

# INTERREGNUM

Transforming Technology Into Wealth

**Placing and Admission to  
Alternative Investment Market**

by

**Teather & Greenwood Limited**

**THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.** If you are in any doubt about the contents of this document you should consult a person authorised under the Financial Services Act 1986 who specialises in advising on the acquisition of shares and other securities.

A copy of this document (which has been drawn up in accordance with the requirements of the Public Offers of Securities Regulations 1995 ("POS Regulations") and comprises a prospectus) has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Regulation 4(2) of the POS Regulations.

The Directors of Interregnum plc, whose names appear on page 3, accept responsibility for the information contained in this document. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with the facts and does not omit anything likely to affect the import of such information.

Application has been made for the whole of the ordinary share capital of Interregnum plc in issue immediately following the Placing to be admitted to trading on the Alternative Investment Market of the London Stock Exchange ("AIM"). AIM is a market designed primarily for emerging or smaller companies to which a higher investment risk than that associated with established companies tends to be attached. A prospective investor should be aware of the potential risks in investing in such companies and should make the decision to invest only after careful consideration and consultation with his or her own independent financial adviser.

The rules of AIM are less demanding than those of the Official List. It is emphasised that no application is being made for admission of these securities to the Official List. Further, the London Stock Exchange has not itself approved the contents of this document. It is expected that dealings in the Ordinary Shares will commence on AIM on 13 March 2000.

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I N T E R R E G N U M  
Transforming Technology Into Wealth

**Interregnum plc**

*(Incorporated in England and Wales under the Companies Act 1985 - No. 3914068)*

**Placing by  
Teather & Greenwood Limited  
of 19,605,714 Ordinary Shares of 5p each  
at 140p per share  
and Admission to  
the Alternative Investment Market**

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**Share capital following the Placing**

<i>Authorised</i>	<i>Number</i>		<i>Issued and fully paid</i>	<i>Number</i>
£4,600,000	92,000,000	ordinary shares of 5p each	£3,222,293.30	64,445,866
£400,000	30,400,000	preference shares of 1.32p each	£400,000	30,400,000

Upon Admission, the Ordinary Shares being issued pursuant to the Placing will rank *pari passu* in all respects with the existing issued Ordinary Shares of the Company and will rank in full for all dividends or other distributions hereafter declared, made or paid on the ordinary share capital of the Company.

Teather & Greenwood Limited, which is regulated by the Securities and Futures Authority Limited, is acting for the Company in relation to the Placing, and will not be responsible to any other person for providing the protections afforded to customers of Teather & Greenwood Limited or for providing advice in relation to the Placing. Teather & Greenwood Limited has not authorised the contents of any part of this document for the purposes of Regulation 13(1)(g) of the POS Regulations.

An investment in the Company involves a significant degree of risk and may not be suitable for all recipients of this document. A prospective investor should consider carefully whether an investment in the Company is suitable for him in the light of his personal circumstances and the financial resources available to him. Your attention is drawn to the section entitled "Risk Factors" on page 8 of this document. All statements regarding the Company's business, financial, position and prospects should be viewed in light of these "Risk Factors".

This document does not constitute an offer to sell, or a solicitation of an offer to buy, Ordinary Shares in any jurisdiction in which such offer or solicitation is unlawful. In particular, this document is not for distribution in or into the United States of America, Canada, Australia, the Republic of Ireland or Japan. The Ordinary Shares have not been and will not be registered under the United States Securities Act of 1933 (as amended) nor under the securities legislation of any state of the United States of America or any province or territory of Canada, Australia, the Republic of Ireland or Japan or in any country, territory or possession where to do so may contravene local securities law or regulations. Accordingly, the Ordinary Shares may not, subject to certain exceptions, be offered or sold directly or indirectly within the United States of America, Canada, Australia, the Republic of Ireland or Japan

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## DIRECTORS AND ADVISERS

**Directors:** Kenneth Aphunezi Olisa, *Chairman and Chief Executive Officer*  
Graham Richard Ransom, *Managing Director, Venture Marketing*  
Roger David Jeynes, *Managing Director, Mergers and Acquisitions*  
Adrian Ivor Merryman, *Chief Investment Officer and Finance Director*  
Godfrey Stephen Shingles, *Non-Executive Director*  
Tevya Rosenberg, *Non-Executive Director*  
Stanley Bezalel Stern, *Non-Executive Director*  
Richard Mark Fifield, *Non-Executive Director*

**Secretary and Registered Office:** Roger David Jeynes  
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London W1X 1RL

**Nominated Adviser and Nominated Broker:** Teather & Greenwood Limited  
Beaufort House  
15 St Botolph Street  
London EC3A 7QR

**Auditors and Reporting Accountants:** Baker Tilly  
2 Bloomsbury Street  
London WC1B 3ST

**Solicitors to the Company:** Tarlo Lyons  
Watchmaker Court  
33 St John's Lane  
London EC1M 4DB

**Solicitors to the Placing:** Lawrence Graham  
190 Strand  
London WC2R 1JN

**Bankers:** HSBC Bank plc  
31 Holborn  
London EC1N 2HR

**Registrars:** IRG plc  
390/398 High Road  
Ilford  
Essex IG1 1NQ

## DEFINITIONS

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

"Act"	the Companies Act 1985, as amended
"Admission"	the admission of the entire issued ordinary share capital of the Company, issued and to be issued pursuant to the Placing, to trading on AIM becoming effective in accordance with the rules set out in Chapter 16 of the Rules of the London Stock Exchange
"AIM"	the Alternative Investment Market of the London Stock Exchange
"Board" or "Directors"	the board of directors of the Company
"CIBC"	CIBC World Markets PLC
"CIBC Option Exchange"	the agreement dated 8 March 2000 between CIBC, IVM and Interregnum whereby CIBC agreed to accept share options in Interregnum plc in lieu of its share options in ordinary shares in IVM
"Company" or "Interregnum plc"	Interregnum plc, the holding company of Interregnum Venture Marketing
"Crest"	the relevant system (as defined in the Uncertificated Securities Regulations 1995 (SI 1995 No. 3272)) for paperless settlement of share transfers and the holding of shares in uncertificated form which is administered by CrestCo Limited
"Equity Position"	ownership of shares, options, or warrants in a company, or contracts leading to the issue or grant of such shares, options or warrants by Interregnum
"Group"	the Company and IVM
"IMRO"	Investment Management Regulatory Organisation
"Interregnum"	Interregnum plc or as the context requires, one of its subsidiaries or a predecessor in business of any of the foregoing
"IPO"	initial public offering
"Interregnum Venture Marketing" or "IVM"	Interregnum Venture Marketing Limited, a wholly-owned subsidiary of the Company
"London Stock Exchange"	London Stock Exchange Limited
"New Bonus Scheme"	the Interregnum Venture Marketing Bonus Scheme, details of which are set out in paragraph 5 of Part VII of this document
"Official List"	the Official List of the London Stock Exchange
"Option Exchange Documents"	the documents issued by Interregnum Venture marketing on 8 March 2000 to Geoff Shingles and certain employees of Interregnum Venture Marketing in relation to the Rollover Options and comprising an invitation from Interregnum Venture Marketing to each such person to apply for options under the Unapproved Schemes in exchange for his options over ordinary shares in Interregnum Venture Marketing and thereby release their options over the shares in Interregnum Venture Marketing, in each case endorsed with a letter from each such person to Interregnum plc applying for such options subject to Admission

"Ordinary Shares"	Ordinary shares of 5p each in the capital of the Company
"Placing"	the placing by Teather & Greenwood of 19,605,714 Ordinary Shares as described in this document
"Placing Agreement"	the conditional agreement between Interregnum, Teather & Greenwood, the Directors and the Vendors relating to the Placing, details of which are set out in paragraph 10(a) of Part VII of this document
"Placing Price"	140p per Placing Share
"Placing Shares"	the 14,285,714 new Ordinary Shares being placed by Teather & Greenwood pursuant to the Placing
"Portfolio"	the Company's portfolio of Equity Positions
"Rollover Options"	the options to subscribe for a total of 25,839,848 Ordinary Shares which Interregnum plc has agreed subject to Admission to grant to CIBC, Geoff Shingles and certain employees of the Group in exchange for their releasing options over shares in IVM, as more particularly described on paragraph 4 of Part VII of this document.
"Shareholders"	holders of Ordinary Shares
"TechMARK"	the new London Market for High Technology Companies
"Teather & Greenwood"	Teather & Greenwood Limited
"Unapproved Schemes"	the unapproved share option schemes of the Company described at paragraph 4 of Part VII
"US", "USA" or "United States"	United States of America
"Vendors"	the executive directors of the Company, CIBC and Restoration Limited, a private company owned by Mr and Mrs K Olisa
"Vendor Placing"	the placing of 5,320,000 existing Ordinary Share at the Placing Price on behalf of the Vendors, pursuant to the Placing Agreement

## GLOSSARY

"dot.com"	a company incorporated primarily to exploit the internet for the development of its business
"ERP"	enterprise resource planning
"e-Commerce"	the transfer of value over the Internet through one of the four basic activities: buying, selling, investing or lending
"Four Pillars of Value®"	Interregnum's proprietary methodology for the systematic assessment of value in IT businesses
"Internet"	an international network linking computers over telecommunications lines, and/or the standards associated with this network
"IT-centric companies"	companies involved in the IT sector
"NASDAQ"	The NASDAQ Stock Market, Inc.
"Research & Consulting"	research and consulting services undertaken on behalf of investors of technology companies in order that they may better understand and analyse industry sectors
"Venture Marketing"	the activity which Interregnum undertakes with its technology company clients in order to build and realise shareholder value
"Corporate Venturing"	the activity whereby larger companies make minority equity investments in smaller ones
"Micro and Small Cap"	companies at the low end of the range of market capitalisation

## PART I

### KEY INFORMATION

The following information is derived from and should be read in conjunction with the full text of this document. You should read the whole of this document, and not rely solely on the key information set out below.

#### Business

Interregnum works with high potential IT companies and with investors to *Transform Technology into Wealth*.

Leveraging more than 125 man-years of international experience in the IT industry, augmented by investment banking expertise, Interregnum is implementing in Europe a business model based on some of the attributes which have made the US IT industry so successful: an aggressive approach to early-stage funding, and a belief in the central importance of marketing.

Interregnum's systematic approach to the assessment and building of value in IT businesses, based on its proprietary *Four Pillars of Value*® methodology, has enabled the Company to generate fee income from its advisory activities of Venture Marketing, Mergers & Acquisitions and Research & Consulting. Its Venture Marketing work has also enabled it to build a valuable portfolio of Equity Positions in its client companies.

Interregnum now seeks to expand this successful formula, by the recruitment of additional people and by the direct provision of early stage risk capital to its client and prospect base.

#### Trading Record

At 30 June 1999, Interregnum's audited annual revenue had risen to £1.017 million (1998: £770,000), and it held 20 Equity Positions in both quoted and unquoted IT companies. As at 28 February 2000 Interregnum held 27 Equity Positions.

#### Placing Statistics

Placing price per share	140p
Number of Ordinary Shares in issue following the Placing	64,445,906
Market capitalisation at the Placing Price	£90.2 million
Amount to be raised before expenses for the Company in the Placing	£20.0 million
Amount to be raised for the Vendors in the Placing	£7.4 million
Total amount to be raised in the Placing	£27.4 million
Placing Shares following the Placing	22.2 per cent.

#### Timetable

Dealings on AIM expected to commence	13 March 2000
Expected date of despatch of definitive certificates	20 March 2000



## PART II

### RISK FACTORS

In addition to the usual risks associated with an investment in a business at an early stage of development, the Directors consider the following risk factors to be the most significant to potential investors:

- An investment in the Company may not be suitable for all recipients of this document. Accordingly investors are strongly advised to consult an investment adviser authorised under the Financial Services Act 1986 before making any decision to invest.
- Potential investors should be aware that the value of shares and the income from them can go down as well as up and that investment in a share which is traded on AIM might be less realisable and might carry a higher risk than a share quoted on the Official List.
- It may be necessary for the Company to raise additional capital to enable the Group to progress through further stages of development. There is no guarantee that such additional capital will be available to the Company.
- The Group's business may be materially affected by the inability to recruit sufficient personnel of the right quality or qualifications.
- There may be a change in government regulation or policies, which could have a material adverse effect on the Group's activities.
- Interregnum is subject to regulation by the Financial Services Authority (FSA), and in order to comply with the FSA regulations, Interregnum operates as an appointed representative of accountancy firm Williams Allan Chartered Accountants. Interregnum is currently seeking IMRO approval to carry out investment business as an independently authorised firm.
- There can be no assurance that the Company will be able to achieve the level and rate of growth of sales envisaged by the Directors.
- The Group operates in a market which is subject to rapid technological change. There can be no assurance that the Group will be able to keep pace with technological developments and continue to provide insightful strategic advice.
- The IT strategy consulting, mergers & acquisitions, research and investment industries in which Interregnum competes are all highly competitive. Interregnum's growth and operating results could be adversely impacted by competitive inroads.
- Loss of key management could have adverse consequences for the Group. While the Group has entered into service agreements with each of its key personnel, the retention of their services cannot be guaranteed.
- The termination of partnerships or marketing relationships could have adverse consequences for the Group.

## PART III

### INFORMATION ON THE COMPANY

#### Introduction

Interregnum was founded in 1992 to profit from the untapped wealth potential within the European early-stage IT sector. The concept is already proven in the US but, the Directors believe, relatively under exploited in Europe.

Interregnum supports high potential IT entrepreneurs by helping them to, in the words of the Company's motto, *Transform Technology into Wealth*. Interregnum achieves this by, inter alia, working closely with the shareholders and executive management of its clients to develop, resource and implement aggressive, marketing-led, value-building strategies. Interregnum plays a hands-on role with its clients throughout a company's lifecycle – from initial concept to exit.

The core of Interregnum is its Venture Marketing line of business. Venture Marketing starts from the premise that success in building an IT-centric business requires much more than an idea or substantial funding. Interregnum's executives increase the chances of success by contributing their expertise in:

- *Management*: acting as non-executive directors of their clients, Interregnum's executives bring to bear more than 125 man-years of combined technical, sales, marketing and general management experience.
- *Mentoring*: building close personal relationships with clients' management teams to help them prepare for the challenges of fast-track growth.
- *Marketing*: IT companies depend upon effective marketing for success; most of Interregnum's executives are highly experienced international technology marketers.
- *Money*: Interregnum raises capital (both debt and equity) for its clients.

In return for its value-added work, Interregnum receives fees. In recognition of the risks associated with working with early stage companies, and to ensure that its objectives are always aligned with those of its clients, Interregnum also receives equity in those clients. In this way, Interregnum has built a portfolio of Equity Positions (as more fully described below) in 27 IT companies, both public and private, in Europe and North America which operate across the hardware, software, service and Internet sectors. Two of Interregnum's clients have floated on public markets and there have been two successful trade sale exits from the Portfolio.

Central to Interregnum's work is a systematic approach to identifying opportunities for the creation of value, and the building of plans to develop and realise this value. This approach is embodied in a proprietary methodology termed the *Four Pillars of Value*®.

Interregnum operates three other lines of business (Research & Consulting, Mergers & Acquisitions (M&A) and Venture Capital) which utilise the same *Four Pillars of Value*® methodology, provide clients with a more complete range of services and generate complementary fee income.

Interregnum's historic activities have only allowed the Company to acquire small stakes (typically between 1% and 10%) in client companies. By raising its own funds, Interregnum will be able to provide initial capital in return for larger equity stakes. This should enable more rapid market engagement and position Interregnum to become an established fundraising partner.

Currently, Interregnum receives more approaches from prospects than it has capacity to process. Therefore Interregnum is also seeking to raise sufficient working capital to expand and accelerate its recruitment plans.

#### History

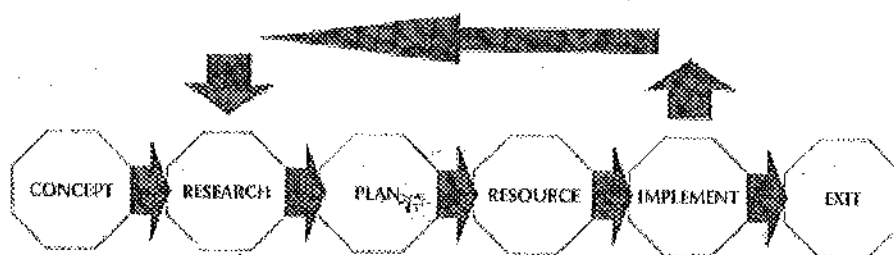
The Group's business was founded by Ken Olisa in 1992 as a pioneering IT Venture Marketing practice. In 1994 Interregnum Venture Marketing was established as a joint venture with BDO Stoy Hayward for the purpose of expanding the business.

In 1997, in partnership with 3i plc, Interregnum launched *Step IT Up*®, its first early stage IT investment initiative, and in 1998, Interregnum established its IT Mergers & Acquisitions line of business.

In September 1998, CIBC World Markets (formerly CIBC Wood Gundy Oppenheimer), a division of Canadian Imperial Bank of Commerce, a leading North American financial institution, made a strategic investment in Interregnum. This gave Interregnum a NASDAQ IPO exit route for its clients, access to CIBC World Markets equity research resources, and additional working capital. At the time of this investment the BDO Stoy Hayward shareholding was bought-out.

## Business

Interregnum's business is to help IT companies and investors *Transform Technology into Wealth*, by offering services applicable to each stage of the business life cycle:



## Interregnum's approach

Interregnum has defined four lines of business, described below, which use a common methodology, proprietary to the Company, for the systematic assessment of what constitutes *value* in an IT business. The Interregnum methodology, combined with a thorough understanding of relevant market trends, provides a framework for understanding and justifying the potential of a business where traditional finance-oriented approaches often fall short. The methodology works by analysing an IT business with reference to four key factors – termed the *Four Pillars of Value*®:

- *People* (balance, reputation, track record, loyalty, specialist skills, etc.)
- *Technology or Service Offerings* (leading or lagging, protected, productised, road map for future, revenue and profit potential, etc.)
- *Base* (blue chip or not, level of purchaser, nature and quality of revenues, etc.)
- *Brand* (strength, recognition, essence, protection, sustainability, etc.)

In each of these areas Interregnum has developed a detailed checklist which enables it to assess the value of a particular client's business in terms of where it stands today, and its future potential.

Importantly, as the Company grows, it provides a way for new Interregnum employees to learn quickly and apply consistently Interregnum's approach.

## Venture Marketing

Interregnum's primary line of business is Venture Marketing in which it works closely with high potential IT businesses to develop and implement aggressive, value-building strategies. From this work Interregnum earns fee income and is awarded Equity Positions in client companies.

Through its Venture Marketing work, Interregnum has built a portfolio of 27 such Equity Positions. As at 28 February 2000, Interregnum owns minority shareholdings or options in nineteen quoted and unquoted companies, and has contractual rights to receive shares or options in a further eight client companies. There is also a pipeline of at least 15 active, qualified prospects to whom a letter of engagement and/or a proposal has been sent and with whom discussions are continuing. Details of the Portfolio are given below.

Interregnum has a direct, hands-on relationship with most of its Venture Marketing clients, and holds executive or non-executive directorships in most of the companies in its Portfolio. More specifically, Interregnum:

- develops aggressive, value-building strategies;
- provides access to the US market;
- attracts senior executive and non-executive talent to augment the client's management team;
- raises the necessary funds from investors for clients to implement their plans;
- plays a hands-on role in the implementation of their plans and the ongoing building of value; and
- positions the business to realise optimal value through trade sale or IPO.

In its Venture Marketing client base, Interregnum has specifically targeted IT companies that are providing key technological infrastructure and services required by the business-to-business e-Commerce marketplace.

The value added by Interregnum's Venture Marketing business primarily results from:

- the depth of Interregnum's IT knowledge and experience gained through senior management, marketing, product management and technical roles in global technology businesses;
- the active, hands-on role Interregnum takes in ensuring the success of its clients; and
- a depth of investment banking and venture capital expertise acquired in North America and Europe.

#### *Research and Consulting*

The industry sector analysis carried out by the Research & Consulting line of business earns fee income and supports Interregnum's other business activities. Specifically, Interregnum applies its proprietary *Four Pillars of Value*® methodology to assist IT companies define and refine their strategies. Interregnum also advises established non-IT companies on the development of their IT strategies. Clients have included: IBM, Lotus, Ascom Timplex, Open Text, Sony, Unisource, Chyron Corporation and PPP Healthcare.

Interregnum is retained by institutional investors to advise on the technological value and implications of IT investments. In this capacity Interregnum has helped investors and entrepreneurs to:

- identify areas of risk in business plans and put in place strategies to minimise those risks; and
- identify those areas of upside and positioning for best value exits.

Interregnum has also been retained on a consultancy basis by investors to help "turn-around" under-performing investments in their portfolios. In this capacity the Group has helped investors and entrepreneurs to:

- identify areas of failure in the business model or in its execution and initiate corrective action; and
- identify those areas of market potential and then move the business model and the business itself to take relevant advantage.

Investors who have used Interregnum's services include Royal Bank Development Capital, 3i plc, DIJ Phoenix Fund Managers, Elderstreet, Bank Austria CreditAnstalt, Lloyds TSB, NatWest and Collier Capital.

In addition to the above activities the Research and Consulting line of business has published and contributed to reports on the IT sector for public distribution.

### *Mergers and Acquisitions (M&A)*

Interregnum uses its IT expertise and its *Four Pillars of Value*® methodology to support both acquisition and disposal activity by its clients. The Directors believe that this proprietary methodology helps to position and value companies for trade sales and identify acquisition candidates with the appropriate strategic, technical and operating synergies. Interregnum earns engagement and success fee income from its M&A activity.

The M&A activity was originally intended to help Interregnum's Venture Marketing clients find trade sale exit routes. However, the rapid growth in the IT Mergers & Acquisitions sector (see Market section below) has given Interregnum the opportunity to develop this line of business in its own right. The wide contact base built up by the Directors during their careers in the IT industry also proves invaluable in finding potential M&A partners.

Recent transactions successfully carried out by Interregnum include the sale of two of Admiral plc's product businesses, the sale of Performance Publishing Ltd to Dr Solomon's plc, and the sale of Datal Advanced Systems Ltd to Catalyst Solutions plc. This experience has confirmed the need for advisers who can understand the value propositions which apply in the IT sector and who can effectively bridge the gap between IT and corporate finance.

The Directors believe that many M&A practitioners lack Interregnum's range of services and direct IT sector experience. Therefore Interregnum's range of capabilities gives it a special advantage in that its advice can be led by the clients needs, rather than being constrained by the range of service lines offered by the adviser. For example, a client considering disposal of his business may be better advised to build a specific aspect of its value before entering the disposal process. In this case, Interregnum's Venture Marketing capability would be an ideal complementary offering prior to a formal disposal engagement.

### *Venture Capital*

Interregnum works with a number of institutional and private investors to source the capital requirements of growing technology companies. To date Interregnum has helped raise over £50 million for young technology companies and their shareholders. One of Interregnum's early-stage capital raising initiatives is the *Step IT Up*® programme, established in conjunction with Europe's largest venture capitalist, 3i plc. Started in 1997 as a pioneering, fast track, seed capital initiative targeted at high potential UK IT companies, it provides access to both strategic marketing support and early stage capital. Through *Step IT Up*® more than £6.5m has been invested into five companies.

### *Focused Private and Public IT Market Investing*

The Directors believe there is a significant opportunity to leverage Interregnum's knowledge of the European IT industry, its proven ability to identify and support high potential IT companies and its financial expertise, by expanding into the following business activities:

- venture capital investment in European (and particularly UK) seed and early stage companies; and
- public equity investment where Interregnum's Venture Marketing and research capability can identify potential investments that are not fully understood and appreciated by capital markets, and can be leveraged to create significant incremental wealth.

Interregnum intends to make private equity investments primarily in high potential seed and early stage IT ventures, in sectors such as Internet infrastructure and services, wireless infrastructure, software, hardware and IT services. Interregnum will also invest in its own Venture Marketing clients and later stage companies alongside other venture capital firms where it believes it to be appropriate. Interregnum intends to raise additional funds from financial institutions for investment alongside its own funds and to raise funds from large corporations for investment in IT sectors considered strategic to their objectives (also termed *Cross-sector Corporate Venturing*).

Interregnum intends to make public equity investments primarily in Micro and Small Cap European IT companies. The Directors believe that the Company's Venture Marketing capabilities can be applied to increase significantly the investee company's share price. The Directors also believe that a lack of effective research combined with market inefficiencies have resulted in public market valuations that are inconsistent with the future prospects of many listed IT companies.

The Directors further believe they can identify and benefit from these valuation discrepancies through research and the application of proprietary valuation methodologies.

### *Competitive Advantage*

Interregnum's sustainable competitive advantage can be categorised by reference to its own *Four Pillars of Value*®:

*People* - The Directors, key staff and associates are from the IT sector with hands-on expertise in a broad range of technologies and IT businesses. Members of the Board have a combined total of over 125 years of IT experience. This IT capability is augmented by senior level US and European IT investment banking and venture capital expertise. Members of the senior management team have high profiles in the IT and finance sectors. In February 2000 Ken Olisa was a finalist for the Software Business Network Adviser of the Year, alongside executives from Broadview and Goldman Sachs.

*Service Offerings* - Interregnum offers a full range of services relevant to the business life cycle, engages proactively with its clients and receives frequent favourable press comment. The Company enjoys recurring business from venture capitalists and referrals from satisfied clients and their advisers.

*Base* - The current client base provides a range of products and services offering exceptional growth potential. The Portfolio includes businesses based in the United Kingdom, continental Europe, and North America.

*Brand* - Now in its seventh year, the Interregnum brand is well established and respected in the IT industry and the City, as exemplified by the CBI's references to the Company in the 1997 Tech Stars report, co-branding with the Computer Software and Services Association's (CSSA) Software Business Network (SBN) of the enterprise.USA programme, and the *Step IT Up*® marketing partnership with 3i plc.

### **The Portfolio**


The following table shows how the Portfolio of Equity Positions has developed in recent years:

	12 months ending 30 June 1997	12 months ending 30 June 1998	12 months ending 30 June 1999	6 months ending 31 December 2000
New Equity Positions	4	2	11	7
Total Equity Positions	7	9	20	27

### *The Current Portfolio*


Interregnum's Portfolio at 28 February 2000 comprises 27 Equity Positions built up via Interregnum's Venture Marketing activities. Interregnum has previously exited from two Equity Positions (Pro-Bel and Prometrics), both via trade sales. Two other clients (Link and Vossnet) have conducted IPO's.


### **Internet Start-ups**


<p><b>www.mediasurface.com</b></p> 	<p>A <i>Step IT Up</i> investment, Mediasurface is a leading Internet Content Management software and services vendor based in London.</p> <p>Mediasurface is currently expanding its operations and extending its marketing channels following a very significant round of funding by Amadeus, Index, 3i plc and Elderstreet.</p>
<p><b>Contract Date:</b> Sep 97</p>	<p><b>Interregnum Equity Position:</b> 2.1% of issued share capital</p>


<p><a href="http://www.geodesia.com">www.geodesia.com</a></p> <p><b>geodesia</b></p>	<p>Geodesia is a startup, spun-out from leading Intellectual Property (IP) firm, Rouse &amp; Co International. It has been founded by Peter Rouse – who built Rouse &amp; Co and who has 17 years experience and a high profile in the global IP market-place. Geodesia aims to become the world's premier gateway, or Portal, to opportunity and services relating to IP assets and e-commerce. Geodesia will provide comprehensive access to service providers in IP-related fields and ASP delivered software tools will allow users and suppliers to conduct business in and through the portal. The creation of a working e-commerce infrastructure sets Geodesia apart from simple directory or trading sites.</p>
<p><b>Contract Date:</b> Dec 99 <b>Directorship on completion of funding:</b> Jonathan Wood</p>	<p><b>Interregnum Equity Position:</b> Contract leading to option to purchase 6.5% of the issued share capital</p>

<p><a href="http://www.ferl.co.uk">www.ferl.co.uk</a></p> <p><b>FER</b></p>	<p>FER Ltd. has developed core technologies which provide very flexible, web-enabled portfolio reporting initially targeted at the investment management sectors in the UK, USA and Europe. The offering allows investment managers to future proof existing investment management systems – by web enabling it, and to enhance customer relationship management to respond to critical competitive pressures generated by the threat of new entrants using internet technologies. With its first blue chip clients already under its belt, FER is preparing to roll-out its service as an Application Service Provider (ASP).</p>
<p><b>Contract Date:</b> Oct 99 <b>Directorship on completion of funding:</b> Jonathan Wood</p>	<p><b>Interregnum Equity Position:</b> Options to purchase 3.0% of the issued share capital, plus a contract leading to options to purchase an additional 3%</p>


<p><a href="http://www.onboardinfo.com">www.onboardinfo.com</a></p> <p><b>on board info</b></p> 	<p>Onboard Info is a pioneering software and e-commerce company providing solutions for the electronic calendar and PDA markets. Working with premium global brands, Onboard info produces the eCalendar Companion series, the essential tool to ensure that users never miss out on key dates and information that matters. Working with premium global brands like American Express Publishing, The Economist, sportinglife.com, weatherplanner.com and ZDNet UK, on board info is aggregating a high value user base in the professional sectors.</p> <p>The core eCalendar Companion technology provides a channel for communications to the user's electronic calendar, supporting all the main platforms, whether on a PC, an intranet, on a notebook, on a handheld device or, in the not-too-distant future, on a "smart" phone. Giving access to users' time, the on board info channel provides a uniquely controllable, relevant and lasting infrastructure for personalised e-commerce.</p>
<p><b>Contract Date:</b> May 99 <b>Directorship:</b> Jonathan Wood</p>	<p><b>Interregnum Equity Position:</b> 6.0% of the issued share capital</p>

	<p>ProActive has developed web-based personnel profiling systems (including 360° peer and internal/external customer-based assessment) which are used as part of its programmes for the performance improvement of executive and middle management. Companies seeking to improve their Call Centre operations have very successfully used the techniques.</p>
<p><b>Contract Date:</b> May 99</p>	<p><b>Interregnum Equity Position:</b> 1.0% of issued share capital<sup>(1)</sup></p> <p><sup>(1)</sup> On 28th January 2000, ProActive entered into an agreement to be acquired by Girovend plc, and Interregnum agreed for its shareholding to be exchanged for shares in Girovend plc.</p>


<p><a href="http://www.itswine.com">www.itswine.com</a></p> 	<p><i>ItsWine.com</i> is focused on becoming one of the dominant global wine e-traders. ItsWine.com differentiates itself from its competitors through co-branding partnerships with the major online consumer sites. The company name of ItsWine.com is used to deliver co-branded properties including: ItsWine at Iceland, ItsWine at Interflora and ItsWine at Thorntons. ItsWine has attracted Esme Johnson, founder and former Managing Director of Majestic Wines to be its Chairman.</p>
<p><b>Contract Date:</b> Oct 99 Directorship on completion of funding: Simon Davies</p>	<p><b>Interregnum Equity Position:</b> Contract leading to option to purchase 5.0% of the issued share capital</p>


<p><a href="http://www..com">www..com</a></p> 	<p>Calm is the author and distributor of a range of lifestyle management offerings which have been developed in association with some leading healthcare professionals. The offerings are relevant to occupational health professionals and to the general public.</p>
<p><b>Contract Date:</b> May 99</p>	<p><b>Interregnum Equity Position:</b> Contract leading to 1.0% of the issued share capital</p>


### Software Start-ups


<p><a href="http://www.adaptive.com">www.adaptive.com</a></p> 	<p>Adaptive Limited was formed in January 1997 by a team previously employed by Abbey National plc. Adaptive has a strong understanding of the Business Process issues that face established organisations undergoing the changes being wrought by eCommerce. The core team has spent many years developing a software environment to increase the effective support for these issues – the Adaptive-Framework.</p> <p>Adaptive was Interregnum's first <i>Step IT Up</i> transaction in which 3i plc invested early in 1997. It was a complex Corporate Venturing transaction involving buying out some IPR from the Abbey National, and defining a fundable strategy for the business.</p>
<p><b>Contract Date:</b> Dec 96 <b>Directorship:</b> Graham Ransom</p>	<p><b>Interregnum Equity Position:</b> 3.7% of issued share capital</p>




<p><b>www.zilex.com</b></p>  <p>(formerly Vocalex.com)</p>	<p>The Group specialises in speech recognition technology, developing and marketing continuous speech recognition products. Technical development work is carried out in Europe in partnership with Philips Speech processing in Vienna. Sales activity is based in the US and is focused on the North American medical and insurance sectors.</p>
<p><b>Contract Date:</b> June 97 <b>Directorship:</b> Simon Davies</p>	<p><b>Interregnum Equity Position:</b> 3.7% of the issued share capital</p>

<p><b>www.xpertclient.com</b></p> 	<p>Funded under the Interregnum/3i plc <i>Step IT Up</i> programme, Xpert Client Systems is a developer of innovative software technology which helps customers better manage their PC assets. Unique 'agent' technology is deployed on PCs within an enterprise to help organisations implement a wide range of PC management tasks, including monitoring for misuse, optimisation of software licensing, performance assessment, auditing, and asset management.</p>
<p><b>Contract Date:</b> Apr 98 <b>Directorship:</b> Roger Jeynes</p>	<p><b>Interregnum Equity Position:</b> Option to purchase 2.6% of issued share capital</p>

	<p>Knowledge=Power has developed a CD ROM and Internet based education engine that is used by professionals such as financial advisors. Recognised courses are run from K=P's Virtual Learning Centre. Clients are principally blue chip.</p>
<p><b>Contract Date:</b> Aug 97</p>	<p><b>Interregnum Equity Position:</b> 3.0% 'phantom' equity</p>

	<p>Thumb Candy is a new media development business. In partnership with Philips New Media, the business developed a CD ROM title, the Virtual Nightclub.</p>
<p><b>Contract Date:</b> May 95</p>	<p><b>Interregnum Equity Position:</b> Option to purchase 5.0% of the issued share capital</p>

### **Established Software**

<p><b>www.linkforwindows.com</b></p> 	<p>Link is a Belgian software developer listed on the Euro.NM bourse in Brussels. They are developers of the Link groupware product – marketed as "Relationship Management for Teams"</p> <p>The product uses relational database technologies to connect various Microsoft Windows® products together to facilitate office efficiency.</p>
<p><b>Contract Date:</b> Sept 98 <b>Directorship:</b> Ken Olisa</p>	<p><b>Interregnum Equity Position:</b> Options for 2.6% of issued share capital</p>

<p><a href="http://www.respond-uk.co.uk">www.respond-uk.co.uk</a></p> 	<p>Respond is an independent software and services vendor operating within the global customer relationship management (CRM) market. The company develops, markets, and supports the market-leading 'Respond' family of complaints handling systems. Interregnum has worked with the team for nearly four years to develop its product and market strategy. Respond has forged a valuable position within the highly dynamic CRM sector.</p>
<p><b>Contract Date:</b> Jan 96 <b>Directorship:</b> Graham Ransom</p>	<p><b>Interregnum Equity Position:</b> 4.1% of issued share capital</p>


  

<p><a href="http://www.opentext.com">www.opentext.com</a></p> 	<p>Open Text Corporation's software and services enable Global 2000 companies to leverage the global reach and openness of the internet, truly "Putting the Web to Work". Open Text has a worldwide installed base of over 3.0 million users in 3,400 corporations. Open Text's dramatic growth has been fuelled by the rapid market acceptance of its innovative, collaborative knowledge management system, Livelink®. Open Text is listed on NASDAQ (OTEX).</p>
<p><b>Contract Date:</b> Jan 98 <b>Directorship:</b> Ken Olisa</p>	<p><b>Interregnum Equity Position:</b> Options for 0.38% of issued share capital</p>


  


<p><a href="http://www.dataease.com">www.dataease.com</a></p> 	<p>Sapphire is the developer and distributor of <i>DataEase</i> – a family of application development tools, which has sold more than 1.5 million licences worldwide. Sapphire is also the leading provider of professional services (including project management, application design, implementation, migration and conversion) associated with DataEase.</p> <p>With backing from Foresight VCT, Elderstreet, and the directors of Sage plc, the company is being repositioned as a specialised provider of business-to-business e-Commerce tools and services – targeted at small and medium sized companies.</p>
<p><b>Contract Date:</b> July 98 <b>Directorship:</b> Roger Jeynes</p>	<p><b>Interregnum Equity Position:</b> Option to purchase 3.0% of issued share capital</p>


<p><a href="http://www.gmt-2000.com">www.gmt-2000.com</a></p> 	<p>Greenwich Mean Time (GMT) is the developer and worldwide distributor of a range of PC management software. GMT's Check2000 product has sold more than 4.5 million copies, making it the world's best selling diagnostic and corrective software suite.</p> <p>GMT has recently launched a range of more general PC systems management tools, which build on the huge installed base achieved with Check2000.</p>
<p><b>Contract Date:</b> Sept 99 <b>Directorship on completion of funding:</b> Roger Jeynes</p>	<p><b>Interregnum Equity Position:</b> Contract leading to option to purchase between 1.0% and 4.0% of issued share capital</p>


## Services Start-up


<p><a href="http://www.geoconference.com">www.geoconference.com</a></p> 	<p>GeoConference was formed in 1996 by George Mackintosh, the creator of the UK subsidiary of US teleconferencing company Darome. Under the banner of 'The Meeting Managers' GeoConference brings an innovative approach to the world of teleconferencing. GeoConference meeting managers link telephone and video users together in 'virtual' meetings.</p> <p>With call-centres in Glasgow and London and a national virtual private network, GeoConference uses the very latest 'bridging' technology to deliver the best service available to major City and other Blue Chip international customers, competitively billed by the second.</p>
<p><b>Contract date:</b> July 96 <b>Founding Chairman:</b> Ken Olisa</p>	<p><b>Interregnum Equity Position:</b> Shares and Options totalling 4.2% of the issued share capital</p>


<p><a href="http://www.callcentric.co.uk">www.callcentric.co.uk</a></p> 	<p>David Berger, the former head of Datapoint Europe, formed a <i>Step IT Up</i>® investment, CallCentric in 1997.</p> <p>With the slogan – 'Putting the Call Centre @ the Heart of e-business' CallCentric offers consulting advice in the fast growing arena of call centres. Its Consultancy, Solutions, and Management Programme bring together a wealth of management, market, process and technology experience in an easily absorbed package. CallCentric has combined best-of-breed solutions with expert knowledge of the management systems required for successful call centre operation for many Blue Chip customers in the UK and Europe.</p>
<p><b>Contract Date:</b> May 97 <b>Non-Executive Chairman:</b> Ken Olisa</p>	<p><b>Interregnum Equity Position:</b> 5.7% of issued shares</p>


## Established Services

<p><a href="http://www.catalyst-solutions.com">www.catalyst-solutions.com</a></p> 	<p>Catalyst Solutions is a £60m turnover supplier of ERP, computer hardware, software and solutions based around the IBM AS/400 and RS6000 mid-tier server platforms. The company is now positioned at the heart of the mid-market B2B eBusiness revolution. Investors MAM, Equitable Life, Fidelity and Killick &amp; Co back the company.</p>
<p><b>Contract Date:</b> Aug 99 <b>Executive Chairman:</b> Ken Olisa</p>	<p><b>Interregnum Equity Position:</b> Option to purchase 1.5% of the issued share capital; contract leading to a further option to purchase 0.5%</p>


<p><a href="http://www.netinfo.com">www.netinfo.com</a></p> 	<p>NetInfo is a business-to-business eCommerce systems integrator based in the Thames Valley. NetInfo boasts a strong Blue-Chip customer base and has successfully melded high quality marketing design skills with enterprise IT capability.</p>
<p><b>Contract Date:</b> Aug 99 <b>Directorship:</b> Graham Ransom</p>	<p><b>Interregnum Equity Position</b> option to purchase 7.5% of issued share capital</p>


<a href="http://www.markitinfo.co.uk">www.markitinfo.co.uk</a>  	MarkIT Information Services is a marketing services agency and independent software vendor that helps customers to make the most of their in-house data systems to market their products and services successfully. It does this by providing specialist marketing consultancy combined with the most technologically advanced suite of products. MarkIT has established itself as a market leader as well as an innovator of new ideas and methodologies.
<b>Contract Date:</b> Jan 99	<b>Interregnum Equity Position:</b> Contract leading to option to purchase 4.0% of issued share capital


<a href="http://www.computerwire.com">www.computerwire.com</a>  	Computerwire is the market leading supplier of online research, analysis and intelligence information to both the IT vendor and user communities. Computerwire also publishes the flagship monthly magazine "Computer Business Review"
<b>Contract Date:</b> April 99 <b>Directorship on completion of funding:</b> Graham Ransom	<b>Interregnum Equity Position:</b> Contract leading to option to purchase up to 5.0% of issued share capital

<a href="http://www.iconics.co.uk">www.iconics.co.uk</a>  	Iconics is a city-based development and consulting services firm, specialising in international commercial banking sector, with a blue chip client base which includes Citibank, State Street, Standard Chartered, WestLB, and NatWest. Iconics has successfully differentiated itself from simple contractor-based resources, and has been able to develop unique intellectual property which addresses the key business requirements of these leading international commercial banks: financial messaging, clearing, payment systems, custody, and central bank reporting.
<b>Contract Date:</b> May 99	<b>Interregnum Equity Position:</b> Contract leading to option to purchase up to 3.0% of issued share capital

### Hardware

<a href="http://www.trilogy-broadcast.com">www.trilogy-broadcast.com</a>  	An MBO from Chyron Corporation Inc. Trilogy Broadcast is a name synonymous with quality design, product innovation and excellent ergonomics in the European broadcast markets. These customers rely on the high performance of Trilogy equipment to televise major drama and entertainment programmes as well as news and sporting events including Olympic games, F1 motor racing, football etc.
<b>Contract Date:</b> Sept 98 <b>Directorship:</b> Ken Olisa	<b>Interregnum Equity Position:</b> 1.0% 'phantom' Equity

<p><b>www.chyron.com</b></p> 	<p>Chyron Corporation is quoted on the New York Stock Exchange (symbol: CHY). It has established itself as a leading innovator in the development of television graphics and distribution systems, including products to meet the demands of digital and high definition television. Chyron and its subsidiary Pro-Bel (a former constituent of Interregnum's portfolio) provide a broad range of leading-edge hardware and software products, including graphics platforms, paint and animation systems, character generators, signal distribution systems, master control switchers, broadcast automation and media management.</p>
<p><b>Contract Date:</b> Nov 99</p>	<p><b>Interregnum Equity Position:</b> Contract leading to warrants for 0.2% of the issued share capital</p>

<p><b>www.synaxia.com</b></p> 	<p>Backed by substantial early stage funding from Celtic House, Synaxia has assembled a world class design team which has developed the industry's first 'silicon server'. This encapsulates in hardware some critical system functions that today have to be performed by complex software.</p> <p>Synaxia's work may lead to a revolution in the way data storage and networks are interconnected, and give rise to a completely new generation of computer hardware (in the same way that specialised network hardware for bridges, routers and hubs from companies such as 3Com and Cisco spawned a new category of hardware in the IT industry).</p>
<p><b>Contract Date:</b> July 99 <b>Directorship:</b> Roger Jeynes</p>	<p><b>Interregnum Equity Position:</b> Option to purchase 0.1% of issued share capital</p>

### Development Strategy

In addition to the Venture Capital developments noted above, Interregnum intends to recruit more research analysts, M&A, and Venture Marketing staff. The Company is investigating alliances to extend its international coverage, and plans to upgrade its internal accounting, control and compliance systems to ensure that they remain effective as the Company expands.

The Venture Marketing work, which has formed the basis for the development of Interregnum's brand, will be extended and will encompass entrepreneurs, investors and professional advisers.

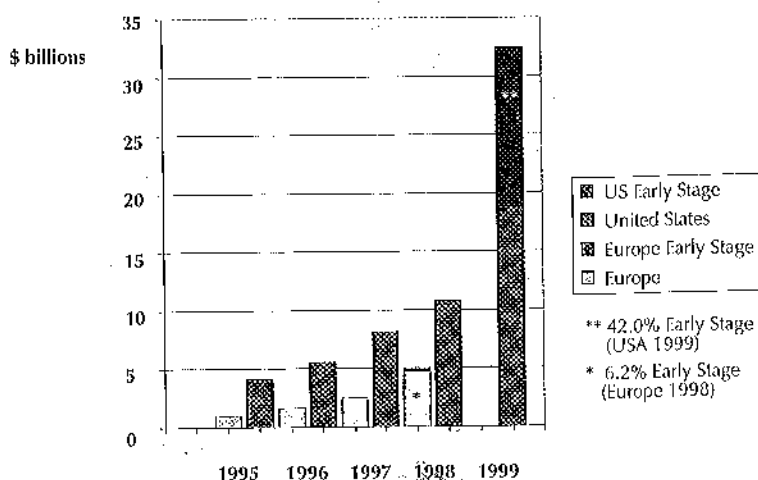
### Intellectual Property Rights

Interregnum has registered as trade marks the *Step IT Up*® name and logo in the UK (registered under numbers 2147484A & 2147480B), and has asserted its intellectual property rights in the *Four Pillars of Value*® methodology.

## Market

If Europe follows the pattern of IT investment activity in the USA, the current surge in IT investment activity in the UK and Europe is only the beginning of what promises to be a long upward trend.

### USA versus Europe Private Equity Technology Investment:



Source: PWC; Money Tree Survey

The pool of companies that are prospects for funding is expanding rapidly. According to the Office of National Statistics (ONS), the UK Information Technology sector is worth more than £40 billion and involves "almost 65,000 businesses".<sup>2</sup> The majority of these businesses are small to medium-sized enterprises (SMEs).<sup>3</sup> Andrew Wilder of the Software Business Network has identified 24,000 software and service companies in the UK, 22,000 of which employ less than 50 persons.<sup>4</sup> The UK is one of the largest markets for IT in Europe and it has one of the fastest growth rates at +9.8% in 1998.<sup>5</sup> Across Western Europe, the IT market grew at 9.4% in 1998.<sup>6</sup>

### UK versus USA Venture Capital Technology Investment

Year	Investment (£m) <sup>7</sup>		No. of Investments		% of GDP <sup>8</sup>	
	US	UK	US	UK	US	UK
1998	6,291	336	1,506	295	0.12%	0.04%
1997	5,673	283	1,518	214	0.12%	0.04%
1996	4,844	150	1,391	150	0.10%	0.02%

Source: BVCA<sup>9</sup>

Not only is the sector expanding in size, but Europe is producing leading technology. In the UK, companies like Baltimore Technologies (e-commerce security), EIDOS (computer games), Freccserve (Internet access), Sage (accounting software), and BSkyB (digital television) have been pioneers and leaders in their market segments. Across Europe, the sector is also gaining predominance. Three French companies, Gemplus, Bull, and Schlumberger produce most of the

2 Office of National Statistics (ONS) survey based data quoted now by the UK Department of Trade and Industry at [www.dti.org.uk](http://www.dti.org.uk)

3 [www.dti.org.uk](http://www.dti.org.uk)

4 Andrew Wilder, Director of the Software Business Network.

5 European Information Technology Observatory (EITO), Report 1999 quoted by the UK Department of Trade and Industry at [www.dti.org.uk](http://www.dti.org.uk). In 1998, the UK was 21% of the total value of the IT market in Western Europe (193 bn ECU); while Germany was 23% and France 18% (EITO, 1999)

6 EITO, 1999.

7 The US and UK figures include communications, computer related, electronics, biotechnology and medical/health related, excluding non technology. The UK figures include early stage and expansion technology and, allowing for any differences in methodology are as comparable a possible. Leveraged buy-outs are not included in USA figures and so MBOs and MBIs are not in the UK figures (BVCA Report on Investment Activity, 1998).

8 The GDP figures were provided by the CBI from comparable OECD figures. Annual exchange rates were provided from the Bank of England (1998: £1 = \$1.6754; 1997: £1 = \$1.66; 1996: £1 = \$1.5617); US venture capital figures are from VentureOne in the USA, UK VC figures are from BVCA reports.

world's smart cards.<sup>9</sup> Germany's SAP dominates markets for ERP software. Finland's Nokia and Sweden's Ericsson are world leaders in mobile phone technology. Of Europe's 500 fastest growing companies, 127 are currently from the technology sector and these companies boast an average growth in revenues of 42%.<sup>10</sup>

These growth rates are attracting increasing amounts of investment capital, but investment is not yet matching US levels. According to the British Venture Capital Association, in the UK "high technology companies"<sup>11</sup> received more venture capital to back more businesses than any other industry grouping.<sup>12</sup> Within the high technology category, "computer related" companies accounted for nearly half those receiving funding, and this was up 53% from the previous year.<sup>13</sup> In 1998, a record £707 million<sup>14</sup> was invested in 351 companies, more than 15 times that invested in 1984, and a 32% increase over 1997. Despite this upward trend, the UK is still investing at only 33% of US levels on a GDP adjusted basis (see table).

Key to the record increases in investment in the UK IT sector have been changes related to European stock exchanges which have contributed to more exit opportunities for venture capitalists and better valuations. These include:

- The launch by the London Stock Exchange of techMARK in 1999
- The announcement that NASDAQ will open a European Market in the near future
- The 1995 launch of Alternative Investment Market (AIM) for smaller, younger companies
- The 1996 launch of Europe's EASDAQ market
- The creation of the Euro-NM grouping of European stock exchanges in 1996
- Changes to the London Stock Exchange's listing rules facilitating flotations of loss making companies

By making it easier for technology companies to float and for investors to invest in and monitor technology stocks, these developments have contributed to a more favourable environment for current and future technology investment.

In the Mergers & Acquisitions (M&A) market for European IT companies, the volume and value of exits is rising. In 1999, the European M&A transaction count leapt up 30% and by value, the increase was 483%.<sup>15</sup> The number of European based transactions in the software segment increased the most. They were up to 744 in 1999, as compared to 445 in 1998<sup>15</sup>. Europe's share of global technology M&A has more than doubled by value. In 1998, Europe had 16.5% of the total \$474 billion, and in 1999, Europe had 38% of the total of \$1,205 billion<sup>15</sup>.

#### Europe versus US High Technology M&A Transactions

Year	No. of Transactions		Value of Transactions (US\$bn)	
	US	Europe	US	Europe
1999	3,737 (62%)	2,271 (38%)	\$747 (62%)	\$458 (38%)
1998	3,034 (64%)	1,742 (36%)	396 (83%)	78 (17%)

Source: Broadview

9 Henry Miller, "Europe's Hi-Tech Edge", Time Magazine, January 31, 2000.

10 Brussels based research firm, Europe Unlimited tracks European technology companies, and their results are quoted by Henry Muller in Time Magazine. Among the strongest sector segments (as measured by the strength of European companies in global markets) are smart cards, encryption software, e-commerce software, electronic games and digital television. (Henry Muller, "Europe's Hi-Tech Edge", Time Magazine, January 31, 2000).

11 Mainly computer, electronics, medical, biotechnology and communications related, in BVCA definition.

12 84% of all the high technology companies backed were at a start-up, early or expanding stage of development (BVCA Report on Investment Activity, 1998, p.6).

13 Within this sector, computer software companies were the key areas for investments, accounting for 79% of the computer-related companies backed and 77% of the amount invested (BVCA, 1998, p.18).

14 Representing 19% of the total - up 19% on 1997 (BVCA Report on Investment Activity, 1998, p.6).

15 Broadview Technology M&A Report: Full Year 1999. The figures include European IT, Communications and Media M&A.

## European IT, Communications and Media M&A transactions by sector

Year	Software	Hardware	Telecom	Media	Services
1999	744	215	329	770	231
1998	445	197	214	601	284

Source: Broadview

Converging technology trends are driving the increase in M&A activity. Previously unrelated segments of the industry now need to co-operate closely to access new markets. Examples are that telecommunications companies are merging with Internet, e-Commerce and New Media companies; data warehousing specialists are teaming up with Application Service Providers (ASPs), or website hosting companies. The need for established non-IT companies to adopt Internet strategies and e-Commerce in order to compete aggressively is also leading to more acquisitions, and investment in, IT companies. These technology and business trends are still in early phases, and they will continue to drive M&A activity in the foreseeable future.

### Competition

Interregnum faces a distinct competitive environment for each line of business.

The Directors believe that its Venture Marketing line of business is unique in the UK and therefore faces limited competition. However, as the technology incubators develop, they may begin to offer similar services. In addition, as Venture Marketing is a variation of a business model originally developed by the US venture capital community, it is possible that US venture capital firms extending their reach into Europe may take an approach to their European IT investments that has some similarities to the Interregnum approach.

The M&A industry is extremely competitive, but Interregnum's niche, dealing with Small Cap IT companies, is significantly less so. Among those firms that could be considered competitors are Broadview, Regent and Cavendish. Interregnum is differentiated from these firms by its approach to M&A. In contrast with the more financially-oriented approaches, Interregnum focuses on the special factors affecting the fit and valuation of IT companies through its *Four Pillars of Value*® methodology.

The UK Venture Capital industry has been less active in seed and early stage investment in the IT sector. This is because of the significant amount of work required to make small investments, the extensive IT knowledge required and the ongoing effort and involvement necessary to support the successful growth of the investment portfolio. In view of these factors, most venture capital firms investing in the IT industry have tended to focus on MBO/MBI and pre-IPO investment. Examples of firms that do invest at the early stage are 3i and Elderstreet. Many shells have also been created recently with the objective of investing in initial and early stage opportunities. These include Jellyworks PLC, Oxygen Holdings PLC, e-Xentric, eVestment Company PLC and e-Capital Group.

The Directors believe that, while there are now many funds investing in Micro and Small Cap equities, Interregnum's strategy of focusing on investments where the Company is able to take an active role in building the clients' value remains uncommon.

### Directors and Management

Interregnum employs 15 skilled professionals. The senior executives have a combined total of more than 125 years of hands-on, technical, sales and management experience in the IT sector. Interregnum executives currently hold non-executive directorships in more than 20 IT companies. The Board and Interregnum's senior management team consists of the following individuals:

**Ken Olisa, MA aged 48, is Chairman & Chief Executive Officer.**

Ken has spent almost 30 years involved with the IT industry. In that time he has held a wide range of technical, sales, marketing, general management and board appointments in Europe, Israel and the USA. Currently Ken is chairman of the board of Catalyst Solutions plc, MetapraXis, CallCentric, and GeoConference. In addition he serves as a Non-Executive Director on the boards of publicly quoted Link Software (euro.nm: LNK) and Toronto-based Open Text (NASDAQ: OTEX). Prior to founding



Interregnum, Ken spent 12 years at Wang Laboratories where, following a period as Marketing Director for Europe, Vice President of US Marketing and then World-wide Marketing, he was appointed Senior Vice President and General Manager of Wang Europe, Africa and the Middle East. There he was responsible for the sales, marketing, support, service and administration activities within 11 Wang subsidiaries and 92 distributors. His achievements include the return to profit of the half billion-dollar European business through a major restructuring.

Before joining Wang Laboratories in 1981 Ken worked at IBM where he held various posts in systems engineering, sales and marketing. He joined IBM after graduating from Cambridge University where he held an IBM Scholarship at Fitzwilliam College. Ken is a Fellow of the Royal Society of Arts, a Freeman of the City of London, a Liveryman of the Worshipful Company of Information Technologists, Chairman of Thames Reach, a charity working to shelter and resettle the homeless in London, and a Governor of the Peabody Trust.

**Graham Ransom, BSc., DipBA, MBA aged 38, is Managing Director: Venture Marketing.**

Graham joined Ken Olisa at Interregnum in 1995 after completing his MBA. He has spent almost twenty years in the IT industry – holding technical, sales, marketing management and board appointments for multinational and British companies with revenues ranging from \$200k to \$2bn. Graham is on the board of a number of Interregnum's clients and has been instrumental in building much of the strength in the unquoted eBusiness companies within the Portfolio.

Graham began his career as a Systems Analyst at Thorn EMI Datasolve where he pioneered the use of microcomputers in a mainframe environment. After serving his time in sales, he joined Memorex Telex as Product Manager and was promoted to UK Marketing Manager and ultimately to Business Director of the company's European Centre of Excellence. In this capacity he worked extensively throughout Europe and the US and was responsible for designing and implementing UK and European market penetration and professional services strategies. Subsequently Graham joined Research Machines as director, RM Network Systems and prior to his MBA was a Director of a strategic and tactical IT marketing consultancy where he designed and executed product marketing programmes for clients including Microsoft, UNISYS, ACT, DCA and IBM.

Graham is a Member of the Chartered Institute of Marketing, a Member of the Institute of Management and a Freeman of the City of London.

**Roger Jeynes, BSc., AMBCS aged 47, is Managing Director of M&A.**

Roger joined Interregnum in 1997. He was formerly Director of Marketing, Europe West for EMC, the world market leader in high performance storage systems. His time at EMC included taking direct responsibility for EMC's Italian subsidiary, which he restored to profitability following local business problems, before recruiting a replacement local country manager.

Prior to EMC, Roger was Director of Marketing & Business Operations for Pyramid Technology, a silicon valley specialist UNIX systems vendor, where he was responsible for delivering the OEM business with ICL. As part of Pyramid's acquisition by Siemens Nixdorf, Roger negotiated and implemented the merger of their respective UNIX sales organisations in the UK.

Roger began his career at IBM, qualifying as a systems engineer before moving into sales & marketing. His senior positions in IBM included an assignment to IBM's European AS/400 Headquarters in Milan, where he was a member of the team which overhauled IBM's indirect channel strategy in Europe. On his return to IBM UK, Roger played a leading role in the revival of the AS/400's revenue, market share and profitability in this country.

Roger is a mathematics graduate of Sheffield University. He also holds non-executive directorships at three Interregnum Venture Marketing clients: Sapphire, Synaxia Networks and Xpert Client Systems.

**Adrian Merryman, BA, MBA aged 42, is Chief Investment Officer and Finance Director.**

Prior to joining Interregnum in early 2000, Adrian served as CEO of TEMENOS Systems, a banking enterprise software company based in Geneva, Switzerland with 12 globally dispersed offices, and over 350 employees. During his tenure, the Company achieved year-on-year revenue growth of over 100% and double-digit net margin expansion, completed an acquisition, and accelerated product development.

Adrian formerly headed CIBC Oppenheimer's European Investment Banking group. His team provided European IT companies access to the international capital markets and cross-border M&A advisory services, and identified and facilitated principal investments. He was also an investment banker at Merrill Lynch where he executed transactions for Daimler Benz, EMC and USWest among many others.

Prior to obtaining his MBA from Harvard in 1992, Adrian headed operations with P&I responsibility for DuPont Information Engineering Associates, a rapidly growing custom software development business serving U.S. corporations and banks. Adrian began his career in U.S. advertising, where he provided IBM, Xerox (Office Systems division) and Procter & Gamble with strategic marketing direction. Adrian received his Bachelor of Arts from Swarthmore College in 1980.

**Jonathan Wood, BA, MBA aged 38, Associate Director.**

Jonathan came to Interregnum in 1998 after 15 years dealing with research, science, technology and organisational change in Government at the Science & Engineering Research Council, the Department of Trade & Industry, and the Cabinet Office. His career has been anchored around IT, communications and new media technologies with a wide range of customer facing roles in IT service delivery & development, industry sponsorship and regulation. He operated in leading edge roles at a national and international level, giving him direct involvement in commercial decision-making and market dynamics in the core Interregnum sectors.

At Interregnum Jonathan's main focus is on Venture Marketing for early stage telecoms, business-to-business e-Commerce and Application Service Provision ventures. He is actively supporting e-Commerce clients in electronic calendaring and communications, financial and professional services.

Jonathan has a first class honours degree in Chemistry from the University of Oxford and an MBA from the London Business School.

**Andrew Bailey, BSc. aged 37, Associate Director: Head of Research and Consultancy.**

A graduate of Kings College, London, Andrew commenced his career as a research scientist at Philips.

Andrew joined Interregnum from Oracle Corporation, the world's second largest independent software vendor where he was latterly Product Marketing Director (UK and Ireland). At Oracle Andrew was responsible for driving and marketing Oracle's business planning process for the UK. Andrew now heads Interregnum's Research and Consulting Division, and is a widely recognised company and industry spokesperson on IT trends and technologies.

**Geoff Shingles, CBE, aged 60, Non-Executive Director.**

Geoff has over 40 years experience in the IT industry and is recognised as one of its founders.

Geoff is currently Chairman of the highly successful listed silicon chip design company Imagination Technologies Group plc. He also holds several other directorships in high-technology companies. Prior to 1994 he was a Vice President of Digital Equipment Corporation and Chief Executive of their UK operation for 18 years.

**Stanley Stern, BA, MBA aged 42, Non-Executive Director.**

Stanley is currently CEO of STI Ventures, an international investment group supporting leading-edge high-technology companies worldwide. Stanley was formerly Global Head of Technology Banking for CIBC Oppenheimer, a division of the Canadian Imperial Bank of Commerce, one of North America's 10 largest banking groups. Stanley holds an MBA from Harvard and a BA from Queens College of City University of New York.

**Teddy Rosenberg, BA., MBA aged 48 , Non-Executive Director.**

Teddy is currently a Managing Director in CIBC Capital Partners, the private equity division of CIBC World Markets. Prior to joining CIBC Capital Partners, she was General Manager of the Electronic Forms Business Unit of Delrina Corp. (later Symantec Corp.). Prior to that, Teddy spent several years with Xerox Corp. as Vice President, Software Marketing. In addition, she was Vice-President of Marketing for Lucid, Inc., a start-up company in Silicon Valley. Teddy is a graduate of the Honours Business Administration program at the University of Western Ontario and holds an MBA from Harvard Business School.

**Richard Fifield BSc FCA CMC, aged 37, Non-Executive Director.**

Richard is currently a partner in the corporate services division of Williams Allan, a firm of chartered accountants. At Williams Allan he is Managing Director of the firm's outsourcing operation which provides a complete back office infrastructure for US IT corporates establishing pan-European operations. In addition he supports the growth of technology companies and carries out due diligence work for the IT venture capital community.

Richard was previously at Deloitte & Touche where he working with major audit clients. Richard sits on the boards of several technology companies and acts in a non-executive capacity for several others. Richard is also a Director of Thames Valley Economic Partnership, which acts as a catalyst to attract technology businesses into the South East. He is a chartered accountant, holds a BSc from Plymouth University and is a member of the Institute of Management Consultants.

**The Unapproved Option Schemes**

The Directors believe it is in the interest of the Company to incentivise employees and key non-executives through participation in the Company's growth. For this reason Interregnum Venture Marketing has two unapproved share option schemes, one for employees and one for Geoff Shingles.

In order to continue to incentivise relevant individuals Interregnum plc has, therefore, established two discretionary share option schemes on terms which are broadly similar.

The Board has resolved that, subject to and conditional upon:

- (i) Admission; and
- (ii) approval of Shareholders

the Unapproved Schemes be adopted and the Rollover Options be granted pursuant to the Option Exchange Documents so that those individuals holding options in Interregnum Venture Marketing exchange the same for options in Interregnum plc.

**New Bonus Scheme and Old Carried Interest Pool Arrangements**

The Directors (save for Teddy Rosenberg, Stanley Stern and Richard Fifield) and certain employees (Simon Davies, Sherry Madera, Jonathan Wood and Andy Bailey) of Interregnum Venture Marketing had rights under a bonus arrangement called the "Carried Interest Pool". Interregnum Venture Marketing has invited such individuals to release their rights in the Carried Interest Pool and has offered, in place of such rights, to grant rights under the New Bonus Scheme. This offer has been accepted by all such individuals.

Details of the arrangements relating to the New Bonus Scheme (under which bonuses are paid out of the net profits before tax of the Group) are set out in paragraph 5 of Part VII of this document.

Mike Healy and Reg Broughton, former employees of Interregnum Venture Marketing, continue to have interests in the Carried Interest Pool arrangements. The Directors consider that such interests comprise the right to be paid 4.9 per cent (in the case of Mike Healy) and 5.3 per cent (in the case of Reg Broughton) of the net proceeds from any sale prior to 30 June 2000 of Interregnum Venture Marketing's shares in Geoconference Limited. The Directors estimate that such arrangements shall give rise to an aggregate payment of approximately £10,000.

## Financial Record

The following audited financial information on the Group has been extracted from the Accountants' Report set out in Part IV of this document together with the unaudited financial information set out in Part V in respect of the six months ended 31 December 1999. Investors should read the whole document and not just rely on the key or summarised information.

	12 months ended 30 June 1997 £'000 (Audited)	12 months ended 30 June 1998 £'000 (Audited)	12 months ended 30 June 1999 £'000 (Audited)	6 months ended 31 December 1999 £'000 (Unaudited)
Turnover	529	770	1,017	621
Other Operating Income	—	34	99	39
Overheads	524	984	1,271	693
Profit/(Loss) before interest and tax	5	(180)	(155)	(33)

## Current Trading and Future prospects

Interregnum continues to apply successfully the in-depth IT industry experience of its Venture Marketing team to help clients create, resource and execute value-building, market-led strategies. The need to recruit and train high calibre staff for this activity means that large operating profits are not anticipated in this area. However, realisations from the Portfolio can be expected to have a significant impact on the profits and value of the Group. The improvement in the size and quality of the Portfolio is therefore one of the most positive factors in assessing the long-term value of Interregnum.

The M&A line of business has now completed several significant disposal transactions. The large fees available from the M&A work provide an excellent complement to the longer-term value building activity in the Venture Marketing line of business. Interregnum has five disposal mandates on which it is currently working.

Interregnum's Research & Consulting skills continue to be in great demand from institutional investors seeking assistance with their IT investment decisions, and from large companies seeking advice on IT strategies.

In the Venture Capital line of business, Interregnum continues its successful *Step IT Up*® programme with 3i plc, and has sourced a variety of early stage and development capital needs from its venture capital partners. Interregnum continues to champion the cause of Corporate Venturing in Europe, but the take up has been slow compared with the USA.

Interregnum invests in the recruitment of high-calibre staff who form the essential core of its added value. With the expansion of the business, the Directors look forward to a successful year.

## Reasons for the Placing

Interregnum has now spent more than five years successfully establishing a brand in the psyches of innovators and investors on both sides of the Atlantic. The strong growth in fee income and in the size and quality of the Portfolio during the last two years are evidence of the success of Interregnum's proposition to both communities. The increasing and unprecedented momentum in the technology markets now provides Interregnum with the opportunity to ride a wave rather than to create one, and in so doing to move towards the creation of Europe's first truly specialised IT merchant bank.

The Directors believe that the Placing will provide the working capital and investable funds necessary to accelerate the accomplishment of the following business objectives:

- the expansion of Interregnum's core Venture Marketing line of business;
- the establishment of managed funds which will be invested in Venture Marketing clients as well as taking advantage of other opportunities for making targeted high potential investments in seed stage private companies through Micro and Small Cap. publicly traded equities;

- the expansion of all other lines of business to ensure that an adequate structure is in place to service the expansion of the existing Portfolio and client base;
- the redemption of 3,400,000 preference shares held by CIBC.

Admission is expected by the Directors to increase public awareness and trade recognition of the Group and its products and services, and to raise the profile and status of the Group with customers and suppliers.

### **The Placing**

Under the terms of the Placing 14,285,714 Placing Shares are being placed on behalf of the Company at 140p per share, to raise approximately £20.0 million before expenses and a further 5,320,000 Ordinary Shares are being placed on behalf of the Vendors with a value of approximately £7.4 million. The net proceeds to the Company after deducting the expenses of the Placing are estimated to be £19.0 million. The Placing Shares represent approximately 22.2 per cent of the enlarged issued share capital of the Company. At the Placing Price the Company will have a market capitalisation of approximately £90.2 million.

Definitive share certificates for the Placing Shares are expected to be despatched to Placees by 20 March 2000.

Immediately following Admission, the Directors will be interested, in aggregate, in 39,520,220 Ordinary Shares, representing approximately 61.3 per cent of the enlarged issued share capital of the Company. Under the terms of the Placing Agreement, which is described more fully in paragraph 10(a) of Part VII of this document, the Directors have undertaken that, subject to certain exceptions, without the consent of Teather & Greenwood they will not sell or otherwise dispose of, or agree to dispose of, any of their respective interests in the Ordinary Shares held immediately following Admission at any time prior to the first anniversary of Admission.

### **Dividend Policy**

The Directors do not intend to declare any dividends but rather re-invest directly into the Company.

### **Corporate Governance**

It is the Board's intention that, so far as is practicable and so far as it is possible it will comply with the Combined Code prepared by the Committee on Corporate Governance (the "Combined Code").

Audit and Remuneration committees have been established. The Audit Committee will be comprised of Richard Fifield (Chairman), Adrian Merryman, Roger Jeynes, Teddy Rosenberg and Stanley Stern. The Remuneration Committee will be comprised of Geoff Shingles (Chairman), Stanley Stern and Richard Fifield.

The role of the Remuneration Committee will be to review the performance of the executive directors and to set the scale and structure of their remuneration, including bonus arrangements. The Remuneration Committee will also administer and establish performance targets for the Company's employee share schemes. In exercising this role, the terms of reference of the Remuneration Committee will require it to comply with the Code of Best Practice published in the Combined Code.

The Audit Committee is responsible for making recommendations to the Board on the appointment of the auditors and the audit fee and will receive and review reports from management and Company's auditors on the internal control systems in use throughout the Group.

PART IV  
ACCOUNTANTS' REPORT

The following is the full text of a report on Interregnum Plc from Baker Tilly, the Reporting Accountants, to the Directors of Interregnum plc and to the Directors of Teather & Greenwood Limited.



**BAKER TILLY**

*Chartered Accountants*  
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London WC1B 3ST  
[www.bakertilly.co.uk](http://www.bakertilly.co.uk)

The Directors  
Interregnum plc  
22/23 Old Burlington Street  
London W1X 1RL

and

The Directors  
Teather & Greenwood Limited  
Beaufort House  
15 St Botolph Street  
London EC3A 7QR

10 March 2000

Dear Sirs

**INTERREGNUM PLC**

**Introduction**

We report in connection with the proposed admission of the ordinary share capital of Interregnum plc ("the Company") to trading on the Alternative Investment Market and this report has been prepared for inclusion in the Admission Document to be dated 10 March 2000 ("the Prospectus"). We report separately on the Company (Section A) and its subsidiary undertaking Interregnum Venture Marketing Limited ("IVM") (Section B).

**SECTION A – The Company**

**Basis of preparation**

The financial information set out below has been extracted from financial records of the Company for the period ended 31 January 2000, no adjustments being considered necessary.

**Responsibility**

The financial records are the responsibility of the directors of the Company. The directors of the Company are also responsible for the contents of the Prospectus dated 10 March 2000 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the Company's financial records, to form an opinion on the financial information and to report our opinion to you.

### Basis of opinion

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. We planned and performed our work 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 information is free from material misstatement, whether caused by fraud or other irregularity or error.

### Opinion

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the state of affairs of the Company as at 31 January 2000.

### BALANCE SHEET

	<i>As at</i> <i>31 January</i> <i>2000</i> <i>£</i>
<b>Current assets</b>	
Cash in hand	<u>2</u>
<b>Capital and reserves</b>	
Called up share capital	<u>2</u>

The Company was incorporated on 21 January 2000 with an authorised share capital of £1,000,000 divided into 1,000,000 ordinary shares of £1 each, of which 2 shares were issued, fully paid, on incorporation. On 3 March 2000, the Company changed its name to Interregnum plc.

On 8 March 2000 the authorised share capital of the Company was increased from £1,000,000 to £5,000,000 by the creation of an additional 3,600,000 ordinary shares and 400,000 unclassified shares of £1 each.

On 8 March 2000 the share capital was altered by the sub-division of each issued and unissued ordinary share of £1 into 20 ordinary shares of 5 pence each. On the same date each unclassified share of £1 was sub-divided into 76 Preference Shares of 1.3157894 pence each.

The Company has not traded, prepared any financial statements for presentation to members, incurred neither profit nor loss, and has neither declared nor paid dividends or made any other distributions since the date of incorporation. There have been no transactions other than the allotment of shares described below and the execution of the material contracts referred to in paragraph 10 of Part VII of the Prospectus. Accordingly, no profit and loss account information is presented in this report.

On 8 March 2000, the Company acquired the whole of the issued share capital of IVM, the consideration for which was satisfied by the allotment and issue of 50,160,112 Ordinary Shares of 5 pence each, credited as fully paid and the allotment and issue of 30,400,000 Preference Shares of 1.3157894 pence each, credited as fully paid, in the Company.

## **SECTION B - Interregnum Venture Marketing Limited ("IVM")**

### **Basis of preparation**

The financial information set out below has been extracted from audited statutory accounts of IVM for the three years ended 30 June 1999, after making such adjustments as we consider necessary. The accounts of IVM for the three years ended 30 June 1999 were audited by Elman Wall, Chartered Accountants who gave unqualified reports thereon. No audited financial statements have been prepared for IVM in respect of any subsequent period.

### **Responsibility**

The financial statements are the responsibility of the directors of IVM who approved their issue.

The Directors of the Company are responsible for the contents of the Prospectus dated 10 March 2000 in which this report is included.

It is our responsibility to compile the financial information set out in our report from the statutory financial statements, to form an opinion on the financial information and to report our opinion to you.

### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board. Our work included an assessment of evidence relevant to the amounts and disclosures in the financial information. The evidence included that obtained by us relating to the audit of the financial statements underlying the financial information. It also included an assessment of the significant estimates and judgements made by those responsible for the preparation of the financial statements underlying the financial information and whether the accounting policies are appropriate to IVM's circumstances, consistently applied and adequately disclosed.

We planned and performed our work 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 information is free from material misstatement, whether caused by fraud or other irregularity or error.

### **Opinion**

In our opinion, the financial information set out below gives, for the purpose of the Prospectus, a true and fair view of the profits, cash flow and total recognised gains and losses of IVM for the three years ended 30 June 1999 and of the state of affairs of IVM at the end of each of the three years.



## PROFIT AND LOSS ACCOUNTS

	Notes	Year ended 30 June		
		1997 £'000	1998 £'000	1999 £'000
<b>Turnover</b>	2	529	770	1,017
Administrative expenses		(524)	(984)	(1,271)
		<u>5</u>	<u>(214)</u>	<u>(254)</u>
Other operating income		—	34	99
<b>Operating profit/(loss)</b>	3	5	(180)	(155)
Interest receivable and similar income	4	1	1	10
Interest payable and similar charges	5	—	(7)	(12)
<b>Profit/(loss) on ordinary activities before taxation</b>		<u>6</u>	<u>(186)</u>	<u>(157)</u>
Taxation	6	(11)	4	—
<b>Loss on ordinary activities after taxation</b>		<u>(5)</u>	<u>(182)</u>	<u>(157)</u>
<b>Retained deficit brought forward</b>		<u>(63)</u>	<u>(68)</u>	<u>(250)</u>
<b>Retained deficit carried forward</b>		<u>(68)</u>	<u>(250)</u>	<u>(407)</u>

Turnover and operating profit/(loss) all derive from continuing operations.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

The statement of total recognised gains and losses for the years ended 30 June 1997, 1998 and 1999 are set out below:

	Year ended 30 June		
	1997 £'000	1998 £'000	1999 £'000
Loss for the financial year after taxation	(5)	(182)	(157)
Unrealised surplus on revaluation of investments	—	682	473
<b>Total recognised gains and losses relating to the year</b>	<u>(5)</u>	<u>500</u>	<u>316</u>

# BALANCE SHEETS

		As at 30 June		
	Notes	1997 £'000	1998 £'000	1999 £'000
<b>Fixed assets</b>				
Tangible assets	8	9	77	108
Investments	9	<u>1</u>	<u>684</u>	<u>1,168</u>
		<u>10</u>	<u>761</u>	<u>1,276</u>
<b>Current assets</b>				
Debtors	10	221	379	391
Cash at bank		<u>77</u>	<u>—</u>	<u>—</u>
		<u>298</u>	<u>379</u>	<u>391</u>
<b>Creditors: amounts falling due within one year</b>	11	<u>(276)</u>	<u>(691)</u>	<u>(439)</u>
<b>Net current assets/(liabilities)</b>		<u>22</u>	<u>(312)</u>	<u>(48)</u>
<b>Total assets less current liabilities</b>		32	449	1,228
<b>Creditors: amounts falling due after more than one year</b>	12	<u>(100)</u>	<u>(17)</u>	<u>(9)</u>
<b>Net (liabilities)/assets</b>		<u>(68)</u>	<u>432</u>	<u>1,219</u>
<b>Capital and reserves</b>				
Called up share capital	13	—	—	406
Share premium	14	—	—	65
Revaluation reserve	15	—	682	1,155
Profit and loss account		<u>(68)</u>	<u>(250)</u>	<u>(407)</u>
<b>Shareholders' equity funds</b>	16	<u>(68)</u>	<u>432</u>	<u>1,219</u>

### 3. Operating profit/(loss)

	Year ended 30 June		
	1997 £'000	1998 £'000	1999 £'000
Operating profit/(loss) is stated after charging/(crediting):			
Depreciation on tangible fixed assets	4	17	31
Hire purchase charges	—	2	3
Operating lease rentals	38	57	170
Net rental income	—	(32)	(99)
Auditors' remuneration	3	5	5
Profit on sale of fixed assets	—	—	(2)

### 4. Interest receivable and similar income

	Year ended 30 June		
	1997 £'000	1998 £'000	1999 £'000
Bank interest receivable	1	—	2
Other income	—	1	8
	<u>1</u>	<u>1</u>	<u>10</u>

### 5. Interest payable and similar charges

	Year ended 30 June		
	1997 £'000	1998 £'000	1999 £'000
Bank and other loan interest payable	—	7	12

### 6. Taxation

	Year ended 30 June		
	1997 £'000	1998 £'000	1999 £'000
UK corporation tax at current rate (1998: 21%; 1997: 21%) based on the profit for the year	<u>11</u>	<u>(4)</u>	<u>—</u>

### 7. Employees

	1997 No.	1998 No.	1999 No.
The average weekly number of persons (including directors) employed by the company was:			
Office and administration	<u>7</u>	<u>9</u>	<u>12</u>

	Year ended 30 June		
	1997 £'000	1998 £'000	1999 £'000
Staff costs for the above employees and directors			
Wages and salaries	299	440	612
Social security costs	<u>14</u>	<u>27</u>	<u>42</u>
	<u>313</u>	<u>467</u>	<u>654</u>

## Directors' emoluments

	Year ended 30 June		
	1997 £'000	1998 £'000	1999 £'000
Remuneration for management services	202	354	387
Compensation for loss of office	—	12	—
	<u>202</u>	<u>366</u>	<u>387</u>
Details of highest paid director's emolument:			
Emoluments (excluding pension contributions)	<u>76</u>	<u>94</u>	<u>98</u>

There were 2 directors (1998: 2; 1997: 1) to whom retirement benefits are accruing under a money purchase scheme.

## 8. Tangible fixed assets

	Short leasehold improvements £000	Fixture and fittings £000	Office equipment £000	Total £000
<b>Cost</b>				
As at 30 June 1997	—	3	16	19
Additions	3	40	42	85
Disposals	—	—	—	—
As at 30 June 1998	<u>3</u>	<u>43</u>	<u>58</u>	<u>104</u>
Additions	30	15	15	60
Disposals	—	(1)	(16)	(17)
As at 30 June 1999	<u>33</u>	<u>57</u>	<u>57</u>	<u>147</u>
<b>Depreciation</b>				
As at 30 June 1997	—	1	9	10
Charge in year	—	5	12	17
Disposals	—	—	—	—
As at 30 June, 1998	<u>—</u>	<u>6</u>	<u>21</u>	<u>27</u>
Charge in year	3	8	21	32
Disposals	—	—	(20)	(20)
As at 30 June 1999	<u>3</u>	<u>14</u>	<u>22</u>	<u>39</u>
<b>Net Book Value</b>				
As at 30 June 1999	<u>30</u>	<u>43</u>	<u>35</u>	<u>108</u>
As at 30 June 1998	<u>3</u>	<u>37</u>	<u>37</u>	<u>77</u>
As at 30 June 1997	<u>—</u>	<u>2</u>	<u>7</u>	<u>9</u>

The net book value of office equipment includes assets held under finance leases or hire purchase contracts amounting to £29,000 (1998: £34,000; 1997: £nil). Depreciation includes £5,000 (1998: £6,000; 1997: £nil) charged on assets held under finance leases or hire purchase contracts.

## 9. Fixed asset investments

	<i>Unlisted investments</i>	<i>Listed investments</i>	<i>Total</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
As at 30 June 1997	1	—	1
Additions	1	—	1
Revaluations	581	101	682
As at 30 June 1998	583	101	684
Additions	12	—	12
Revaluations	449	23	472
As at 30 June 1999	<u>1,044</u>	<u>124</u>	<u>1,168</u>

The company operated an incentive scheme whereby 50% of the net proceeds from disposal of investments were distributed amongst qualifying directors and qualifying staff. The scheme in operation as at 30 June 1999 has been replaced by a new scheme as set out in Part VII of the Prospectus. The directors and qualifying staff have unconditionally and irrevocably waived any entitlement under the earlier scheme.

## 10. Debtors

	<i>As at 30 June</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Trade debtors	218	227	229
Other debtors	—	102	113
Prepayments	3	50	49
	<u>221</u>	<u>379</u>	<u>391</u>

## II. Creditors: amounts falling due within one year

	<i>As at 30 June</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Bank loans and overdrafts	—	136	171
Trade creditors	20	109	41
Directors' current accounts	—	67	9
Obligations under finance leases and hire purchase contracts	—	14	17
Other creditors	159	281	75
Corporation tax	11	7	3
Taxation and social security	1	25	18
Accruals	85	52	105
	<u>276</u>	<u>691</u>	<u>439</u>

The bank overdraft is secured by a fixed and floating charge over the assets of IVM.

Obligations under finance leases and hire purchase contracts were as follows:

	<i>As at 30 June</i>		
	<i>1997</i>	<i>1998</i>	<i>1999</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Current year	—	16	20
Due in two to five years	—	19	10
Less: finance charges allocated to future periods	—	(4)	(4)
	<u>—</u>	<u>31</u>	<u>26</u>

12. Creditors: amounts falling due after more than one year

	As at 30 June		
	1997	1998	1999
	£'000	£'000	£'000
Loans	100	—	—
Obligations under finance leases and hire purchase contracts	—	17	9
	<u>100</u>	<u>17</u>	<u>9</u>

13. Share capital

	As at 30 June		
	1997	1998	1999
	£'000	£'000	£'000
Authorised:			
2 Ordinary shares of £1 each	—	—	—
1,000,000 Ordinary Shares of £0.01 each	—	—	10
400,000 7½% Cumulative Redeemable Preference Shares of £1 each	—	—	400
	<u>—</u>	<u>—</u>	<u>410</u>
Issued and fully paid:			
Ordinary share capital	—	—	6
Preference shares	—	—	400
	<u>—</u>	<u>—</u>	<u>406</u>

On 11 September 1998 the issued and unissued ordinary shares of £1 each were divided into 100 shares of 1p each. The nominal capital of IVM was increased to £410,000. 50,000 Ordinary Shares of 1p each were issued at £1 each and 499,801 Ordinary Shares of 1p each were issued at par to directors. On the same date, a further 75,000 Ordinary Shares of 1p each were issued at £1.33 each and 400,000 £1 7½% Cumulative Redeemable Preference Shares were issued at £1 each.

14. Share premium

	As at 30 June		
	1997	1998	1999
	£'000	£'000	£'000
Proceeds from issue of ordinary shares	—	—	155
Nominal value of ordinary shares	—	—	(6)
Issue costs of ordinary and preference shares	—	—	(84)
	<u>—</u>	<u>—</u>	<u>65</u>

15. Revaluation reserve

	As at 30 June		
	1997	1998	1999
	£'000	£'000	£'000
As at 1 July	—	—	682
Revaluation of fixed asset investments	—	682	473
As at 30 June	<u>—</u>	<u>682</u>	<u>1,155</u>

## 16. Reconciliation of movement in shareholders funds

	As at 30 June		
	1997	1998	1999
	£'000	£'000	£'000
Loss for the year	(5)	(182)	(157)
Revaluation of fixed asset investments	—	682	473
New shares issued	—	—	471
Opening shareholders' funds	(63)	(68)	432
Closing shareholders' funds	<u>(68)</u>	<u>432</u>	<u>1,219</u>

## 17. Cash flows

	Year ended 30 June		
	1997	1998	1999
	£'000	£'000	£'000
<b>A Reconciliation of operating profit to net cash inflow from operating activities</b>			
Operating profit/(loss)	5	(180)	(155)
Depreciation	4	17	32
Profit on sale of fixed assets	—	—	(2)
Increase in debtors	(131)	(158)	(12)
Increase in creditors	149	269	(285)
Net cash inflow/(outflow) from operating activities	<u>27</u>	<u>(52)</u>	<u>(422)</u>
<b>B Analysis of change of net debt in year</b>			
Cash at bank and in hand	131	77	—
Bank overdrafts	—	—	(136)
Finance leases	—	—	(31)
Debt due after one year	(177)	(100)	—
Opening net debt	(46)	(23)	(167)
Decrease in cash in year	(54)	(77)	—
Increase in bank overdraft in year	—	(136)	(35)
(Increase)/decrease in finance leases in year	—	(31)	5
Decrease in debt due after more than one year	77	100	—
Cash at bank and in hand	77	—	—
Bank overdrafts	—	(136)	(171)
Finance leases	—	(31)	(26)
Debt due after one year	(100)	—	—
Closing net debt	<u>(23)</u>	<u>(167)</u>	<u>(197)</u>

## 18. Commitments

At each year end IVM was committed to making the following payments during the next year in respect of operating leases:

	As at 30 June		
	1997	1998	1999
	£'000	£'000	£'000
Land and buildings expiring in five years or more	<u>43</u>	<u>170</u>	<u>170</u>

## 19. Related party transactions

- (a) BDO Stoy Hayward was a related party of IVM by reason of common control.
- (b) During the year ended 30 June 1999 BDO Stoy Hayward charged IVM £nil (1998: £50,000; 1998: £167,000) for the provision of staff, and £nil (1998: £17,000; 1997: £41,000) for the provision of office space and services.
- (c) During the year ended 30 June 1999 IVM charged BDO Stoy Hayward £nil (1998: £1,000; 1997: £nil) for the provision of services.
- (d) During the year ended 30 June 1999 BDO Stoy Hayward charged IVM interest of £5,000 (1998: £nil; 1997: £nil) on the outstanding loan balance.
- (e) Included within creditors due within one year as at 30 June 1999 is an amount of £50,000 (1998: £256,000; 1997: £159,000) and within creditors due after more than one year as at 30 June 1999 amount of £nil (1998: £nil; 1997: £100,000) which represents a total of £50,000 (1998: £256,000; 1997: £259,000) due to BDO Stoy Hayward. The proceeds from the share issue in the year ended 30 June 1999 were partly used to repay the amount owed to BDO Stoy Hayward.
- (f) Interregnum Limited is a related party of the company by reason of common control. During the year ended 30 June 1999 Interregnum Limited charged the company £98,000 (1998: £93,000; 1997: £76,000) for the services of Ken Olisa. At 30 June 1999 Interregnum Limited was owed £25,000 (1998: £25,000; 1997: £8,000) by IVM.
- (g) During the year ended 30 June 1999 KWG Limited charged IVM £73,000 (1998: £11,000; 1997: £nil) for the services of Mr A Kasmir of which £nil (1998: £5,000; 1997: £nil) was prior to his appointment as a director and £43,000 (1998: £6,000; 1997: £nil) was charged for his services as a director. At 30 June 1999 KWG Limited was owed £12,000 (1998: £nil; 1997: £nil) by IVM.

## 20. Post Balance Sheet event

On 8 March 2000, the Company acquired the whole of the issued share capital of IVM, the consideration for which was satisfied by the allotment and issue of 50,160,112 Ordinary Shares of 5 pence each, credited as fully paid, and the allotment and issue of 30,400,000 Preference Shares of 1.3157894 pence each, credited as fully paid, in the Company.

## 21. Nature of financial information

The financial information presented above in respect of the three years ended 30 June 1999 does not constitute statutory accounts for each of the years. Statutory accounts for the three years ended 30 June 1999 have been delivered to the Registrar of Companies.

### Consent

We consent to the inclusion of this report in the Prospectus dated 10 March, 2000 and accept responsibility for this report for the purposes of paragraphs 45(8)(b) and 45(1)(b) (iii) of Schedule 1 to the Public Offers of Securities Regulations 1995.

Yours faithfully

**Baker Tilly**  
**Chartered Accountants**  
**Registered Auditors**



## PART V

### UNAUDITED INTERIM RESULTS

The following is extracted from the unaudited management accounts of IVM in respect of the six months ended 31 December 1999. The financial information set out below does not constitute statutory accounts within the meaning of section 240 of the Companies Act 1985 (as amended).

Profit and loss account	<i>Six months ended 31 December 1999 £000 (Unaudited)</i>
<b>Turnover</b>	621
Administrative expenses	(693)
	<u>(72)</u>
Other operating income	39
Operating loss	<u>(33)</u>
Interest receivable and similar income	2
Interest payable and similar charges	<u>(8)</u>
<b>Loss on ordinary activities before taxation</b>	(39)
Taxation	<u>—</u>
<b>Loss on ordinary activities after taxation</b>	<u>(39)</u>

No statement of Total Recognised Gains and Losses has been presented as it is IVM's policy to revalue its fixed asset investments at the year end only and accordingly, all recognised gains and losses have been dealt with in the profit and loss account above.

Balance Sheet	<i>As at 31 December 1999 £000 (Unaudited)</i>
<b>Fixed assets</b>	
Tangible assets	96
Investments	<u>1,168</u>
	<u>1,264</u>
<b>Current assets</b>	
Debtors	392
<b>Creditors: amounts falling due within one year</b>	<u>(427)</u>
<b>Net current liabilities</b>	(35)
<b>Total assets less current liabilities</b>	<u>1,229</u>
<b>Creditors: amounts falling due after more than one year</b>	<u>(40)</u>
<b>Net assets</b>	<u>1,189</u>
<b>Capital and reserves</b>	
Called up share capital	406
Share premium	65
Revaluation reserve	1,155
Profit and loss account	<u>(437)</u>
<b>Shareholders' funds</b>	<u>1,189</u>

## PART VI

### PRO FORMA STATEMENT OF NET ASSETS OF THE GROUP

The following pro forma statement of net assets of the Group has been produced to illustrate the impact of the Placing which will have occurred since 31 December 1999 as if it had occurred on 31 December 1999. The pro forma financial information is based on the financial information relating to the Company as at 31 January 2000 extracted from the Accountants' Report and IVM as at 31 December 1999 extracted from the unaudited management accounts prepared by the Directors of the Company adjusted for the matters set out below:

The pro forma statement of net assets has been prepared for illustrative purposes only and, because of its nature, may not give a true picture of the financial position or results of the Group.

	<i>Net assets of the Company at 31 January 2000 £'000</i>	<i>Net assets of IVM at 31 December 1999 £'000 (Unaudited)</i>	<i>The Placing £'000</i>	<i>Pro forma net assets of the Group following the Placing £'000</i>
<b>Fixed Assets</b>				
Tangible assets	—	96	—	96
Investments	—	1,168	—	1,168
	<u>—</u>	<u>1,264</u>	<u>—</u>	<u>1,264</u>
<b>Current assets</b>				
Debtors	—	392	—	392
Cash at bank	—	—	19,250	19,250
	<u>—</u>	<u>392</u>	<u>19,250</u>	<u>19,642</u>
<b>Creditors: amounts falling due within one year</b>	<u>—</u>	<u>(427)</u>	<u>—</u>	<u>(427)</u>
<b>Net current (liabilities)/assets</b>	<u>—</u>	<u>(35)</u>	<u>19,250</u>	<u>19,215</u>
<b>Total assets less current liabilities</b>	<u>—</u>	<u>1,229</u>	<u>19,250</u>	<u>20,479</u>
<b>Creditors: amounts falling due after more than one year</b>	<u>—</u>	<u>(40)</u>	<u>—</u>	<u>(40)</u>
<b>Net assets</b>	<u>—</u>	<u>1,189</u>	<u>19,250</u>	<u>20,439</u>

#### Notes to the pro-forma financial information

1. The pro-forma statement of net assets of the Group is shown as if the Company had acquired the entire issued share capital of IVM as at 31 December 1999.
2. The pro-forma statement of net assets of the Group is shown as if the Placing had taken place on 31 December 1999. The pro-forma assumes that the net proceeds of the Placing, receivable by the Company, will amount to £19.25 million net of the cash element of issue costs amounting to approximately £750,000.
3. No adjustment has been made for any movement in net assets of the Company since 31 January 2000 or IVM since 31 December 1999.

The following is the full text of a report on Interregnum from Baker Tilly, the reporting Accountants, to the Directors of Interregnum and to Teather & Greenwood Limited.



**BAKER TILLY**

*Chartered Accountants*  
2 Bloomsbury Street  
London WC1B 3ST  
[www.bakertilly.co.uk](http://www.bakertilly.co.uk)

The Directors  
Interregnum plc  
22/23 Old Burlington Street  
London W1X 1RL

and

The Directors  
Teather & Greenwood Limited  
Beaufort House  
15 St Botolph Street  
London EC3A 7QR

10 March 2000

Dear Sirs

## **INTERREGNUM PLC ("the Company")**

### **Introduction**

We report on the pro forma statement of net assets as at 31 December 1999 of Interregnum plc and its subsidiary undertaking (the "Pro Forma Statement of Net Assets of the Group"), which has been prepared for illustrative purposes only, is set out in Part VI of the Prospectus dated 10 March 2000.

### **Basis of preparation**

The pro forma financial information is based on:

- (i) the financial information relating to Interregnum plc as at 31 January 2000 extracted from the Accountants' Report;
- (ii) the financial information relating to IVM as at 31 December 1999 extracted from the unaudited management accounts prepared by the Directors; and
- (iii) the estimated net proceeds of the share Placing.

### **Responsibility**

It is the responsibility of the directors of Interregnum plc to prepare the Pro Forma Statement of Net Assets of the Group.

It is our responsibility to form an opinion on the Pro Forma Statement of Net Assets of the Group and to report our opinion to you. We do not accept responsibility for any reports previously given by us on any financial information used in the compilation of the Pro Forma Statement of Net Assets of the Group beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

### **Basis of opinion**

We conducted our work in accordance with the Statements of Investment Circular Reporting Standards issued by the Auditing Practices Board and Bulletin 1998/8 "Reporting on pro forma financial information pursuant to the Listing Rules" issued by the Auditing Practices Board. Our work, which involved no independent examination of the underlying financial information, consisted primarily of comparing the unadjusted financial information with the source documents, considering evidence supporting the adjustments and discussing the Pro Forma Statement of Net Assets of the Group with the Directors of the Company.

## **Opinion**

In our opinion:

- (i) the Pro Forma Statement of Net Assets of the Group has been properly compiled on the basis of preparation set out therein;
- (ii) the Pro Forma Statement of Net Assets of the Group is presented on a basis consistent with the accounting policies of Interregnum plc; and
- (iii) the adjustments are appropriate for the purposes of the Pro Forma Statement of Net Assets of the Group.

Yours faithfully

**Chartered Accountants  
Registered Auditors**

## PART VII

### ADDITIONAL INFORMATION

#### 1. The Company and its subsidiaries

- (a) The Company was incorporated and registered in England on 21 January 2000 with registered number 3914068 under the name of Interregnum Holdings plc as a public company with limited liability under the Act. The name of the Company was changed to Interregnum plc on 3 March 2000.
- (b) The principal legislation under which the Company operates is the Act and regulations made thereunder.
- (c) ...The Company's registered office and principal place of business is at 22-23 Old Burlington Street, London W1X 1RL.
- (d) The principal activity of the Company is that of a holding company to Interregnum Venture Marketing (the principal trading subsidiary of the Group). Save as disclosed in Part I, there are no exceptional factors which have influenced the Group's activities.
- (e) The liability of the Company's members is limited.

#### 2. Share capital and Share capital history

- (a) On incorporation, the authorised share capital of the Company was £1,000,000 divided into 1,000,000 ordinary shares of £1 each; each of the two subscribers to the Memorandum of Association agreed to subscribe for one such share each and on incorporation such shares were allotted to them accordingly.
- (b) The following alterations in the authorised and issued share capital of the Company have taken place:
  - (i) By a special resolution passed on 8 March 2000 and conditional upon Admission on or before 31 March 2000 or such later date as Teather & Greenwood may agree:
    - (aa) The authorised share capital of the Company was increased from £1 million to £5 million by the creation of an additional 3,600,000 ordinary shares of £1.00 and 400,000 unclassified shares of £1.00 each.
    - (bb) the authorised but unissued share capital was altered by the sub-division of each issued and unissued ordinary share of £1.00 each into 20 ordinary shares of 5 pence each and the sub-division of each unclassified share of £1.00 into 76 unclassified shares of 1.3157894 pence each;
    - (cc) the Directors were generally and unconditionally authorised for the purposes of Section 80 of the Act to exercise all the powers of the Company to allot relevant securities (within the meaning of Section 80 of the Act) up to an aggregate nominal amount of £4,296,391 such authority to expire on the date falling 15 months after the passing of the resolution or, if earlier, at the conclusion of the annual general meeting of the Company to be held in 2001; and
    - (dd) the Directors were empowered until the conclusion of the annual general meeting of the Company to be held in 2001 or, if sooner, until the expiry of 15 months after the passing of the resolution to allot equity securities (as defined in Section 94(2) of the Act) pursuant to the authority referred to in paragraph 2(b)(i)cc above as if Section 89 of the Act did not apply to any such allotment, such power being limited to:
      - (A) the allotment and issue of 14,285,714 new Ordinary Shares pursuant to the Placing;

(B) the allotment of equity securities in connection with an offer or issue to holders of Ordinary Shares where the equity securities respectively attributable to the interests of all such holders are proportionate (as nearly as may be practicable) to the respective numbers of Ordinary Shares held by them but including in connection with such an issue, the making of such arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements or problems under the laws of any territory or the requirements of any regulatory body or any stock exchange; and

(C) the allotment (other than pursuant to the powers referred to in sub-paragraphs (A) and (B) above) of equity securities up to an aggregate nominal value of £161,115.

(ii) On 8 March 2000 pursuant to a share exchange agreement dated 8 March 2000, the Company issued as consideration for the acquisition of the entire issued share capital of Interregnum Venture Marketing a total of 50,160,112 Ordinary Shares credited as fully paid up, and 30,400,000 preference shares of 1.3157894 pence each credited as fully paid up (such shares being created by a resolution of the board in accordance with the Company's Articles on 8 March 2000). Application will be made to the Inland Revenue for relief from stamp duty on the stock transfers forms relating to the transfers of the shares in Interregnum Venture Marketing. Pending adjudication of such application for relief, the transfers of shares in Interregnum Venture Marketing cannot be registered in its register of members.

(c) The authorised and issued share capital of the Company as at the date of this document is set out below:

<i>Authorised</i>			<i>Issued and fully paid</i>	
£	Number		£	Number
4,600,000	92,000,000	Ordinary Shares	2,508,007.60	50,160,152
400,000	30,400,000	Preference Shares	£400,000	30,400,000

Following completion of the Placing, the authorised and issued share capital of the Company will be as set out below:

<i>Authorised</i>			<i>Issued and fully paid</i>	
£	Number		£	Number
4,600,000	92,000,000	Ordinary Shares	3,222,293.30	64,445,866
400,000	30,400,000	Unclassified Shares	0	0

(d) As at the date of this document, the following share options are outstanding:

<i>Option Holder</i>	<i>No. of shares</i>	<i>Exercise Price</i>
Graham Ransom	7,995,200	£0.05
Roger Jeynes	4,385,200	£0.05
Adrian Merryman	2,162,200	£0.05
CIBC	1,520,000	£0.05
Ken Olisa	1,174,048	£0.05
Andy Bailey	760,000	£0.05
Jonathan Wood	760,000	£0.05
Geoff Shingles	760,000	£0.05
Nicholas Somerville	646,000	£0.05
Simon Davies	380,000	£0.05
Sherry Madera	342,000	£0.05
Lesley Key	190,000	£0.05

<i>Option Holder</i>	<i>No. of shares</i>	<i>Exercise Price</i>
Wendy McCallum	114,000	£0.05
Christopher Hope	76,000	£0.05
Pippa Creed	11,400	£0.05
Hannah Whitlow	3,800	£0.05

Each of the above options were granted at nil consideration.

- (e) On 10 March 2000, subject to Admission, the Placing Shares were allotted and will, on Admission, be issued pursuant to the Placing at the Placing Price.
- (f) The provisions of Section 89(1) of the Act (to the extent not disapplied), confer on shareholders rights of pre-emption in respect of the allotment of equity securities which are, or are to be, paid up in cash (other than any allotment for employees under an employees' share option scheme) and apply to the balance of the authorised but unissued ordinary share capital of the Company which is not subject to the disapplication referred to in (b) above.
- (g) The issued Ordinary Shares are in registered form. The Placing Shares will be issued in registered form or electronic form within CREST at the election of the placees. Definitive share certificates will be issued in respect of the issued Ordinary Shares and the Placing Shares (if placees so elect) and are expected to be despatched by first class post by no later than 27 March 2000. There will be no temporary or renounceable documents of title. None of the Placing Shares are being marketed or being made available to the public, otherwise than pursuant to the Placing.
- (h) Save as disclosed in this paragraph 2, no share or loan capital of the Company or any of its subsidiaries has, within the period of three years before the date of this document, been issued or agreed to be issued or is now proposed to be issued fully or partly paid either for cash or for a consideration other than cash and no commissions, discounts, brokerages or other special terms have been granted by the Company during such period in connection with the sale or issue of any shares or any loan capital of any such company.
- (i) Save as disclosed in relation to the share options in this paragraph and the Warrants in favour of The Norman Knight Revocable Trust dated 11 December 1985 as further described in paragraph 6 below, and pursuant to grants of options under the Share Option Schemes as described below, no share capital of the Company or any of its subsidiaries is under option and there is no conditional or unconditional agreement to put any such capital under option.

### **3. Memorandum and Articles of Association**

The principal objects of the Company, which are set out in clause 4 of its Memorandum of Association, are to act as a general commercial company and to purchase or by any other means acquire and take options over any property whatever, and any rights or privileges over or in respect of any property. The Memorandum of Association is available for inspection as provided in paragraph 16 below.

The Articles of Association of the Company (the "Articles") contain, *inter alia*, provisions to the following effect:

#### **(a) Voting rights**

Subject to any special rights or restrictions as to voting attached to any share by or in accordance with the Articles, every member present in person or being a corporation represented by a duly authorised representative at a general meeting of the Company shall upon a show of hands have one vote and every member present in person or by proxy shall upon a poll have one vote for every share of which he is the holder.

(b) *Restrictions on shares*

If a member, or any other person whom the Company knows or has reasonable cause to believe to be interested in any shares, ("Default Shares") held by that member has been duly served with a notice (a "Disclosure Notice") pursuant to Section 212 of the Act and is in default in providing to the Company information thereby required within 14 days from the date of service of the Disclosure Notice then that member is not entitled in respect of the Default Shares to be present or to vote at a general meeting or at a separate meeting of a class of shares or on a poll or to exercise other rights conferred by membership in relation to the meeting or poll.

In addition, where the Default Shares represent at least 0.25 per cent. of the issued shares of the relevant class:

- (i) the Company shall withhold any dividend or other amount which would otherwise be payable on or in respect of such shares; and
- (ii) no transfer of the Default Shares shall be registered unless it is a transfer in consequence of a sale made through a recognised investment exchange or another stock exchange outside the UK on which the Company's shares are normally traded or by way of sale to a bona fide unconnected third party or by acceptance of a take-over offer.

The restrictions on transfer and withholding of dividends referred to in this paragraph will cease to apply upon the due compliance to the Company's satisfaction with the Disclosure Notice or a transfer in permitted circumstances or upon the Directors so determining in their absolute discretion, whichever is the earlier.

(c) *Variation of class rights and alterations of capital*

- (i) Subject to the provisions of the Act and the Companies Act 1989 (together, the "Statutes"), the rights attached to any class of shares may be modified, varied or abrogated either (1) in such manner as may be provided by those rights or (2) in the absence of such provision either with the consent in writing of the holders of at least three-fourths of the issued shares in nominal value of that class or with the sanction of an extraordinary resolution passed at a separate meeting of the holders of the issued shares of that class. The rights attached to any class of shares shall not, unless otherwise expressly provided by the Articles or by the rights attached to such shares, be deemed to be modified, varied or abrogated by the creation or issue of further shares ranking *pari passu* therewith or subsequent thereto or by the purchase or redemption by the Company of its own shares in accordance with the Statutes and the Articles.
- (ii) The Company may by ordinary resolution increase its capital, consolidate all or any of its capital into shares of larger amount, sub-divide its shares into shares of smaller amount and cancel any shares not taken or agreed to be taken by any person and diminish the amount of its share capital by the nominal value of the shares so cancelled.
- (iii) Subject to any consent required by law, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account.
- (iv) Subject to the provisions of the Statutes, the Articles and of any resolution of the Company, all unissued shares of the Company are under the control of the Board.
- (v) Subject to the provisions of the Statutes, any shares may be issued on terms that at the option of the Company or the holder they are, or are liable, to be redeemed on such terms and in such manner as the Board may determine.
- (vi) Subject to and in accordance with the provisions of the Act, the Company may purchase its own shares (including any redeemable shares). If there are in issue any listed shares convertible into or carrying a right to subscribe for shares of the class proposed to be purchased, no such purchase may be made unless such purchase has been sanctioned by an extraordinary resolution passed at a separate meeting of the holders of such convertible shares.



(d) *Transfer of shares*

- (i) Uncertificated shares – a member may transfer all or any of his uncertificated shares. The transfer of shares may be effected by means of a relevant system. The Board may refuse to register the transfer of an uncertificated share where permitted by the London Stock Exchange, the POS Regulations and the rules and practices of the operator of the relevant system.
- (ii) Certificated shares – a member may transfer all or any of his certificated shares by an instrument of transfer in writing in any usual form, or in such other form as the Board may approve, and such instrument may be executed under hand only. The instrument of transfer shall be signed by or on behalf of the transferor and, except in the case of a fully paid share, by or on behalf of the transferee. The Board may refuse to register any transfer of any certificated share which is not fully paid up (but not so as to prevent dealings in shares from taking place on an open and proper basis) or any certificated share over which the Company has a lien. The Board may in exceptional circumstances approved by the London Stock Exchange refuse to register the transfer of a certificated share provided the exercise of such powers does not disturb the market. The Board may also refuse to register any instrument of transfer of a certificated share unless it is only in respect of one class of shares and in favour of not more than four joint transferees.

If the Board refuses to register a transfer of any share it shall, within the earlier of the time required by the AIM Rules and two months of the date on which the transfer was lodged with the Company or the operator instruction relating to such a transfer was received by the Company (as the case may be), send to the transferee notice of the refusal.

- (iii) On 8 March 2000 the Directors passed a board resolution as required by the Uncertificated Securities Regulations 1995 to make the Ordinary Shares eligible to be admitted to CREST.

(e) Where the Company is entitled under any provision of the Statutes, the POS Regulations or the Articles to sell, transfer, dispose of, forfeit, re-allot, accept the surrender of or otherwise enforce a lien over a share held in uncertificated form, the Company is entitled, subject to such provisions and the facilities and requirements of the relevant system, by notice in writing to the holder of that uncertificated share, require the holder:

- (i) to change the form of that share to certificated form within such period as may be specified in the notice;
- (ii) to give any instructions necessary to transfer title to that share by means of the relevant system within the period specified in the notice;
- (iii) to appoint any person to take any step, including without limitation the giving of any instructions by means of the relevant system, necessary to transfer that share within the period specified in the notice; and
- (iv) to take any action that the Board considers appropriate to achieve the sale, transfer, disposal of, forfeiture, re-allotment or surrender of that share or otherwise to enforce a lien in respect of it.

(f) *Dividends and distributions*

Subject as provided in the Articles or special rights attached to any shares issued by the Company, the Company in general meeting may declare dividends, but no larger dividend shall be declared than is recommended by the Board. All dividends shall be declared and paid according to the amounts paid up on the shares (otherwise than in advance of calls) during any portion of the period in respect of which the dividend is paid. The Directors may declare and pay such interim dividends as appear to them to be justified by the distributable profits of the Company.

On a winding-up, the liquidator may, with the authority of an extraordinary resolution of the Company, divide among the members *in specie* the assets of the Company and may, for such purpose set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.

(g) *Unclaimed dividends*

Any dividend unclaimed for a period of twelve years after having been declared shall if the Board so resolve be forfeited and shall belong to the Company absolutely.

(h) *Directors*

- (i) Unless otherwise determined by the Company by ordinary resolution the number of Directors shall not be more than twelve nor less than three.
- (ii) A Director shall not require a share qualification but shall nevertheless be entitled to attend and speak at any general meeting or at any separate meeting of the holders of any class of shares.
- (iii) The Directors shall be entitled to fees at such rate or rates as may from time to time be determined by the Board; but the aggregate fees of the Directors shall not exceed £500,000 per annum, or such greater sum as may from time to time be determined by the Company by ordinary resolution. Such fees shall be in addition to the remuneration of any Executive Director (or the fee payable to any person providing the services of a Director). The Company by ordinary resolution may also vote extra fees to the Directors. Fees payable to Directors shall (unless otherwise determined by the resolution by which they are voted) be divided between the Directors as they may agree or, failing agreement, equally. The Directors' fees shall be deemed to accrue from day to day. The Directors shall also be entitled to be paid all travelling, hotel and other expenses properly incurred by them in connection with the business of the Company or any member of the Group or in attending and returning from meetings of the Directors or of committees of the Directors or general meetings of any member of the Group.
- (iv) Any Director who serves on any committee or who devotes special attention to the business of the Company or any member of the Group, or who otherwise performs services which, in the opinion of the Directors, are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, participation in profits or otherwise as the Directors may determine.
- (v) A Director may hold any other office or place of profit under the Company (other than the office of auditor) in conjunction with his office of Director and may act in a professional capacity to the Company, on such terms as to tenure of office, remuneration and otherwise as the Directors determine.
- (vi) Subject to the Statutes and to these Articles:
  - (a) no Director or intending director shall be disqualified by his office from entering into any contract, arrangement or transaction with the Company either with regard to his tenure of any other office or place of profit, or as a vendor, purchaser or otherwise;
  - (b) no contract or arrangement entered into by or on behalf of the Company in which any Director is in any way, whether directly or indirectly, interested, shall be liable to be avoided;
  - (c) unless otherwise agreed, no Director contracting with the Company or being interested in any contract or arrangement with the Company shall be liable to account to the Company for any profit realised by, or remuneration received from, the contract or arrangement, by reason of his being a Director or by reason of his fiduciary relationship.

- (vii) Any Director may continue to be or become a director or other officer or member of, or otherwise interested in, any other company promoted by the Company or in which the Company may be interested, as a member or otherwise, or which is a holding company (as defined in section 736 of the Act) of the Company or a subsidiary of the holding company. Subject to any express agreement to the contrary between the Directors and the Company, no Director shall be accountable for any remuneration or other benefits received by him as a Director or other officer or member of, or from his interest in, the other company. The Directors may exercise the voting power conferred by the shares of any other company held or owned by the Company or exercisable by them as Directors of the holding company or subsidiary in such manner as the Board thinks fit (including voting in favour of any resolution appointing any of them Directors or other officers of the Company, or voting or providing for the payment of remuneration to the Directors or other officers of the Company).
- (viii) One-third of the Directors who are subject to retirement by rotation shall retire from office at the annual general meeting in every year. A Director retiring at a meeting shall retain office until the dissolution of the meeting.
- (ix) No Director shall be required to retire from office as a Director and no person shall be precluded from being appointed or elected as a Director by reason of his attaining or having attained the age of seventy years or any other age. No special notice need be given of any resolution for the appointment or reappointment or approving the appointment as a Director of a person who has attained the age of seventy, and it shall not be necessary to give to the members notice of the age of any Director or person proposed to be appointed or reappointed as a Director. Section 293 of the Act shall not apply to the Company.
- (x) The Board or the Company in general meeting may appoint any person to be a Director, either to fill a casual vacancy or as an additional director. Any director so appointed by the Board shall hold office only until the conclusion of the next annual general meeting following his appointment unless re-appointed during the meeting.
- (xi) The Board may appoint any one or more of their body to be the holder of any executive office on such terms as it thinks fit. An executive director shall receive such remuneration and other benefits as the Board may determine subject to the Statutes.
- (xii) The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge all or any part of its undertaking, property and uncalled capital and subject to the provisions of the Statutes to issue debentures and other securities, whether outright or as collateral security for any debt, liability or obligation of the Company or of any third party.
- (xiii) The Board may establish and maintain, or procure the establishment and maintenance of and participate in, any pension or superannuation funds (whether contributory or otherwise) for the benefit of, and give or procure the giving of donations, gratuities, pensions, allowances and emoluments to, any persons who are or were at any time Directors, employees or consultants of the Company, or of any company which is a subsidiary of the Company or is allied to or associated with the Company or any such subsidiary; or of any of the predecessors in business of the Company or any such other company, or who may be or have been Directors or officers of the Company or of any such other company and who hold or have held executive positions or agreements for service with the Company or any such other company, and the families including the spouse or former spouse and any dependants of any such persons.

The Directors may also set up, establish, maintain and support any employees' share scheme or share option scheme or share incentive scheme or trusts within the Company's powers and exercise the Company's powers to lend money to, any employees, of any member of the Group or trustees of any such schemes or trusts to enable such schemes or trusts to be established and maintained.

The Board may subscribe or guarantee money for charitable or benevolent objects, or for any exhibition or for any public, general or useful object, and do any of the matters aforesaid either alone or in conjunction with any such other company as aforesaid. Subject to particulars with respect to the proposed payment being disclosed to the members and to an ordinary resolution, in each case if the Statutes require, any Director who holds or has held any such executive position or agreement for services shall be entitled to participate in and retain for his own benefit any such donation, gratuity, pension, allowance or emolument.

- (xiv) A Director shall not vote (or be counted in the quorum) at a meeting in respect of any resolution concerning his own appointment (including fixing or varying its terms), or the termination of his own appointment, as the holder of any office or place of profit with the Company or any other company in which the Company is interested but, where proposals are under consideration concerning the appointment (including fixing or varying its terms), or the termination of the appointment, of two or more Directors to offices or places of profit with the Company or any other company in which the Company is interested, those proposals may be divided and a separate resolution may be put in relation to each Director and in that case each of the Directors concerned (if not otherwise debarred from voting under the relevant article) shall be entitled to vote (and be counted in the quorum) in respect of each resolution unless it concerns his own appointment or the termination of his own appointment.
- (xv) A Director shall also not vote (or be counted in the quorum at a meeting) in relation to any resolution relating to any contract or arrangement or transaction or other proposal in which he has an interest which (together with any interest of any connected person of his) is to his knowledge a material interest and, if he purports to do so, his vote shall not be counted, but this prohibition shall not apply and a Director may vote (and be counted in the quorum) in respect of any resolution concerning any one or more of the following matters:
  - (a) any contract in which he is interested by virtue of an interest in shares, debentures or other securities of the Company or otherwise in or through the Company;
  - (b) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of, or for the benefit of, the Company or any of its subsidiary undertakings or a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility under a guarantee or indemnity or by the giving of security;
  - (c) any issue or offer of shares, debentures or other securities of the Company or any of its subsidiary undertakings in respect of which he is or may be entitled to participate in his capacity as holder of any such securities or as an underwriter or sub-underwriter;
  - (d) any contract, arrangement, transaction or proposal concerning another company in which he and any connected person do not to his knowledge hold an interest in shares (within the meaning of sections 198 to 211 of the Act) representing 1 per cent, or more of the issued shares of any class of such company or of the voting rights of that company;
  - (e) any contract, arrangement, transaction or proposal for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord to him any privilege or benefit not generally accorded to the employees to whom the arrangement relates;
  - (f) the purchase or maintenance of insurance for the benefit of Directors or for the benefit of persons including Directors; and
  - (g) any pension or superannuation scheme approved by the Inland Revenue.

#### 4. Share Option Schemes

##### Unapproved Schemes

The Company has established two unapproved share option schemes, one of which, is for employees and executive directors (the "First Scheme") and the other of which is for other persons (the "Second Scheme").

The following summary relates to the rules of the First Scheme. The terms of the Second Scheme are the same as the terms of the First Scheme unless expressly indicated to the contrary in this paragraph 4.

The Unapproved Schemes provide for options to be granted over unissued shares and do not require Inland Revenue approval.

##### (a) Eligibility

Options to acquire Ordinary Shares may be granted at the discretion of the remuneration committee of the Company (the "Remuneration Committee") to any employee of the Company or any participating member of the Group, including a full-time director, required to devote substantially the whole of his working time to his employment or office or who (in the case of the Second Scheme) provides services to the Group (an "Eligible Employee" in the case of the First Scheme and an "Eligible Person" in the case of the Second Scheme). No option may be granted more than 10 years after the date on which shareholders approve the Unapproved Schemes in general meeting. Options may normally only be granted:

- (i) within 42 days of the date on which shareholder's approve the Scheme;
- (ii) thereafter within 42 days from the announcement of the Company's results for the year, half year or other period;
- (iii) within 14 days immediately after the person first becomes an Eligible Employee (in the case of the First Scheme) or an Eligible Person (in the case of the Second Scheme);
- (iv) at any time to any existing holder of an option under the relevant Scheme; or
- (v) at any other time if in the opinion of the Remuneration Committee the circumstances are exceptional.

##### (b) Scheme Limits

On any date, no option may be granted under an Unapproved Scheme if, as a result, any of the following limits would be exceeded:

- (i) the aggregate number of Ordinary Shares issued or issuable pursuant to grants or appropriations made during the previous ten years under (i) the Unapproved Schemes; and (ii) all other employees' shares schemes of the Company would exceed fifteen per cent. of the issued ordinary share capital of the Company on the day preceding the date; or
- (ii) the aggregate number of Ordinary Shares issued or issuable pursuant to grants made during the previous ten years under the Unapproved Schemes and all other employees' share option schemes (other than savings-related share option schemes) of the Company would exceed ten per cent. of the issued ordinary share capital of the Company on the day preceding that date; or
- (iii) the aggregate number of Ordinary Shares issued or issuable pursuant to grants or appropriations made in the previous three years under (i) the Unapproved Schemes; and (ii) all other employees' share schemes of the Company would exceed six per cent. of the issued ordinary share capital of the Company on the day preceding that date; or
- (iv) the aggregate number of Ordinary Shares issued or issuable pursuant to options granted under the schemes referred to in sub-paragraph (b)(ii) above during the four years commencing on the date of Admission would exceed eight per cent. of the issued ordinary share capital of the Company on the day preceding that date.

Options granted by the Company prior to Admission are to be disregarded for the purposes of the above-mentioned limits.

For the avoidance of doubt, Ordinary Shares that have been the subject of options or rights granted under any other share scheme which have lapsed shall not be taken into account for the purposes of these limits.

(c) *Individual Limits*

No option may be granted to any individual if, as a result the aggregate market value of Ordinary Shares issued or issuable pursuant to options and other rights granted to him during the previous ten years but after Admission under the Unapproved Schemes and any other employees' share option scheme (whether or not approved by the Inland Revenue but not any savings-related option scheme) of the Company, other than options and rights which have been exercised or lapsed, would exceed four times his annual earnings.

(d) *Exercise Price*

The exercise price of an option shall be fixed by the Remuneration Committee but shall not be less than the higher of (i) the nominal value of an Ordinary Share and (ii) the market value of a share as defined by the auditors of Interregnum for the time being in accordance with paragraph VIII of the Taxation of Chargeable Gains Act 1992 or, if the Ordinary Shares of Interregnum are admitted to trading on AIM, the middle market quotation (as derived from the AIM Appendix to the London Stock Exchange Daily Official List) for dealings in the Ordinary Shares for the last dealing day before the date on which the optionholder was invited to apply for the grant of the option.

(e) *Additional Conditions*

The Remuneration Committee may grant an option subject to such objective condition or conditions ("performance conditions") as it in its discretion sees fit, which must be fulfilled before the option can be exercised. Performance conditions attached to an option may be varied if an event occurs which causes the Remuneration Committee to consider that the varied conditions represent a fairer measure than the original conditions, but are no more difficult to satisfy than was the original when first set.

(f) *Exercise of Options*

In normal circumstances, options may be exercised no earlier than the date that the Remuneration Committee shall specify at the date of grant and no later than the tenth anniversary of the date of grant.

Provided in each case that any performance conditions to which they are subject have been fulfilled. The Remuneration Committee will determine any question as to whether performance conditions have been satisfied. Options will become exercisable within three months of an optionholder ceasing to be an Eligible Employee or Eligible Person as the case may be by reason of injury, disability, retirement at normal retirement age or transfer out of the Group or the Company, of the business or that part of the business to which his employment relates. Options shall become exercisable by a deceased optionholder's personal representatives within 12 months of the date of death of such optionholder. At the discretion of the Remuneration Committee, options may also become exercisable within three months where an optionholder ceases to be an Eligible Employee or Eligible Person (as the case may be) for any other reason. Rights to exercise will also arise on a change in control or reconstruction of the Company and in the event of a voluntary winding up. Options shall lapse immediately upon the optionholder being adjudicated bankrupt or where the option is purported to be transferred or assigned, mortgaged, charged or otherwise disposed of.

(g) *Voting, Dividend, Transfer and Other Rights*

Until options are exercised, option holders have no voting or other rights in respect of the Ordinary Shares covered by their options.

Ordinary Shares issued pursuant to the Unapproved Schemes will rank *pari passu* in all respects with the Ordinary Shares already in issue save as regards any rights attaching to such Ordinary Shares prior to the date of such allotment.

Options are not transferable. On a change in control or reconstruction of the Company, options may, with the consent of the company acquiring control of the Company, be released in consideration of the grant of equivalent rights over the shares of the acquiring company or a company associated with it. The rights are equivalent if, broadly speaking, the aggregate market value of the shares under both the old and new options and the aggregate exercise price of each option are, on the date of exchange, equal.

(h) *Admission and Amendment*

The Unapproved Schemes will be administered by the Remuneration Committee. The Board may amend the Unapproved Schemes by resolution. The approval of the Company in general meeting will be required for any amendment to the advantage of participants except for minor amendments to benefit the administration of the Unapproved Schemes and amendments to obtain or maintain favourable tax, exchange control regulatory treatment for participants or for any member of the Group.

(i) *Option Exchange*

The Option Exchange Documents were issued by the Company on 28 February 2000 to certain employees of Interregnum Venture Marketing and to Geoff Shingles, Christopher Hope and Nicholas Somerville all of whom are persons who until that date held options over ordinary shares in Interregnum Venture Marketing. Applications have been received by the Company (subject to Admission) for the grant of 19,759,848 Rollover Options under the Unapproved Schemes. The terms of the Rollover Options reflect the net value of the options, held over ordinary shares in IVM.

**5. New Bonus Scheme**

- (a) Interregnum Venture Marketing has agreed with Ken Olisa, Graham Ransom, Roger Jeynes, Adrian Merryman, Geoff Shingles, Simon Davies, Sherry Madera, Jonathan Wood and Andy Bailey that they should participate in a bonus scheme. Under this scheme a bonus pool will be determined at the end of each financial year of the Group. Such pool will comprise the following:

- (i) 15 per cent. of the profit before tax of the Group for that year so far as it arises from income or capital gain derived as a direct result of the buying and/or selling of investments by the Group acting as principal where such investment was acquired by the Group for cash;
- (ii) 35 per cent. of profit before tax of the Group for that year so far as it arises from income derived as a result of arranging deals in investments or managing investments or operating any collective investment scheme on behalf of any other person; and
- (iii) 50 per cent. of the profit before tax of the Group for that year but excluding the same so far as it arises from income or capital gain described in paragraphs (i) or (ii) above.

- (b) The distribution of bonuses out of such pool shall be determined by the Board taking into account a combination of factors including:

- (i) the extent to which the relevant individual satisfied certain personal performance targets in the relevant year;
- (ii) the Board's assessment (on a discretionary basis) of the individual's general contribution to the Group in the relevant year;
- (iii) the financial performance of the company; and
- (iv) accrued length of service and seniority within the Group.

**6. Warrants to Norman Knight Revocable Trust**

By a subscription agreement and warrant Instrument dated 8th February 2000 Interregnum Venture Marketing granted to Norman Knight as trustee for the Norman Knight Revocable Trust dated 11th December 1985 ("Norman Knight") warrants over 60,000 ordinary shares of 1p each in the capital of Interregnum Venture Marketing. The subscription agreement and warrant instrument provides that the exercise price in relation to such warrants is the price of each ordinary share on admission of IVM to trading on AIM less a discount of 20 per cent.

By an agreement dated 27 February 2000 Norman Knight agreed to accept warrants over 4,560,000 Ordinary Shares in Interregnum plc in lieu of his Warrants over ordinary shares in Interregnum Venture Marketing. The terms of these replacement warrants reflect the value of the Warrants over shares in IVM.

## 7. Options held by CIBC

By an option agreement dated 11 September 1998 between CIBC and IVC (the "CIBC Option Agreement") CIBC had options to subscribe for up to 20,000 Ordinary Shares in IVM at an exercise price of one pence per share. By an agreement dated 8 March 2000 ("the CIBC Option Exchange") CIBC agreed to exchange such options for options over Ordinary Shares in Interregnum plc. The terms of these Rollover Options reflect the value of the options under the Option Agreement.

## 8. Directors' and other interests

- (a) Set out below are the persons (other than Directors) who were as at 10 March 2000 or will be following Admission interested in 3 per cent or more of the issued ordinary share capital of the Company:

	As at 10 March 2000		Following Admission	
	No. of Shares held	Percentage of issued share capital	No. of shares held	Percentage of issued share capital
Restoration Limited (formerly Interregnum Limited)	19,000,000	37.9%	18,848,000	29.2%
CIBC	5,700,000	11.4%	4,940,000	7.7%

Save as disclosed in this paragraph 8(a), insofar as is known by the Company, no one other than a Director is directly or indirectly interested in 3 per cent. or more of the Company's issued share capital, nor is the Company aware of any person who directly or indirectly, jointly or severally, or with another, exercises or could exercise control over the Company.

- (b) Set out below are the interests of the Directors (including the interests of their immediate families and the interests of any persons connected with them within the meaning of Section 346 of the Act), all of which are beneficial unless otherwise noted, in the issued share capital of the Company as at 10 March 2000 (i) which have been notified by each Director to the Company pursuant to Sections 324 or 328 of the Act, or (ii) which are required to be entered in the register maintained under Section 325 of the Act, or (iii) are interests of a connected person of a Director which would, if that connected person were a Director be required to be disclosed under (i) and (ii) above and the existence of which is known to, or could with reasonable diligence be ascertained by, that Director are, and immediately following Admission will be, as follows:

	As at 10 March 2000		Following Admission	
	No. of Shares held	Percentage of issued share capital	No. of shares held	Percentage of issued share capital
Ken Olisa (see (d) below)	19,000,760	37.9	16,872,076	26.2
Graham Ransom	3,293,384	6.6	2,533,384	3.9
Roger Jeynes	1,013,384	2.0	253,384	0.4
Adrian Merryman	1,773,384	3.5	1,013,384	1.6
Restoration Ltd (see (d) below)	19,000,000	37.9	18,848,000	29.2



- (c) Save as disclosed above, none of the Directors has any interests in the share capital or loan capital of the Company or any of its subsidiaries nor does any person connected with the Directors (within the meaning of Section 346 of the Act) have any such interests, whether beneficial or non-beneficial.
- (d) Restoration Limited (formerly Interregnum Limited) is wholly owned by Mr & Mrs Ken Olisa and Mr Olisa is to be considered interested in the shares held by Restoration Limited in the Company.
- (e) In addition to their directorships in the Company, the Directors have held the following directorships and/or been a partner in the following partnerships within the five years prior to the date of this document:
- (i) Ken Olisa: Current: Restoration Limited (formerly Interregnum Limited), Metapraxis Limited, Interregnum Venture Marketing Limited, Fitzwilliam Society Trust Limited, Thames Reach, Geoconference Limited, Open Text Corporation Canada, Callcentric Limited, Peabody Trust, Trilogy Broadcast (Holdings) Limited, Link Software S.A., Catalyst Solutions plc.  
 Past: Pro-Bel Limited, Vossnet (UK) Limited, Voss Net plc, Thumb Candy Limited, BDO Stoy Hayward Consulting Limited, ProMetrics Limited, ProMetrics Group Limited, DMA-TEK Limited Israel, Lambeth Healthcare NHS Trust.
  - (ii) Graham Ransom: Current: Interregnum Venture Marketing Limited, Adaptive Limited, Initiative Software Applications Limited, Delta(UK) Limited, Netinfo Limited.  
 Past: Mediasurface Limited, Callcentric Limited.  
 Mr Ransom was a non-executive director of Delta (UK) Ltd, CR No. 2838366, when it went into creditors' voluntary liquidation on 27 January 1999. The creditors' deficiency as at 9 February 1999 was £2.512 million and the liquidators investigation is ongoing.
  - (iii) Roger Jeynes: Current: Interregnum Venture Marketing Limited, Xpert Client Services Limited, Sapphire Group Limited, Synaxia Networks Limited  
 Past: Xi Software Limited
  - (iv) Adrian Merryman: Current: Interregnum Venture Marketing Limited  
 Past: TEMENOS Systems, S.A.
  - (v) Geoff Shingles: Current: Geoff Shingles Partnership, Imagination Technologies Group plc, Nano Magnetics Limited, Eurotel Telecom Limited  
 Past: Network SI, ProMetrics, Gatton Consulting Group, European Data Systems, ABSA Consulting
  - (vi) Teddy Rosenberg: Current: Chrysalls – ITS Inc., Hydrogenics Inc.  
 Past: ServiceSoft Technologies Inc., Nexsys Communications Inc.
  - (vii) Stanley Stern: Current: Open Text Corporation Canada, Dotmo.Com.  
 Past: None
  - (viii) Richard Fifield: Current: Williams Allan Chartered Accountants, Thames Valley Economic Partnership Limited, B-Corne Solutions Limited, Interregnum Venture Marketing Limited.  
 Past: Professional Enterprise Group plc, The Charterhouse Partnership Limited, Lawgroup UK Limited.
- (f) Save as disclosed above, no Director:
- (i) has any unspent convictions in relation to indictable offences; or
  - (ii) has ever been declared bankrupt or been the subject of an individual voluntary arrangement, or has had a receiver appointed to any asset of such Director; or

- (iii) has been a director of any company which, while he was a director or within 12 months after he ceased to be a director, had a receiver appointed or went into compulsory liquidation, creditors voluntary liquidation, administration or company voluntary arrangement, or made any composition or arrangement with its creditors generally or with any class of its creditors; or
  - (iv) has been a partner of any partnership which, while he was a partner or within 12 months after he ceased to be a partner, went into compulsory liquidation, administration or partnership voluntary arrangement, or had a receiver appointed to any partnership asset; or
  - (v) has had any public criticism by statutory or regulatory authorities (including recognised professional bodies); or
  - (vi) has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.
- (g) Save as disclosed in this paragraph 8, the Directors are not aware of any person, directly or indirectly, jointly or severally, who exercises or could exercise control over the Company
- (h) There are no outstanding loans made or guarantees granted or provided by any member of the Group to or for the benefit of any Director.
- (i) Save as set out in paragraph 10 below, no Director is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Group and which was effected by the Company or any of its subsidiaries during the current or immediately preceding financial year or during any earlier financial year and remain in any respect outstanding or unperformed:

## 9. Directors' service agreements

- (a) Set out below are details of the existing employment agreements of the Directors:
- (i) On 11 September 1998 Kenneth Olisa entered into a service agreement with Interregnum Venture Marketing. This agreement is determinable on six months' notice given by either party to the other. Under this agreement, he is entitled, *inter alia*, to receive annual remuneration of £120,000 and is also entitled to private health insurance, critical illness cover and an annual pension contribution.
  - (ii) On 11 September 1998 Roger Joyes entered into a service agreement with Interregnum Venture Marketing. This agreement is determinable on six months' notice given by either party to the other. Under this agreement, he is entitled, *inter alia*, to receive annual remuneration of £100,000 and is also entitled to private health insurance, critical illness cover and an annual pension contribution.
  - (iii) On 11 September 1998 Graham Ransom entered into a service agreement with Interregnum Venture Marketing. This agreement is determinable on six months' notice given by either party to the other. Under this agreement, he is entitled, *inter alia*, to receive annual remuneration of £100,000 and is also entitled to private health insurance, critical illness cover and an annual pension contribution.
  - (iv) On 8 March 2000 Adrian Merryman entered into a service agreement with Interregnum Venture Marketing. This agreement is determinable on six months' notice given by either party to the other. Under this agreement, he is entitled, *inter alia*, to receive annual remuneration of £100,000 and is also entitled to private health insurance, critical illness cover and an annual pension contribution.
  - (v) The non-executive directors, namely Geoff Shingles, Richard Fifield, Teddy Rosenberg and Stanley Stern, are appointed under the terms of agreements dated 3 March 2000. The appointments are determinable on not less than three months notice given by either party to the other expiring on or after 3 March 2001. Each of the non-executive directors is entitled to a fee of £500 for attendance at each board and committee meeting.

- (b) Ken Olisa, Graham Ransom, Roger Jeynes, Adrian Merryman and Geoff Shingles are all members of the New Bonus Scheme.
- (c) Save as set out in paragraph (a) above, there are no service agreements in existence between any of the Directors and the Company or any of its subsidiaries which cannot be determined by the employing company without payment of compensation (other than statutory compensation) within one year.
- (d) The aggregate remuneration paid (including compensation for loss of office or redundancy) and benefits in kind granted to the Directors and former Directors by the members of the Group was £387,000 for the financial year ended 30 June 1999 and is estimated to be £450,000 for the current financial year ending 30 June 2000 under the arrangements in force at the date of this document.
- (e) Save as disclosed in paragraph (a) above, there are no existing or proposed service contracts between any Director and the Company or any member of the Group and there has been no variation of any such service contract during the six months prior to the publication of this document.
- (f) Save as disclosed in paragraph (b) above and save for any benefits arising under the Unapproved Schemes, there are no arrangements under which the emoluments of the Directors will be varied or waived in consequence of the transactions referred to in this document.

#### 10. Material contracts

The following contracts, not being contracts entered into in the ordinary course of business, have been entered into by members of the Group during the two years preceding the date of this document and are or may be material:

- (a) a placing agreement dated 10 March 2000 between the Company (1), Teather & Greenwood (2), the existing executive directors of the Company (3), the existing non-executive directors of the Company (4), the covenantors (5), and the vendors (6) pursuant to which Teather & Greenwood has agreed, as agent for the Company and the vendors to use its reasonable endeavours to arrange for placees to subscribe for 14,285,714 Placing Shares and 5,320,000 existing Ordinary Shares the subject of the Vendor Placing at the Placing Price. The agreement is conditional, *inter alia*, upon Admission taking place on or before 13 March 2000 or such later date as Teather & Greenwood and the Company may agree but in any event not later than 20 March 2000. The Company will pay to Teather & Greenwood a fee of £67,750 and a commission of £197,463, and in lieu of the payment of a further commission of £297,287 and a fee of £67,750 for its corporate finance advice the allotment of 260,741 new Ordinary Shares credited as fully paid at the Placing Price. The Vendors have each agreed to pay Teather & Greenwood a commission of 2½ per cent on the aggregate value of the existing Ordinary Shares the subject of the Vendor Placing. The agreement provides for the Company to pay all expenses of and incidental to the Placing and the application for Admission, including the fees and costs of other professional advisers, all costs relating to the Placing, including printing, advertising and distribution charges, the fees of the Registrars and the fees payable to the London Stock Exchange.

The agreement contains, *inter alia*, undertakings and warranties by the Company and the Directors in favour of Teather & Greenwood as to the accuracy of information contained in this document and other matters relating to the Group and its business and an indemnity from the Company in favour of Teather & Greenwood.

Certain of the Directors and related parties have agreed not to dispose of any interest in their ordinary shares in the Company for the period expiring on 12 March 2001, (12 months from the date of Admission) save in the event, *inter alia*, of an intervening court order, a take-over offer relating to the Company's share capital becoming or being declared to be unconditional, the death of the Director or employee or otherwise with the consent of Teather & Greenwood.

Teather & Greenwood may terminate the placing agreement in specified circumstances prior to Admission, principally in the event of a material breach of the placing agreement or of any of the warranties contained in it or where any event of omission relating to the Group is, or will

be in the opinion of Teather & Greenwood, materially prejudicial to the successful outcome of the Placing, or where any change on national or international, financial, monetary, economic, political or market conditions is, or will be in the opinion of Teather & Greenwood materially prejudicial to the Company or the successful outcome of the Placing.

- (b) a nominated adviser and nominated broker agreement dated 10 March 2000 between the Company (1) the Directors (2) and Teather & Greenwood as nominated adviser and broker (3) pursuant to which, *inter alia*, the Company has appointed Teather & Greenwood to act as nominated adviser and nominated broker to the Company for the purposes of the Ordinary Shares being traded on AIM for an initial period of 12 months commencing on the date of the agreement and which is terminable on 30 days' notice by either party such notice not to expire earlier than 12 March 2001. The Company has agreed to pay to Teather & Greenwood a fee of £27,500 per annum.
- (c) a share exchange agreement dated 8 March 2000 between Ken Olisa and others (1) and the Company (2) whereby the Company agreed to purchase the entire issued share capital of Interregnum Venture Marketing in consideration for the issue by the Company of 50,160,112 Ordinary Shares and 30,400,000 Preference Shares credited as fully paid.
- (d) a loan agreement dated 8 February 2000 between Norman Knight (1) and IVM (2) pursuant to which a loan in the sum of \$600,000 was made to IVM.
- (e) a warrant instrument dated 8 February 2000 between IVM (1) and Norman Knight (2) pursuant to which the Company granted a warrant to Norman Knight to subscribe for 60,000 ordinary shares of 1p each in the capital of Interregnum Venture Marketing and allotted 1 ordinary share in its capital to Norman Knight.
- (f) a variation agreement between IVM (1) Norman Knight (2) and Interregnum plc (3) whereby the rights and obligations of Interregnum Venture Marketing under the warrant instrument referred to in paragraph (e) above were assigned to Interregnum plc.
- (g) a separation agreement between IVM (1) and Mike Healy (2) dated 29 June 1999 pursuant to which IVM terminated Mr Healy's employment with effect from 2 July 1999.
- (h) the Option Exchange Documents.
- (i) the CIBC option agreement and the CIBC Option Exchange.
- (j) a letter of agreement dated 8 March 2000 between CIBC and the Company relating to the redemption of CIBC's preference shares.

## II. United Kingdom Taxation

The Directors have been advised, on the basis of United Kingdom law presently in force and current Inland Revenue practice as follows:

### (a) *United Kingdom taxation of dividends*

From 6 April 1999 the tax credit regime changed for individual shareholders. With effect from this date the rate of tax credit will be 10 per cent. of the grossed up amount of the dividend. The aggregate of the dividend and the tax credit will form the shareholder's top slice of income. The tax credit will be taken to satisfy the whole of the lower and basic rate income tax liability in respect of the dividend received of individuals resident in the UK for tax purposes. Higher rate taxpayers will have to pay additional tax equal to 22.5 per cent. of the dividend and the tax credit. The higher rate of income tax for dividend income is 32.5 per cent. To the extent that the tax credit exceeds the tax liability of a UK resident individual shareholder, such a tax payer cannot reclaim tax credit from the Inland Revenue.

A corporate shareholder resident (for tax purposes) in the UK receiving dividend income from another UK company will generally not be liable to UK corporation tax on that dividend received.

(b) *United Kingdom taxation of chargeable gains*

For the purposes of United Kingdom taxation on chargeable gains, a disposal of Ordinary Shares by a shareholder resident or ordinarily resident for tax purposes in the United Kingdom or a shareholder who carries on a trade, profession or vocation in the United Kingdom through a branch or agency and who has used, held or acquired the Ordinary Shares for the purposes of such trade, profession or vocation or such branch or agency may give rise to a chargeable gain or an allowable loss for the purposes of United Kingdom taxation of chargeable gains.

A shareholder who is an individual and who, on or after 17 March 1998 ceased to be resident or ordinarily resident for tax purposes in the United Kingdom for a period of less than five years and who disposes of Ordinary Shares during that period may also be liable to United Kingdom taxation of chargeable gains (subject to any available exemption or relief).

(c) *Stamp duty*

In relation to United Kingdom stamp duty and stamp duty reserve tax ("SDRT"):

- (i) save as mentioned in paragraph (iii) below, no liability to stamp duty or SDRT will arise on the issue of the Ordinary Shares by the Company under the Placing;
- (ii) the conveyance or transfer on sale of Ordinary Shares will generally be subject to ad valorem stamp duty of 0.5 per cent. of the consideration paid;
- (iii) an agreement to transfer on sale Ordinary Shares will generally be subject to ad valorem SDRT at the rate of 0.5 per cent. The charge to SDRT arises on the later of the date of entry into the agreement or of it becoming unconditional. SDRT is payable seven days after the end of the month in which the charge arises. If a duly stamped transfer is produced within 6 years of such time, the SDRT is repayable, generally with interest, on the making of a claim; and
- (iv) where Ordinary Shares are issued or transferred (a) to, or to a nominee for, a person whose business is or includes the provision of clearance services or (b) to, or to a nominee or agent for, a person whose business is or includes issuing depository receipts, stamp duty or SDRT will be payable at the higher rate of 1.5 per cent. of the consideration payable, or in certain circumstances, the value of the Ordinary Shares. Clearance services may opt, under certain conditions, for the normal rates of SDRT to apply to an issue or a transfer of shares into the Clearance service instead of the higher rate applying to an issue or a transfer of shares into the service.

Special rules apply to agreements made by market-makers and broker-dealers in the ordinary course of their business.

The above statements are only intended as a general summary of the current position under United Kingdom law and practice affecting investments by United Kingdom resident investors who are the absolute beneficial owners of Ordinary Shares, and their applicability will depend upon the particular circumstances of individual investors. In particular, they may not apply to certain classes of persons (such as dealers in securities). The summary is not exhaustive and does not generally consider tax reliefs or exemptions. Prospective investors should consult their United Kingdom professional adviser (and, in relation to foreign taxes, their professional adviser in each relevant jurisdiction) about their United Kingdom and foreign tax position in relation to the Company.

## 12. Premises

The Company currently occupies the whole of the property at 22-23 Old Burlington Street, London W1 pursuant to a lease between the Scottish Provident Institution (1) and Interregnum Venture Marketing (2) dated 13 October 1997 for a term of 15 years at a current rent of £170,000 per annum exclusive of VAT.

### 13. Working capital

In the opinion of the Company, having made due and careful enquiry, the working capital available to the Group, taking into account the net proceeds of the Placing receivable by the Company, is sufficient for its present requirements, that is for at least the next 12 months from the date of this document.

### 14. Litigation

- (a) A former client of Interregnum Venture Marketing has intimated a complaint about services rendered during 1998 to 1999. No proceedings have been issued and it is also unclear how much the claim might be for but a figure of £24,000 has been mentioned in correspondence. The Directors are of the view that there is no substance in the complaint and have been advised that on the basis of the complaint as currently presented no legal liability is likely to ensue.
- (b) Interregnum Venture Marketing has a claim against a former client for outstanding fees of approximately £73,000 together with an Equity Position in the former client on a successful trade sale. No proceedings have been issued as yet.
- (c) Save as disclosed above, no member of the Group is or has been involved in any legal or arbitration proceedings which may have, or have had, during the 12 months preceding the date of this document a significant effect on the Groups financial position nor are any such proceedings pending or threatened.

### 15. General

- (a) Save as disclosed in this document, the Group is not dependant on any patents or licences, industrial, commercial or financial contracts or new manufacturing processes which are of fundamental importance to the Group's business, except as set out in Part I.
- (b) The expenses of the Placing are estimated to be £1.0 million, (excluding VAT and including the fees and commissions payable under the Placing Agreement) and are payable by the Company.
- (c) The minimum amount which, in the opinion of the Directors, must be raised under the Placing to provide the sums required in respect of the matters specified in Schedule 1 of the POS Regulations is £20 million, divided as follows:

(i) the purchase price of any property;	£0
(ii) preliminary expenses and expenses of the Placing;	£1.0m
(iii) repayment of money borrowed in respect of (i) and (ii) above;	£0
(iv) working capital;	£1.1m
(v) equity portfolio;	£17.5m
(vi) redemption of CIBC preference shares	£0.4m
- (d) Except for fees payable to the professional advisers whose names are set out on page 3 and payments to trade suppliers, no person has received any fees, securities in the Company or other benefit to a value of £10,000 or more, whether directly or indirectly, from the Company within the 12 months preceding the date of this document, or has entered into any contractual arrangement to receive from the Company, directly or indirectly, any such fees, securities or other benefit on or after Admission.
- (e) Save as disclosed in this document, there has been no material change in the financial or trading position of the Group since 31 January 2000, the date to which its most recent audited accounts have been drawn up.
- (f) The financial information set out in this document does not constitute statutory accounts within the meaning of section 240 of the Act. Statutory accounts for IVM have been delivered to the Registrar of Companies for the periods ended 30 June 1997, 30 June 1998 and 30 June 1999. Auditors' reports in respect of each statutory accounts have been made under section 235 of the Act and each such report was an unqualified report and did not contain any statement under section 237(2) or (3) of the Act.

- (g) Baker Tilly have given and have not withdrawn their written consent to the issue of this document with the inclusion of their Accountants' Report in Part IV above and the pro forma statement of net assets of the Group in Part VI, and the references to such reports and to their name in the form and context in which they appear.
- (h) The arrangements for paying for the Placing Shares are set out in the specimen placing letter annexed to the Placing Agreement. All monies received from applicants will be held by Teather & Greenwood prior to delivery of the shares. If any application is unsuccessful or scaled down, any monies returned will be sent by cheque crossed "A/C Payco" in favour of the first named applicant. Any monies returned will be sent by first class post at the risk of the addressee within three days of the completion of the Placing. Crest accounts will be credited on 20 March 2000. Alternatively share certificates will be sent to placees by first class post at the risk of the applicant within seven days of the completion of the Placing.

#### **16. Documents available for inspection**

Copies of the following documents may be inspected at the offices of Tarlo Lyons, Watchmaker Court, 33 St John's Lane, London EC1M 4DB during usual business hours on any weekday (Saturdays and public holidays excepted) for a period of 14 days following the date of this document:

- (a) the Memorandum of Association of the Company and the Articles;
- (b) the statutory financial statements of IVM for the three years ended 30 June 1999;
- (c) the statement of adjustments from Baker Tilly;
- (d) the Accountants' Report set out at Part IV above;
- (e) Baker Tilly's report on the Pro Forma Statement of Net Assets of the Group set out at Part VI above;
- (f) the material contracts referred to in paragraph 10 above;
- (g) the service agreements and non-executive directors letters of appointment referred to in paragraph 9 above;
- (h) the rules of the New Bonus Scheme and the Unapproved Schemes Documents referred to in paragraphs 4 and 5 above; and
- (i) the consent letters referred to in paragraph 15 above.

#### **17. Availability of documents**

Copies of this document will be available free of charge to the public at the registered office of Teather & Greenwood, Beaufort House, 15 St Botolph Street, London, EC3A 7QR during normal business hours on any weekday (Saturdays and public holidays excepted) until close of business on 24 March 2000.

10 March 2000