demand	1,432,934	614,383	1,350,000	400,000
In more than one year but not more than two years	405,768	1,210,000	150,000	1,200,000
In more than two years but not more than five years	175,120	30,000	-	-
In more than five years	244,386	40,833	-	-
	<u>2,258,208</u>	<u>1,895,216</u>	<u>1,500,000</u>	<u>1,600,000</u>
Less: Included in creditors: amounts falling due within one year	<u>(1,432,934)</u>	<u>(614,383)</u>	<u>(1,350,000)</u>	<u>(400,000)</u>
	<u>825,274</u>	<u>1,280,833</u>	<u>150,000</u>	<u>1,200,000</u>

Included within loans is an amount of £240,620 (2004: £204,383) relating to loan notes in Yospace Technologies Limited secured over the assets of Yospace Technologies Limited. The loan attracts interest at the higher rate of 8% per annum or LIBOR plus 5% per annum and is repayable on 13 April 2007 with a repayment premium equal to 100% of the nominal value of the loan notes issued.

Included within loans is £51,794 falling due within one year and £465,794 falling due after one year which are repayable in equal monthly instalments of between £833.33 and £3,657. Interest is charged at between 5.1% and 3.5% above the Barclays Bank PLC base rate. £266,880 of the balance is secured by a first legal charge over the freehold property of Audio Visual Machines Limited. £198,914 is secured by way of a fixed and floating charge over the assets of Yospace Technologies Limited.

Interregnum PLC has issued £1,500,000 of debentures, £1,200,000 of which relates to floating rate Unsecured Convertible Loan Notes issued at par, and £300,000 relates to 6% unsecured loan notes issued at par.

The Unsecured Convertible Loan Notes carry interest at the rate of 2 per cent above Barclays Bank PLC's base rate from time to time. They can be redeemed by the Company at any time within two years of their issue and are required to be redeemed at par together with outstanding interest by the Company on their maturity date being the second anniversary of the date of their issue of 8 March 2004. On redemption, the Company is required to issue warrants ("Warrants") over ordinary shares in respect of each £1 of Convertible Stock redeemed. The Warrants are exercisable within 3 years from their issue at 15 pence per ordinary share. Subsequent to the year end the redemption date of these loan notes was extended to 31 October 2006.

The Unsecured Convertible Loan Notes can be converted by the holder at any time prior to the maturity date (unless previously redeemed by the Company) at a rate of 6.6667 new ordinary shares for each £1 of Convertible Loan Note.

In the event that the Company has not redeemed all of the unconverted Convertible Loan Notes by or on the maturity date the holder of the Convertible Loan Notes will have the right to convert all of the outstanding Convertible Loan Notes at a rate of 20 ordinary shares for each £1 of Convertible Loan Note outstanding.

The 6% unsecured loan notes can be redeemed by the Company at any time up to the final redemption date at par. The Company is required to redeem £150,000 of the loan notes on 26 January 2006 and the remaining £150,000 on 26 July 2006.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

18 PROVISION FOR LIABILITIES AND CHARGES

	Deferred Tax £
At 1 July 2004	(52,157)
Eliminated on deconsolidation of subsidiary during year	59,226
Credit to profit and loss account	(3,125)
At 30 June 2005	3,944

19 FINANCIAL INSTRUMENTS

(a) Policies and risks

The Group's financial instruments comprise term loans, warrants and equity investments held within the portfolio, cash and liquid resources and various items such as trade debtors and trade creditors that arise directly from its operations. The main reason for holding the warrants and equity investments is to achieve capital growth in their value and subsequently dispose of them realising a profit. The main risk arising from the Group's financial instruments is market price risk.

The Group has investments denominated in foreign currencies; it is therefore subject to an element of foreign exchange risk. The Group does not undertake any foreign exchange hedging activities.

The Group has debt with fixed and floating interest rates repayable as set out in note 17. The Group does not hedge against interest rate risk.

The disclosures below exclude short-term debtors and creditors.

(b) Currency profile

	<u>2005</u> £	<u>2004</u> £
Cash sterling	757,537	2,701,177
Cash US dollars	128,919	113,716
Cash Euro	-	44,253
	886,456	2,859,146
Less: Bank overdraft sterling	(227,005)	-
	659,451	2,859,146

(c) Maturity profile of the Group's financial liabilities

Other than the loans referred to in note 17 all of the Group's other financial liabilities as at 30 June 2005 and 30 June 2004 mature within one year.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

19 FINANCIAL INSTRUMENTS (Continued)

(d) Interest rate profile

The interest rate profile on financial assets is:

<u>2005</u>	<u>Floating</u> £	<u>Fixed</u> £	<u>Interest free</u> £	<u>Total</u> £
Sterling	757,537	1,023,372	4,197,291	5,978,200
US dollar	576,643	-	-	576,643
	<u>1,334,180</u>	<u>1,023,372</u>	<u>4,197,291</u>	<u>6,554,843</u>
 <u>2004</u>	 <u>Floating</u> £	 <u>Fixed</u> £	 <u>Interest free</u> £	 <u>Total</u> £
Sterling	2,751,177	1,177,400	725,243	4,653,820
US dollar	441,916	-	-	441,916
Euro	44,253	-	-	44,253
	<u>3,237,346</u>	<u>1,177,400</u>	<u>725,243</u>	<u>5,139,989</u>

The interest on fixed rate financial assets is 8% which is fixed until maturity averaging 4 years. Floating rate financial assets comprise cash deposits on money market at various short-term maturity rates which on average have an interest rate of 4% % The financial assets on which no interest is earned are the Group's fixed asset equity investments which have no maturity date.

The interest rate profile on financial liabilities is:

<u>2005</u>	<u>Floating</u> £	<u>Fixed</u> £	<u>Total</u> £
Sterling	2,185,213	300,000	2,485,213
	<u> </u>	<u> </u>	<u> </u>
 <u>2004</u>	 <u>Floating</u> £	 <u>Fixed</u> £	 <u>Total</u> £
Sterling	1,495,216	411,063	1,906,279
	<u> </u>	<u> </u>	<u> </u>

The interest on fixed rate financial liabilities is 6% which is fixed until maturity averaging within one year. Floating rate financial liabilities comprise bank loans totalling £517,588 with interest rates averaging 7% and a maturity rate averaging 6 months, other loans totalling £1,440,620 with interest rates averaging 7% and a maturity rate averaging 3 years and bank overdrafts of £227,005 with interest rates averaging 7.5%.

(e) Fair values of financial assets and liabilities

	<u>Book value</u> <u>2005</u> £	<u>2004</u> £
Cash and deposits	886,456	2,859,146
Debtors due after one year	20,384	52,157
Fixed asset investments – loans	1,471,096	1,422,537
Fixed asset investments – listed equity	1,772	86,205
Fixed asset investments – unlisted equity	4,175,135	772,101
Short term borrowings	(1,432,934)	(614,383)
Long term borrowings	(825,274)	(1,280,833)
Bank overdrafts	(227,005)	-
	<u> </u>	<u> </u>

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

19 FINANCIAL INSTRUMENTS (Continued)

The directors believe that the book values for the financial assets and liabilities above are not materially different from their fair values.

Fixed asset investment loans and unlisted equities have been written down to the directors' assessment of their recoverable amounts, which the directors believe is close to their fair values.

Fixed asset investments in listed equities are valued in the books at mid market value at 30 June 2005 which the directors believe is approximately fair value.

(f) Undrawn committed facilities

The Group had undrawn committed borrowing facilities at 30 June 2005 of £217,667 (2004: £316,627). This facility expires within one year.

20 SHARE CAPITAL

	<u>2005</u> £	<u>Authorised</u> <u>2004</u> £
Ordinary shares of £0.05 each	8,250,000	8,250,000
	<u>Allotted, called up and fully paid</u>	
	No.	£
At 1 July 2004 and 30 June 2005	92,425,254	4,621,263

Share options

During the year the Company granted options to subscribe for ordinary shares of £0.05 each as follows:

Date granted	<u>Number of ordinary shares</u> No.	<u>Option price per share</u> £
20 December 2004	2,615,000	£0.0538
25 February 2005	25,000	£0.0575
1 April 2005	50,000	£0.0675
	2,690,000	

Vesting of these options is as follows:

	<u>Number of ordinary shares</u> No.
Vesting period	
In one year	75,000
Vest equally over three years	2,615,000
	2,690,000

Subject to the vesting conditions, the options can be exercised at any date up to the tenth anniversary of the date of the grant.

During the year to 30 June 2005 7,390,000 options lapsed.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

20 SHARE CAPITAL (Continued)

The following options, granted in previous years, were unexercised at 30 June 2005:

<u>No of Shares</u>	<u>Exercise price</u>	<u>Period in which options can be exercised</u>
4,746,616	5.00p	9 April 2003 to 8 April 2013
36,667	5.00p	8 April 2004 to 8 April 2013
36,667	5.00p	8 April 2004 to 8 April 2013
36,666	5.00p	8 April 2006 to 8 April 2013
1,179,000	5.00p	1 July 2003 to 8 April 2013
1,179,000	5.00p	1 July 2004 to 8 April 2013
1,179,000	5.00p	1 July 2005 to 8 April 2013
1,179,000	5.00p	1 July 2006 to 8 April 2013
1,179,000	5.00p	1 July 2007 to 8 April 2013
299,628	5.38p	24 July 2004 to 24 July 2013
299,628	5.38p	24 July 2005 to 24 July 2013
299,628	5.38p	24 July 2006 to 24 July 2013
299,628	5.38p	24 July 2007 to 24 July 2013
299,628	5.38p	24 July 2008 to 24 July 2013
3,001,859	5.38p	24 July 2003 to 24 July 2013
250,000	5.00p	1 July 2004 to 27 April 2014
1,500,000	5.38p	7 July 2004 to 7 July 2013
4,360,000	£1.12	1 January 2010 to 31 December 2011
3,919,548	5.00p	1 January 2010 to 31 December 2011
871,667	5.38p	6 September 2005 to 6 September 2015
871,667	5.38p	7 September 2005 to 6 September 2015
871,667	5.38p	8 September 2005 to 6 September 2015
50,000	6.75p	1 April 2005 to 1 April 2015
25,000	5.75p	25 February 2000 to 25 February 2015

**21 RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES**

Group

	<u>Share capital</u> £	<u>Share premium account</u> £	<u>Revaluation reserve</u> £	<u>Merger reserve</u> £	<u>Profit and loss account</u> £	<u>Total share- holders funds</u> £
At 1 July 2004	4,621,263	19,430,496	400,634	(2,406,655)	(15,751,816)	6,293,922
Revaluation upwards	-	-	953,305	-	-	953,305
Temporary diminutions in value of investments	-	-	(360,290)	-	-	(360,290)
Write down of previous Revalued investments	-	-	(256,896)	-	-	(256,896)
Loss for the year	-	-	-	-	(355,552)	(355,552)
Reserves transfer	-	-	52,537	-	(52,537)	-
At 30 June 2005	4,621,263	19,430,496	789,290	(2,406,655)	(16,159,905)	6,274,489

Following a review of reserves an adjustment has been made between the revaluation reserve and the profit and loss account reserve in respect of transactions from earlier periods.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

**21 RECONCILIATION OF SHAREHOLDERS' FUNDS
AND MOVEMENTS ON RESERVES (Continued)**

Company

	<u>Share capital</u> £	<u>Share premium account</u> £	<u>Revaluation reserve</u> £	<u>Profit and loss account</u> £	<u>Total share- holders funds</u> £
At 1 July 2004	4,621,263	19,430,496	400,634	(17,985,955)	6,466,438
Revaluation upwards	-	-	953,305	-	953,305
Temporary diminutions in value of investments	-	-	(930,826)	-	(930,826)
Write down of previous revaluation	-	-	(256,896)	-	(256,896)
Profit for the year	-	-	-	540,012	540,012
Reserves transfer	-	-	52,537	(52,537)	-
At 30 June 2005	4,621,263	19,430,496	218,754	(17,498,480)	6,772,033

Following a review of reserves an adjustment has been made between the revaluation reserve and the profit and loss account reserve in respect of transactions from earlier periods.

22 MINORITY INTERESTS (EQUITY)

	<u>2005</u> £
At 1 July 2004	169,541
Minority share of acquisition	(21,678)
Additional minority share acquired	(11,250)
Loss for the year attributable to minority interests	49,028
At 30 June 2005	185,641

23 NOTES TO THE STATEMENT OF CASH FLOWS

(a) Reconciliation of operating loss to net cash outflow from operating activities

	<u>Continuing operations</u>		<u>Discontinued operations</u>	<u>Total</u>	<u>2004</u>
	<u>Existing</u>	<u>Acquisitions</u>	<u>2005</u>	<u>2005</u>	<u>2004</u>
	<u>2005</u>	<u>2005</u>	<u>2005</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£	£
Operating (loss)/profit	(1,756,148)	139,449	62,969	(1,553,730)	(1,539,951)
Depreciation	92,301	7,171	118,602	218,074	175,660
Amortisation of intangible fixed assets	62,283	17,667	98,458	178,408	111,583
Decrease in stocks	-	115,800	-	115,800	-
Movement in debtors	(408,105)	(48,422)	8,312	(448,215)	(315,595)
Movement in creditors	239,948	25,899	133,020	398,867	71,909
Loss on sale of tangible fixed assets	-	-	-	-	3,870
Increase in other provisions	3,944	-	-	3,944	-
Net cash outflow from operating activities	(1,765,777)	257,564	421,361	(1,086,852)	(1,492,524)

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

23 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(b) Analysis of cash flows for headings netted in the cash flow statement

	<u>2005</u> £	<u>2004</u> £
Returns on investments and servicing of finance		
Interest received	421,154	113,624
Interest paid	(185,257)	(10,322)
Interest element of finance lease rental payments	(354)	(447)
Net cash inflow from returns on investments and servicing of finance	235,543	102,855
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(139,616)	(76,390)
Payments to acquire fixed asset investments	(733,716)	(160,000)
Receipts from sale of tangible fixed assets	3,372	-
Receipts from sale of fixed assets investments	7,378	1,126,418
Net cash inflow from capital expenditure and financial investment	(862,582)	890,028
Acquisitions and disposals		
Purchase of subsidiary	(232,091)	(708,092)
Deconsolidation of subsidiary	(58,575)	-
Net cash acquired with subsidiary	(181,048)	22,780
Net cash outflow from acquisitions	(471,714)	(685,312)
Financing		
Issue of ordinary share capital	-	1,453,252
Capital element of finance lease rental payments	(11,063)	(7,855)
Decrease in short term borrowings	(395,563)	-
Increase in long term borrowings	295,812	80,833
Increases in loan stock borrowings	-	1,200,000
Net cash inflow from financing	(110,814)	2,726,230

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

23 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(c) Analysis of changes in net funds

	At 1 July 2004 £	Cash flow £	Acquisitions £	Disposals £	At 30 June 2005 £
Cash	2,859,146	(1,972,690)			886,456
Overdraft	-	(227,005)			(227,005)
		(2,199,695)			
Short term loans	(614,383)	395,563	(4,114)	140,000	(82,934)
Finance lease obligations	(11,063)	11,063	-	-	-
Long term loans	(80,833)	(295,812)	(298,629)	-	(675,274)
Loan stock	(1,200,000)	-	(300,000)	-	(1,500,000)
	952,867	(2,088,881)	(602,743)	140,000	(1,598,757)

(d) Acquisition of subsidiary undertaking

	£
Net assets	
Tangible fixed assets	442,164
Debtors	633,491
Stock	276,437
Cash	592
Bank overdraft	(181,640)
Creditors: due in one year	(742,888)
Creditors: due after one year	(298,629)
Minority interest	(21,678)
	107,849
Goodwill	424,242
	532,091
Satisfied by	
Loan notes	300,000
Cash	200,000
Deal costs	32,091
	532,091

The subsidiary undertaking acquired during the year contributed £257,564 to the Group's net operating cash flows, paid £6,250 in respect of net returns on investments and servicing of finance, paid £nil in respect of taxation and utilised £40,956 for capital expenditure.

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

23 NOTES TO THE STATEMENT OF CASH FLOWS (Continued)

(e) Deconsolidation of subsidiary undertaking

	£
Net assets	
Fixed assets	128,912
Debtors	855,597
Cash	85,674
Bank overdraft	(27,099)
Creditors: due in one year	(949,272)
Goodwill	1,033,744
Transfer to unlisted investments (note 13)	1,127,556

The business deconsolidated during the year contributed £421,361 to the Group's net operating cash flows, paid £271,141 in respect of net returns on investments and servicing of finance, paid £6,999 in respect of taxation and utilised £31,102 for capital expenditure.

24 OTHER FINANCIAL COMMITMENTS

At 30 June 2005 the Group had annual commitments under non-cancellable operating leases as set out below:

	<u>Land and buildings</u>		<u>Other</u>	
	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	£	£	£	£
Operating leases which expire:				
Within one year	-	24,131	-	25,388
Within two to five years	70,445	103,250	-	-
After five years	225,500	225,500	-	-
	295,945	352,881	-	25,388

INTERREGNUM PLC
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2005

25 ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

In the opinion of the directors there is no ultimate controlling party.

During the year Interregnum PLC supplied consultancy services of £38,000 (2004: £15,100) to Yospace Technologies Limited ("Yospace"), a subsidiary in which the Group owns 54% of the ordinary share capital. In addition Interregnum PLC holds £524,542 (2004: £524,542) series A loan notes, £101,080 (2004: £101,080) series B loan notes and £50,000 series C loan notes in Yospace. During the year Interregnum PLC accrued interest receivable on this balance of £36,122 (2004: £70,406). At the year end Yospace owed Interregnum PLC £185,607 in respect of accrued interest of £140,399 and consultancy services of £45,208 (2004: £104,277).

During the year services to the value of £35,471 were supplied by Yospace to a company in which G Ransom, a former director of Yospace and Interregnum PLC, was also a director. In addition, services to the value of £6,960 were also supplied to a company in which M Warren, a director of Yospace, was also a director. At the year end £3,480 was owed by this company to Yospace.

During the period since the acquisition of Audio Visual Machines Limited ("AVM"), Interregnum PLC supplied consultancy services of £38,266 (2004: £nil) to AVM. At the year end, AVM owed Interregnum PLC £14,277.

During the period since acquisition, AVM utilised the services of Ice Data Management, a business controlled by the father of one of the directors of AVM, Mr E C P P Cook. The cost of these services amounted to £17,400. The amount owed by AVM to Ice Data Management at the year end was £nil.

During the period since acquisition, AVM utilised the services of Amanda Gurney-Smith, a business controlled by the wife of one of the directors of AVM, Mr E C P P Cook. The cost of these services amounted to £20,874. The amount owed by the company to Amanda Gurney-Smith at the balance sheet date was £3,170.

During the period since 30 April 2005 (being the date when Cellular Design Service was merged with Red-M Communications Limited) Interregnum PLC advanced a loan of £270,000 to Red-M Group Limited, a company in which they hold 46% of the ordinary share capital. At 30 June 2005 Interregnum PLC held a total of £410,000 of loan notes. At the year end Red-M Group Limited also owed Interregnum PLC £5,875.

Included within trade creditors at the year end are the following amounts due to non-executive directors' companies, in respect of remuneration for the following directors included within directors' emoluments in note 4.

R Fifield	£3,644 (2004: £2,143)
G Shingles	£nil (2004: £nil)
Mel Morris	£1,331 (2004: £nil)
John Forrest	£nil (2004: £nil)

26 POST BALANCE SHEET EVENTS

Since the year end the Company has incorporated a new fully owned subsidiary, Interregnum Inc.

On 16 September 2005, Audio Visual Machines ("AVM"), a subsidiary of Interregnum PLC, acquired the entire share capital of The Video Meeting Company Limited ("VMC") for a consideration of £250,000 in cash, and 3,033,584 B ordinary shares of £0.01 each in AVM. The cash consideration is currently held in escrow pending finalisation of the Completion Accounts and will be reduced pro-rata should the net assets of VMC fall below £nil.

INTERREGNUM PLC
(Registered Number 3914068)
DIRECTORS AND ADVISORS

EXECUTIVE DIRECTORS

K Olisa
R Jeynes
M Cooper
I Taylor
R Cook

NON EXECUTIVE DIRECTORS

G Shingles
R Fifield
M Morris
J Forrest (Appointed 23 September 2004)

SECRETARY

M Cooper

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