PARKMEAD GROUP

A YEAR OF CHANGE

ANNUAL REPORT 2006

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FOUNDED IN 1992, THE PARKMEAD GROUP PLC IS A LONDON-BASED MERCHANT BANK

WE PROVIDE THE FOLLOWING SERVICES TO OUR CLIENTS:

- TURNAROUND MANAGEMENT CONSULTING
- PRINCIPAL FINANCE / INVESTMENT
- CORPORATE FINANCE

WE OPERATE ACROSS A WIDE VARIETY OF SECTORS INCLUDING:

- ENERGY
- TECHNOLOGY
- MANUFACTURING
- AEROSPACE

CHAIRMAN'S STATEMENT
A GROWING BUSINESS

…"our business is, fundamentally, in better shape. We have realigned our cost base with our revenues, our acquisition of QCS is proving highly complementary across the wider Group, we have increased our financial resources and we have reduced our indebtedness. We are now well placed to build a profitable and growing business"…

Niall Doran
Chief Executive

DEVELOPMENT OF THE GROUP

During the second half of the year ended 30 June 2006, the Group implemented a number of significant changes following a strategic review by the Board. During the first half of the year ended 30 June 2006, it became clear that the former business model of the Group was not viable, in terms of both profitability and growth. In particular, the Group's cash resources were in decline and the Group's trading subsidiaries were not, and were not likely to be, cash generative in the near term. In light of this, the Board agreed to implement a number of significant changes to address these issues:

- to reduce the Group's cost base;
- to seek additional sources of capital;
- to seek an exit from the Group's portfolio investments and subsidiaries;
- to seek acquisitions which would enhance the Group's deal flow and also be cash generative; and
- to change the core focus of the Group from being technology specific to multi sector.

An integral part of these changes was to re-constitute the Board to reflect the Group's new strategic direction. Kenneth Olisa, Roger Jeynes, Martin Cooper, Rupert Cook, Richard Fifield, John Forrest and Geoffrey Shingles stood down from the Board during the year. Subsequent to the year end Melvyn Morris also stood down. I should like to take this opportunity to thank them for their contribution to the Group. During the year Niall Doran was appointed Chief Executive Officer, David Mills was appointed Executive Director following the acquisition of Quayside Corporate Services Limited and Gordon Ashworth was appointed Chief Financial Officer. Additionally the Group made a number of non-executive appointments. These were John Leggate, Brian Wilson, and myself as Non-Executive Chairman. On 13 January 2006, Ian Taylor changed from being an Executive Director to a Non-Executive Director. Subsequent to the year end Thomas Cross was also appointed as a Non-Executive Director. Biographical details of the Board are given on page 5.

I am pleased to announce that the Group has substantially completed the changes arising out of the strategic review:

- the Company's core operating costs have been substantially reduced and by way of example our annualised payroll costs have reduced from £1.351 million to £0.689 million. A further £0.377 million loss was incurred in 2006 by our US operation prior to its closure during the year;
- in early February 2006 the Group raised £10.0 million before expenses through a placing with institutional investors;
- our efforts to realise value through the sale of our portfolio and subsidiary companies have proven more time consuming than envisaged. However, we continue to keep this position under review and on 6 October 2006 the Group announced the sale of Audio Visual Machines Limited;
- additionally, the Group acquired the entire share capital of Quayside Corporate Services Limited (QCS). QCS provides business turnaround consulting services and is highly complementary to the Group's corporate finance advisory business. The QCS business is cash generative and is performing in line with expectations; and
- we have moved away from an exclusive focus on the technology sector and are now engaging in corporate finance advisory activities across the telecom, defence, transport and energy sectors.

RESULTS AND DIVIDENDS

In the interim report for the six months ended 31 December 2005 an operating loss of £1.593 million was reported. The retained loss for the same period reported was £3.347 million. Following the completion of our restructuring plans and the downward revaluation of our portfolio holdings, the overall operating loss for the year amounted to £2.305 million (after restructuring costs) and the retained loss for the year amounted to £4.742 million. The Board is not recommending the payment of a dividend (2005: £nil).

INVESTMENT AND ADVISORY

CORPORATE FINANCE BUSINESS

The Group's corporate finance team operates out of The Parkmead Group plc. Our 2006 revenues grew 143% to £3.287 million (2005: £1.352 million) due to some significant corporate finance deals and were further enhanced following the acquisition of QCS. The loss for the year reflects the completion of our restructuring and cost reduction exercise which was implemented in the early part of 2006 and the results of our assessment of our portfolio companies described below. Our corporate finance activity is now well placed to produce profitable and sustainable growth. Broadening the team's sector focus has delivered an increased deal flow with the result that performance in the first quarter of the financial year ending 30 June 2007 has been profitable. We are particularly pleased to see opportunities flowing into the team out of QCS, which has also traded profitably since acquisition. Current assignments cover the energy, aviation and consulting sectors. The Group's operations in the USA were heavily loss making during the year and, accordingly, the Group closed this operation prior to the year end.

PORTFOLIO INVESTMENTS

Performance of the Group's portfolio of technology investments has been mixed. The Group values its investments according to the International Private Equity and Venture Capital Valuation guidelines (IPEVC). Applying the IPEVC guidelines as at 30 June 2006 produced a valuation for the portfolio of £3.059 million (2005: £5.648 million).

Following the appointment of administrators to Keycrypt, Netinfo, Webscreen and Nanomagnetics the Group recognised additional provisions during the year to provide fully against the carrying values of these investments. The Group's holdings in Open Text and Adaptive were disposed of during the year and were fully provided for prior to their disposal. During the year the Group also provided fully against the carrying value of its investments in Blue Arc, Elite Strategies, Futureroute, Knowledge=Power, Oilcats, Raidtec, and Speed Trap. Following the valuation exercise undertaken in accordance with the IPEVC rules, the Group has assessed the value of its investments in Respond, Red M and Metapraxis resulting in a downward valuation. The additional provisions resulted in a charge to the profit and loss account of £2.671million and the reversal of prior year revaluations.

As previously stated the Group continues to pursue disposal strategies with regards to its non-core subsidiaries and investments.

Following the change of strategy and direction noted above, the Group made its first investment as principal by way of the acquisition of 4.7% of Thruvision Limited (Thruvision) for a consideration of £1.052 million. Thruvision has developed proprietary non-intrusive imaging technologies used in the detection of explosives. Thruvision's technologies are of significant interest to the security and defence industries and we believe that this investment will be realised through a trade sale in the near to mid term.

SUBSIDIARIES

The Group's other two trading subsidiaries delivered much improved performance during the year.

SOFTWARE DEVELOPMENT, SUPPORT AND MARKETING

Yospace Technologies Limited (Yospace) develops, installs and maintains message management systems for mobile phone operators and has also developed user generated content solutions for the mobile phone industry and other content providers. Yospace's turnover increased to £1.885 million (2005: £1.235 million) due to new contract wins across Europe, and, for the six months ended 30 June 2006, Yospace was profitable at the operating level. The Group is satisfied with the trading performance of this business.

DESIGN, SUPPLY AND INSTALLATION OF AUDIO VISUAL SYSTEMS

Audio Visual Machines Limited (AVM) designs, installs and services audio visual systems. Turnover of AVM increased from £1.892 million (for the five months from acquisition in January 2005 to 30 June 2005) to £7.944 million for the year ended 30 June 2006. Of this £6.052 million increase, £2.171 million arose on the acquisition of the Video Meeting Company Limited made by AVM during the year. AVM traded profitably throughout the year. As previously stated, the Group has sought to realise value from these trading subsidiaries and in this regard, on the 29 September 2006, the Group sold its interest in AVM for a consideration of £1.275 million before expenses. Accordingly the results of AVM have been classified under discontinued operations in the profit and loss account.

...“our balance sheet is now net cash positive; we have funds in place to grow our advisory business and also to take principal finance positions. We have assessed the carrying value of our investments. We have reorganised our capital and reserves structure. Our financial position is now secured and we are well placed to develop the Group”...

Gordon Ashworth
Chief Financial Officer

KEY PERFORMANCE INDICATORS

The Board monitors performance in its investment and advisory businesses through the reporting of monthly profit and loss accounts, cash flow forecasts, and balance sheet reporting. Additionally, key performance indicators are set against which the Board can assess performance and prospects for the businesses. With regard to QCS, the Board monitors each assignment undertaken against budgeted profit and gross profit margin. With regard to the corporate finance business, revenue is analysed between recurring revenue streams and success fees. The baseline target is to cover fixed costs with recurring revenues.

The Board continues to monitor the performance of its other investments to seek the maximum returns on exit.

PRINCIPAL RISKS AND UNCERTAINTIES

The principal trading risks of the Group's corporate finance business are deal flow and the Group's ability to recruit and retain experienced corporate finance executives. With regard to deal flow, the acquisition of QCS has improved the Group's access to advisory, merger and acquisition opportunities significantly through its established network of banking and intermediary relationships. Recruitment and retention of experienced corporate finance executives remains challenging however, the Board believes that the Group is well placed to create innovative and attractive packages for suitable staff.

The Group's investment business is also exposed to any downturn in performance of the underlying businesses in which it holds an interest. The Board regularly evaluates the financial position of its investment portfolio.

OUTLOOK

This has been a year of significant change for the Group. Following the placement undertaken in February 2006 we have raised sufficient working capital to develop the Group and we have reduced the Company's debt. We have refocused our corporate finance business and this division is now trading profitably. QCS has traded profitably since acquisition. Importantly, it is also proving highly effective in creating deal flow for our corporate finance team. Corporate activity in our business sectors remains strong and the Board believes that the Group is well placed to benefit from this strength. Furthermore, the Board believes that by widening the Group's sector focus, additional advisory opportunities will arise and this has been borne out by trading in the first quarter of the current financial year. The acquisition of QCS, whose primary focus is on turnaround opportunities arising out of over indebted businesses, effectively mitigates the Group against a general business downturn. We will continue to seek value through exiting from our portfolio investments and non-core subsidiaries. The Directors are satisfied with the position of the companies within the Group as at the year ended 30 June 2006.

The Group is now well positioned to grow a profitable business.

Colin Goodall

THE BOARD

GORDON ASHWORTH
CHIEF FINANCIAL OFFICER

Gordon was previously Finance Director and Chief Executive Officer of Asite plc, a listed technology company focused on the construction sector. Prior to this, Gordon gained experience as finance director in the IT contracting, hospitality, consulting, and banking sectors. Gordon qualified as an accountant in 1989.

TOM CROSS
NON-EXECUTIVE DIRECTOR

Tom is Chief Executive of Dana Petroleum plc. He is a chartered director and petroleum engineer with 24 years energy sector experience spanning 20 countries. Tom is Chairman of BRINDEX, the Association of British Independent Oil Companies and a Council member of UKOOA, the UK Offshore Operators Association. He chairs AUPEC, a global advisory group on energy policy and economics and has served as Chairman of the Society of Petroleum Engineers and an advisor to BBC Radio on oil and gas affairs.

NIALL DORAN
CHIEF EXECUTIVE OFFICER

Niall started his career in 1992 with Accenture. In 1995 he was appointed the first chief of staff to the UK Managing Partner of Accenture. In 1996 he joined the Energy Practice of Accenture and was appointed a partner in 2000. In 2003 Niall was recruited to take on the role of turnaround CEO for an Indian software start-up, which was stabilised, returned to profit and sold to a leading provider of supply chain solutions.

COLIN GOODALL
NON-EXECUTIVE CHAIRMAN

Colin is currently Non-Executive Chairman of Dana Petroleum plc. He has had a 24 year upstream oil career with the BP Group, during which time he became the first Chief of Staff. From 1995 to 1999 he served as Chief Financial Officer of BP Europe and then as BP's senior representative in Russia. Colin holds directorships at Dana Petroleum plc, Asite plc and Sindicatum Carbon Capital Ltd.

JOHN LEGGATE
NON-EXECUTIVE DIRECTOR

John is CIO & GVP strategic supply chain management for BP. Following 20 years in the E+P division he has spent seven years in key corporate roles. He ran many oil and gas field developments and operations, was president of Azerbaijan International Operating Company and is known for restructuring late life assets. He has been involved in BP's industry scale M+A activities following the BP/Amoco merger.

DAVID MILLS
EXECUTIVE DIRECTOR

David qualified as a banker in 1978. By 1992 he was a director, running a division responsible for £900 million of lending turnover. In 1995 he left to pursue other commercial opportunities, as both a shareholder and non-executive positions. David founded his own company, Quayside Corporate Services, which represents banks and venture capital groups. David also chairs a number of businesses representing both his own and other investors' investments.

IAN TAYLOR, MP
NON-EXECUTIVE DIRECTOR

Ian became an MP in 1987 after working in investment banking. Between 1994 and 1997 he was minister for science and technology at the DTI. He is currently Vice-Chairman of the Parliamentary IT Committee, on the Council of the Parliamentary Office of Science and Technology, a director of the European Information Society Group and Co-Chairman of the Parliamentary Space Committee. He is also a Non-Executive Director of Next Fifteen Communications Group plc, Axa-Framlington Group, Speed-Trap and Chairman of RadioScape plc.

RT HON BRIAN WILSON
NON-EXECUTIVE DIRECTOR

Brian is a former Labour government minister who stood down at the last election after 18 years in Parliament. Between 1997-2005, he held five ministerial posts, including Minister for Trade and Minister for Energy. Latterly, he acted as the Prime Minister's Special Representative for Overseas Trade and since leaving Parliament, he has continued to take a close interest in the energy sector. He is also a director of Celtic FC.

DIRECTORS AND ADVISORS

EXECUTIVE DIRECTORS
Gordon Ashworth
Niall Doran
David Mills

NON-EXECUTIVE DIRECTORS
Thomas Cross
Colin Goodall
John Leggate
Ian Taylor
Brian Wilson

SECRETARY
Gordon Ashworth

NOMINATED ADVISOR AND NOMINATED BROKER
Bridgewell Securities Limited
Old Change House
128 Queen Victoria Street
London EC4V 4BJ

COMPANY JOINT BROKER
Charles Stanley Securities Limited
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Uxbridge UB8 1EX

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SOLICITORS
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Narrow Quay
Bristol BS1 4AH

REGISTRARS
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Ilford IG1 1NG

REGISTERED OFFICE
22/23 Old Burlington Street
London W1S 2JJ

DIRECTORS' REPORT

The Directors present their Annual Report and financial statements of the Company and of the Group for the year ended 30 June 2006.

PRINCIPAL ACTIVITY

The Group's principal activities carried out both in the United Kingdom and internationally were those of management and marketing consultants, business advisors and investors in technology companies. During the course of the year the Group changed its strategy from focusing purely on technology companies to a wider remit of being a multi sector corporate advisor.

RESULTS AND DIVIDENDS

The Group loss for the year after taxation amounted to £4.742 million (2005: loss of £0.356 million). The Directors do not recommend a final dividend (2005: £nil). It is proposed that the loss for the year will be deducted from reserves.

REVIEW OF BUSINESS AND FUTURE DEVELOPMENTS

The review of the business for the year, future developments and events since the end of year are set out in the Chairman's Statement on pages 2 to 4. In the second half of the year ended 30 June 2006 it became increasingly clear that the Group's former strategy of being corporate advisors to companies in the technology sector was not providing sufficient revenue flow to create a sustainable and profitable business. Accordingly, the Board undertook some significant measures to reduce the Group's cost base to a sustainable level and to reconsider its focus on the technology sector in favour of a non-sector specific strategy. As a result of these actions, a number of changes to the Group's board were made during the year which are described within the Chairman's Statement. On 28 February 2006, the Group acquired the entire share capital of Quayside Corporate Services Limited, a business turnaround specialist. Details of the acquisition are provided in note 28 on page 41 of this Annual Report and financial statements.

CHANGE OF COMPANY NAME

On 16 May 2006, the Company also changed its named from Interregnum plc to The Parkmead Group plc.

POST BALANCE SHEET EVENT

On 29 September 2006, the Group sold its entire holding in Audio Visual Machines Limited for a consideration of £1.275m before expenses.

DIRECTORS AND THEIR INTERESTS

The names and biographical details of the current Directors are given on page 5. The following Board changes arose during the year ended 30 June 2006 and up to the date of signing these financial statements:

	APPOINTED	RESIGNED
C Goodall	13 January 2006	
J Leggate	02 February 2006	
I Taylor		
B Wilson	13 January 2006	
G Ashworth	07 June 2006	
T Cross	06 October 2006	
N Doran	23 November 2005	
D Mills	22 February 2006	
K Olisa		28 February 2006
R Jeynes		28 February 2006
M Cooper		08 June 2006
G Shingles		13 January 2006
R Fifield		13 January 2006
R Cook		13 January 2006
M Morris		31 August 2006
J Forrest		13 January 2006

DIRECTORS AND THEIR INTERESTS continued

The interests of Directors who held office at 30 June 2006 in the ordinary shares and in options to acquire ordinary shares of the Company are set out below:

	ORDINARY SHARES OF £0.05 PENCE EACH		
	APPOINTED	AT 30 JUNE 2006	AT 30 JUNE 2005 (OR DATE OF APPOINTMENT)
C Goodall	13 January 2006	-	-
J Leggate	02 February 2006	-	-
I Taylor		400,000	323,250
B Wilson	13 January 2006	-	-
G Ashworth	07 June 2006	-	-
N Doran	23 November 2005	33,485,616	-
D Mills	22 February 2006	75,757,576	-

At 5 December 2006, there have been no changes in Directors' interests in shares from those disclosed above.

The following Directors have been granted options:

	DATE OF GRANT	OPTIONS GRANTED	EXERCISE PRICE
I Taylor	08 April 2003*	5,000,000	£0.05
N Doran	22 May 2006**	33,485,616	£0.08

* The share options vest equally over a five year period from date of grant. There are no other performance criteria.
** The vesting conditions associated with these options are such that 50% of the options vest at any time if the closing mid market price of the ordinary shares of the Company exceeds £0.18 pence. The remainder of the options vest if, at any time, the closing mid market price exceeds £0.27 pence. The options expire in April 2016.

All options granted above relate to The Parkmead Group plc. No options were exercised by the Directors or lapsed during the year.

FIXED ASSET INVESTMENTS
Fixed asset investments are stated at cost or valuation and in accordance with the "International Private Equity and Venture Capital Valuation Guidelines". Details of changes in fixed asset investments are set out in note 15 to these financial statements.

CANCELLATION OF SHARE PREMIUM
On 29 June 2006, by order of the court, the share premium account of The Parkmead Group plc was cancelled. The purpose of the cancellation was to eliminate the deficit standing on the audited profit and loss account of the Company as at 30 June 2006.

FINANCIAL RISK MANAGEMENT POLICIES
Full details of the Group's financial risk management policies are set out in note 22 to the financial statements on page 34.

CHARITABLE AND POLITICAL DONATIONS
The Group made charitable donations of £3,710 during the year (2005: £nil).

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

Trade creditor days based on creditors as at 30 June 2006 were 80 days (2005: 47 days) for the Company.

RESEARCH AND DEVELOPMENT

Yospace Technologies Limited, a subsidiary company, builds a range of innovative software products targeted at the mobile telecom industry. These products allow mobile operators to launch innovative customer products. During the ended 30 June 2006, research and development costs of £622,590 (2005: £376,701) were charged to the profit and loss account.

SUBSTANTIAL SHAREHOLDINGS

The Company has been advised of the following substantial shareholdings as at 30 October 2006:

	NO OF ORDINARY SHARES HELD	% OF ORDINARY SHARES
Mr David Mills	75,757,576	20.57%
Schroder Investment Management	62,212,220	16.89%
Artemis Fund Managers	60,606,061	16.45%
Liontrust Asset Management	43,686,007	11.86%
Mr Kenneth Olisa	35,660,076	9.68%
Mr Niall Doran	33,485,616	9.09%
Mr Graham Hayes	15,151,515	4.11%

ANNUAL GENERAL MEETING

Your attention is drawn to the Notice of the Annual General Meeting to be held on 25 January 2007 which is set out on pages 44 and 45 to this Report. Under Ordinary Business, shareholders will be asked to consider:

- approving the Annual Report and financial statements for the year ended 30 June 2006;
- the reappointment of Directors who, in accordance with the articles of association of the Company have retired by rotation; and,
- approving the re appointment of PricewaterhouseCoopers LLP as auditors to the Company.

Under Special Business, shareholders will be asked to consider:

- approving provisions whereby the Group is authorised to buy back its shares subject to approved limits; and,
- approving provisions whereby the Group can disapply statutory pre emption rights subject to approved limits.

AUDITORS

In July 2006 the Company appointed PricewaterhouseCoopers LLP as auditors to the Company and certain of its subsidiaries. PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and a resolution concerning their reappointment will be proposed at the forthcoming Annual General Meeting.

By order of the Board

Gordon Ashworth
Chief Financial Officer
5 December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are responsible for preparing the Annual Report and financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

The Directors are responsible for preparing financial statements for each financial year which give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Company and of the Group and of the profit or loss of the Group for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently with the exception of the changes arising from the adoption of new accounting standards as explained on pages 18 to 21 under Note 1;

- make judgements and estimates that are reasonable and prudent;

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

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

The Directors confirm they have complied with the above requirements in preparing the financial statements.

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

A copy of the financial statements of the Company is placed on The Parkmead Group plc website. The maintenance and integrity of the website is the responsibility of the Directors and the work carried out by the auditors does not involve consideration of these matters. Accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were originally presented on the website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

STATEMENT ON DISCLOSURE OF INFORMATION TO THE AUDITORS

As far as the Directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The Directors have also taken all the steps they ought to have taken as Directors, to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Approved on behalf of the Board by

Gordon Ashworth
Chief Financial Officer
5 December 2006

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH THE COMBINED CODE

Under the rules of the Alternative Investment Market (AIM) the Company is not required to and does not comply in all respects with the FRC Combined Code published in July 2003 and updated in June 2006 (the Combined Code). However, the Board is committed to high standards of corporate governance and intends to comply, as far as is practicable, with the Combined Code and to the extent reasonable, in the Board's view, for a public company of The Parkmead Group plc's current size and nature. The Group's principal Corporate Governance procedures are described below.

BOARD OF DIRECTORS AND BOARD COMMITTEES

The Board

The Board of Directors comprises of a non-executive Chairman, four non-executive Directors and three executive Directors. The Board meets regularly throughout the year holding a minimum of four meetings and has implemented procedures to ensure that relevant financial and business information is provided on a monthly basis. The executive Directors also meet regularly on an informal basis.

Audit Committee

The Board has established an audit committee which is chaired by Colin Goodall with the other non-executive Director member being John Leggate. Niall Doran and Gordon Ashworth attend by invitation. The purpose of the committee is to ensure the preservation of good financial practices throughout the Group; to monitor that controls are enforced to ensure the integrity of financial information; to review the interim and annual financial statements; and, to provide a line of communication between the Board and external auditors.

Remuneration Committee

The remuneration committee is chaired by Brian Wilson with the other non-executive member being Colin Goodall. It is responsible for the executive Directors' remuneration, other benefits and terms of employment including performance related bonuses and share options.

Given the size of the Board, it is not considered necessary to constitute a separate nominations committee. All Board members are consulted on the potential appointment of a new Director. All Directors are subject to re-election every three years.

INTERNAL CONTROL

The Board is ultimately responsible for the Group's system of internal control and for reviewing its effectiveness. The system of internal control is designed to provide reasonable, but not absolute, assurance against material misstatement of results.

The principal internal control in the Group lies in the budgetary process. A comprehensive budget is completed once a year and is reviewed and approved by the Board. The Group's results are compared with the budget and also against prior year comparatives on a monthly basis and this information is distributed to the Board regardless of whether there is a Board meeting in the month or not. Revenue is reforecast on a weekly basis and any significant divergence to budget is reported to the wider Board.

Following the Board changes in the year, the internal control systems have been reviewed and amendments have been made over the course of the year to address:

- specific authorities required to approve expenditure;
- specific authorities required to approve investments; and,
- specific authorities required to approve contracts between the Group and its clients.

GOING CONCERN

After making appropriate enquiries that the Group has adequate resources to continue in operation for the foreseeable future, the Board continues to adopt the going concern basis in preparing the financial statements.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE PARKMEAD GROUP PLC

We have audited the Group and parent Company financial statements (the financial statements) of The Parkmead Group plc for the year ended 30 June 2006 which comprise the Consolidated Profit and Loss Account, the Consolidated and Company Balance Sheets, the Group Cash Flow Statement, the Consolidated Reconciliation of Net Cashflow to Movement in Net Funds, the Group Note of Historical Cost Profits and Losses, the Group Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out therein.

RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

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

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland). This report, including the opinion, has been prepared for and only for the Company's members as a body in accordance with Section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Report is consistent with the financial statements. The information given in the Directors' Report includes specific information presented in the Chairman's Statement that is cross-referred from the Review of Business section of the Directors' Report. We also report to you if, in our opinion, the Company has not kept proper accounting records; if we have not received all the information and explanations we require for our audit; or, if information specified by law regarding Directors' remuneration and other transactions is not disclosed.

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

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Group's and Company's circumstances, consistently applied and adequately disclosed.

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

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the Group's and the parent Company's affairs as at 30 June 2006 and of the Group's loss and cash flows for the year then ended;

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and,

- the information given in the Directors' Report is consistent with the financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Uxbridge
5 December 2006

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 30 JUNE 2006

	NOTES	CONTINUING OPERATIONS EXISTING 2006 £	CONTINUING OPERATIONS ACQUISITIONS 2006 £	DISCONTINUED OPERATIONS 2006 £	TOTAL 2006 £	TOTAL 2005 £
Turnover	2	**4,551,940**	**487,575**	**7,966,872**	**13,006,387**	7,981,615
Cost of sales	2	**-**	**(316,625)**	**(4,672,914)**	**(4,989,539)**	(2,291,818)
Gross profit		**4,551,940**	**170,950**	**3,293,958**	**8,016,848**	5,689,797
Administrative expenses	2	**(7,095,771)**	**(47,296)**	**(3,284,615)**	**(10,427,682)**	(7,351,725)
Other operating income	2	**106,054**	**-**	**-**	**106,054**	108,198
Operating (loss)/profit	3	**(2,437,777)**	**123,654**	**9,343**	**(2,304,780)**	(1,553,730)
Profit on sale of investments	6				**-**	4,434
Exceptional profit on deemed disposal	7				**363,715**	-
Release of prior year provision against investments	8				**-**	1,271,819
Amounts written off investments	8				**(2,670,624)**	(98,716)
Net interest payable	9				**(1,553)**	(58,687)
Loss on ordinary activities before taxation	2				**(4,613,242)**	(434,880)
Taxation	10				**(41,873)**	30,300
Loss on ordinary activities after taxation					**(4,655,115)**	(404,580)
Minority interest	26				**(86,587)**	49,028
Loss for the financial year	25				**(4,741,702)**	(355,552)
Loss per 5 pence ordinary share - basic and diluted	12				**(0.028)**	(0.0038)

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES
GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2006

GROUP NOTE OF HISTORICAL COST PROFITS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2006

	2006 £	2005 £
Loss on ordinary activities before taxation	**(4,613,242)**	(434,880)
Write-down of previous temporary diminution in value of fixed asset investments charged against revaluation reserve	**(306,464)**	-
Historical cost loss on ordinary activities before taxation	**(4,919,706)**	(434,880)
Historical cost loss for the year retained after taxation and minority interest	**(5,048,166)**	(355,552)

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES
FOR THE YEAR ENDED 30 JUNE 2006

	2006 £	2005 £
Loss for the financial year attributable to members of the parent Company	**(4,741,702)**	(355,552)
Unrealised surplus on revaluation of fixed asset investments	**-**	953,305
Write-down of previous revaluation of fixed asset investments	**(1,095,754)**	(256,896)
Temporary diminution in value of fixed asset investments	**-**	(360,290)
Currency translation of foreign currency investments	**9,772**	-
Total recognised losses relating to the year	**(5,827,684)**	(19,433)

CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2005

	NOTES	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Intangible assets	13	**8,176,776**		863,324	
Tangible assets	14	**598,355**		617,484	
Investments	15	**3,059,365**		5,648,003	
			11,834,496		7,128,811
Current assets					
Stock	16	**252,971**		160,637	
Debtors	17	**6,697,391**		2,038,681	
Cash at bank and in hand		**6,207,315**		886,456	
		13,157,677		3,085,774	
Creditors					
Amounts falling due within one year	18	**(5,187,657)**		(3,296,519)	
Net current assets/(liabilities)		**7,970,020**		(210,745)	
Total assets less current liabilities			**19,804,516**		6,918,066
Creditors					
Amounts falling due after more than one year	19		**(694,982)**		(825,274)
Provision for liabilities and charges	21		**(108,816)**		(3,944)
Net assets			**19,000,718**		6,088,848
Capital and reserves					
Called up share capital	23		**18,417,089**		4,621,263
Share premium account	24		**-**		19,430,496
Revaluation reserve	24		**-**		789,290
Merger reserve	24		**(952,109)**		(2,406,655)
Profit and loss account	24		**1,198,507**		(16,159,905)
Equity shareholders' funds	24		**18,663,487**		6,274,489
Minority interests	26		**337,231**		(185,641)
Capital employed			**19,000,718**		6,088,848

Approved by the Board on 5 December 2006

Gordon Ashworth
Chief Financial Officer

COMPANY BALANCE SHEET
AS AT 30 JUNE 2006

	NOTES	2006 £	2006 £	2005 £	2005 £
Fixed assets					
Tangible assets	14	**66,854**		136,397	
Investments	15	**10,031,569**		7,164,975	
			10,098,423		7,301,372
Current assets					
Debtors	17	**3,916,348**		928,691	
Cash at bank and in hand		**5,935,871**		595,918	
		9,852,219		1,524,609	
Creditors					
Amounts falling due within one year	18	**(1,425,529)**		(1,903,948)	
Net current assets /(liabilities)			**8,426,690**		(379,339)
Total assets less current liabilities			**18,525,113**		6,922,033
Creditors					
Amounts falling due after more than one year	19		**-**		(150,000)
Provisions for liabilities and charges	21		**(100,000)**		-
Net assets			**18,425,113**		6,772,033
Capital and reserves					
Called up share capital	23		**18,417,089**		4,621,263
Share premium account	24		**-**		19,430,496
Revaluation reserve	24		**-**		218,754
Merger reserve	24		**1,454,546**		-
Profit and loss account	24		**(1,446,522)**		(17,498,480)
Equity shareholders' funds			**18,425,113**		6,772,033

Approved by the Board on 5 December 2006

Gordon Ashworth
Chief Financial Officer

CONSOLIDATED STATEMENT OF CASH FLOWS
CONSOLIDATED RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS
FOR THE YEAR ENDED 30 JUNE 2006

CONSOLIDATED STATEMENT OF CASH FLOWS

	NOTES	2006 £	2005 £
Net cash flow from operating activities	27(a)	**(3,697,293)**	(1,086,852)
Returns on investments and servicing of finance	27(b)	**(1,553)**	235,543
Taxation		**83,483**	96,724
Capital expenditure and financial investment	27(b)	**(1,221,727)**	(862,582)
Acquisitions and disposals	27(b)	**(406,776)**	(471,714)
Cash outflow before financing		**(5,243,866)**	(2,088,881)
Financing	27(b)	**10,584,419**	(110,814)
Increase/(decrease) in cash		**5,340,553**	(2,199,695)

CONSOLIDATED RECONCILIATION OF NET CASH FLOW TO MOVEMENT IN NET FUNDS

	NOTES	2006 £	2005 £
Increase/(decrease) in cash in the year		**5,340,553**	(2,199,695)
Decrease in debt and lease financing		**1,632,262**	110,814
Finance leases acquired with subsidiaries		**(9,132)**	(162,743)
Loan stock issued on acquisition of subsidiary		**-**	(300,000)
Other non-cash changes - new finance leases		**(12,690)**	-
Movement in net funds/(debt)		**6,950,993**	(2,551,624)
Net (debt)/ funds at 1 July		**(1,598,757)**	952,867
Net funds/(debt) at 30 June	27(c)	**5,352,236**	(1,598,757)

1 ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements are prepared under the historical cost convention modified to include the revaluation of fixed asset investments in accordance with the Companies Act 1985 and applicable accounting standards in the United Kingdom. A summary of the significant accounting policies, which have been consistently applied, are set out below.

Changes in Accounting Policy

The following accounting standards, which were issued during the year, have been adopted by the Company with no significant impact on these financial statements, including the comparatives: FRS 17 Retirement Benefits; FRS 21 Events after the balance sheet date; FRS 22 Earnings per Share; FRS 25 Financial Instruments: disclosure and presentation; and, FRS 28 Corresponding amounts.

Going Concern

The Group's balance sheet has net funds of £5.352 million which includes positive cash balances of £6.207 million. Following the restructuring plans announced in February 2006, and their subsequent implementation, the Group's cost base has been reduced significantly. A cash flow forecast has been prepared for the next twelve months which shows that the Group will operate comfortably within its available cash resources. Accordingly, the Directors continue to adopt the going concern basis in the preparation of these accounts.

(b) Basis of consolidation

The consolidated financial statements incorporate those of The Parkmead Group plc and all of its subsidiary undertakings for the year. Subsidiaries acquired and disposed of during the year are consolidated and deconsolidated from the date that control passes. Subsidiaries acquired are accounted for using the acquisition method of accounting. The difference between the acquisition cost of the shares in the subsidiary and the fair value of the separable net assets acquired is carried as goodwill.

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

(c) Goodwill

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

(d) Intangible assets

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

Intangible assets are amortised on a straight line basis over their estimated useful lives up to a maximum of 10 years. The carrying value of intangible assets is reviewed for impairment at the end of the first full year following acquisition and in other periods if events or changes in circumstances indicate that the carrying value may not be recoverable.

(e) Depreciation

Tangible fixed assets are stated at purchase cost less depreciation and any provision for impairment. Depreciation is provided on all tangible fixed assets at rates calculated to write each asset down to its estimated residual value over its expected useful life, as follows:

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

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

(f) Fixed asset investments

Fixed asset investments, comprising of equity shares and loans, are stated at cost or valuation. In 2005, the Group applied the 'True and Fair override' principle with regard to a departure from the Companies Act 1985, as permitted by FRS 9 for companies within the investment industry. This override allows associated undertakings to be recorded at fair value rather than to be equity accounted. The principle has been applied as the investments are held for their marketable value rather than as a channel through which the Group carries out its business.

Certain investment holdings were diluted in the period such that no associated undertakings were held at the year ended 30 June 2006.

The Group has applied the Alternative Accounting Rules to record its fixed asset investments at market value as permitted by the Companies Act 1985. The investments have been valued in accordance with the International Private Equity and Venture Capital Valuation guidelines published in conjunction with the British Venture Capital Association and other European associations effective from March 2005 on the following basis:

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

- **Development stage investments:** Such investments are in mature companies having a maintainable trend of sustainable profits and from which an exit, by way of flotation or trade sale, can be reasonably foreseen. An investment at this stage is periodically revalued by reference to open market value.

Valuation will usually be by one of five methods as indicated:

i) at cost for at least one period unless such a basis is unsustainable;
ii) on a third party basis based on the price at which a subsequent issue of capital is made involving a significant investment by a new investor;
iii) on an earnings basis by applying a discounted price/earnings ratio to profit after taxation, either before or after interest;
iv) on a revenue basis by applying a discounted multiple of revenue to the turnover of the investment; or
v) on a net asset basis, again applying a discount to reflect the illiquidity of the investment.

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

- **Share options are subject to vesting and other conditions set out in the options agreements.** The valuation is based on the intrinsic value of all share options that have vested or considered likely to vest. The value is based upon the difference between the market value of shares at the balance sheet date and the exercise price.

Investments in subsidiaries are held at cost less provision for impairment. Where an interest in a subsidiary is reduced in the period, the gain or loss arising as a result of the reduction in the Group's interest is charged to the profit and loss account.

(g) Foreign currencies

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

For consolidation purposes, the assets and liabilities of overseas subsidiary undertakings whose local currency is denominated in a currency other than Sterling are translated into Sterling at closing exchange rates. The profit and loss account is translated into Sterling at the average exchange rate. Exchange differences arising on translation are taken to reserves.

1 ACCOUNTING POLICIES continued

(h) Leasing and hire purchase agreements

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

The interest element of the rental obligations is charged to the profit and loss account over the period of the lease and represents a constant rate of charge on the remaining capital repayments. Rentals payable and receivable under operating leases are charged or credited to the profit and loss account on a straight line basis over the lease term.

(i) Deferred taxation

Deferred taxation is provided in full on timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more tax.

Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

(j) Pensions

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

(k) Turnover

Turnover from the advisory business represents the amount derived from the provision of services to third party customers. Revenue is recognised as services are provided. Contingency fees (including investment fees) are recognised on completion of the contingent event.

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

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

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

(l) Long term contracts

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

(m) Research and development

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

(n) Stock

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

(o) Share based payments

Incentives in the form of shares are provided to employees under an unapproved share option scheme and an Inland Revenue approved EMI scheme. The Group recognises as a share option charge the amount by which the fair value of any share options issued by the Group to employees exceeds their respective exercise prices at the date of grant. These costs are recognised over the vesting period.

The Company has provided loan finance to an Employee Benefit Trust (EBT) such that it can purchase shares in the Group. Assets and liabilities of the Employee Benefit Trust are included in the Group balance sheet. The costs of running the Trust are charged to the profit and loss account.

The shares within the Trust have been sold to employees who in turn have borrowed funds from the Trust to purchase them. This loan is included within debtors and is held at a value which recognises any shortfall in the proceeds receivable from employees on exercise. Where any shortfall is deemed permanent, the shortfall is charged to the profit and loss account.

2 TURNOVER AND SEGMENTAL ANALYSIS

a) Business Segment

The Group is organised into three business segments: Investment and advisory, Software development, support and marketing and Design, supply and installation of audio visual systems.

	TURNOVER		(LOSS)/PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION AND MINORITY INTEREST		NET ASSETS	
	2006 £	2005 £	2006 £	2005 £	2006 £	2005 £
Continuing operations:						
Investment and advisory	**3,286,875**	1,351,612	**(4,346,717)**	(145,163)	**18,697,961**	6,767,762
Less inter segmental sales	**(132,000)**	(325,000)	**-**	-	-	-
Software development, support and marketing	**1,884,640**	1,234,632	**(245,846)**	(478,698)	**(963,426)**	(777,494)
	5,039,515	2,261,244	**(4,592,563)**	(623,861)	**17,734,535**	5,990,268
Discontinued operations						
Investment and advisory	**22,497**	-	**(376,550)**	-	**(2,975)**	-
Mobile and wireless consultancy	**-**	3,828,634	**-**	63,117	-	-
Design, supply and installation of audio visual systems	**7,944,375**	1,891,737	**355,871**	125,864	**1,269,158**	98,580
	13,006,387	7,981,615	**(4,613,242)**	(434,880)	**19,000,718**	6,088,848

The segmental analysis of turnover, profit before tax and net assets for the investment and advisory business includes £487,575, £128,925 and £140,325 for the year ended 30 June 2006 in respect of Quayside Corporate Services Limited which was acquired during the year.

2 TURNOVER AND SEGMENTAL ANALYSIS continued

b) Geographical Analysis

All turnover originated in the UK.

	2006 £	2005 £
i) Turnover by destination		
UK	**10,342,438**	7,342,289
Other European countries	**952,594**	71,525
USA and Canada	**1,697,303**	444,651
Other	**14,052**	123,150
	13,006,387	7,981,615

	2006 £	2005 £
ii) Loss before taxation		
UK	**(4,236,692)**	(434,880)
USA and Canada	**(376,650)**	-
	(4,613,242)	(434,880)

	2006 £	2005 £
iii) Net assets		
UK	**19,003,693**	6,088,848
USA and Canada	**(2,975)**	-
	19,000,718	6,088,848

The segmental analysis of turnover, profit before tax and net assets for the United Kingdom includes £487,575, £128,925, and £140,325 for the year ended 30 June 2006 in respect of Quayside Corporate Services Limited which was acquired during the year.

The segmental analysis of turnover, profit before tax and net assets for the United Kingdom includes £7,944,375 (2005: £5,720,371), £355,871 (2005: loss £188,981) and £1,269,158 (2005: £95,580) at 30 June 2006 in respect of Audio Visual Machines Limited and its subsidiaries which were discontinued during the year. The comparative figures for the year ended 30 June 2005 also include the discontinued activities of Cellular Design Services Limited, a former subsidiary undertaking of the Group, which was deconsolidated in that year.

The segmental analysis of turnover, loss before tax and net assets for the USA and Canada includes £22,497, £376,550 and £2,975 in respect of US operations which were discontinued during the year.

2 TURNOVER AND SEGMENTAL ANALYSIS continued

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

	2006				2005		
	CONTINUING OPERATIONS		DISCONTINUED	TOTAL	CONTINUING	DISCONTINUED	TOTAL
Turnover	**4,551,940**	**487,575**	**7,966,872**	**13,006,387**	2,261,244	5,720,371	7,981,615
Cost of sales	**-**	**(316,625)**	**(4,672,914)**	**(4,989,539)**	-	(2,291,818)	(2,291,818)
Gross profit	**4,551,940**	**170,950**	**3,293,958**	**8,016,848**	2,261,244	3,428,553	5,689,797
Administrative expenses	**(7,095,771)**	**(47,296)**	**(3,284,615)**	**(10,427,682)**	(4,113,257)	(3,238,468)	(7,351,725)
Other operating income	**106,054**	**-**	**-**	**106,054**	108,198	-	108,198
Operating profit/(loss)	**(2,437,777)**	**123,654**	**9,343**	**(2,304,780)**	(1,743,815)	190,085	(1,553,730)

3 OPERATING LOSS

	2006 £	2005 £
The operating loss is stated after charging/(crediting):		
Auditors' remuneration - Group audit	**45,750**	27,500
- subsidiaries	**33,750**	30,900
- total	**79,500**	58,400
- non-audit : tax services	**5,000**	7,500
Depreciation of owned tangible fixed assets	**177,872**	201,140
Depreciation of tangible fixed assets held under finance leases and hire purchase contracts	**898**	16,934
Amortisation of intellectual property	**52,984**	52,983
Amortisation of goodwill	**373,910**	125,425
Provision for dilapidations	**100,000**	-
Operating lease rentals - land and buildings	**349,397**	284,932
- plant and machinery	**-**	47,210
- other	**-**	28,031
Research and development	**622,590**	323,331
Exchange gain	**(22,188)**	(3,563)
Restructuring costs	**412,016**	-
Provision against loan secured by shares	**109,000**	-
Operating lease rental income	**(106,054)**	(108,198)

Subsequent to the year end the Company has served notice under terms of its lease to vacate its head office building on or before 3 October 2007. Accordingly, full provision of £100,000 for dilapidation costs has been made in the year based on estimates provided by the Group's property advisers.

During the year ended 30 June 2006, the Group incurred restructuring costs of £412,016 (2005: £nil), following closure of its business in the United States and a re-organisation of its UK operations.

3 OPERATING LOSS continued

During the year the Group established an Employee Benefit Trust (Trust) and issued share options to Mr. Niall Doran. The Trust has advanced monies to Mr Doran to allow him to purchase shares in the Group for £0.08 pence per share, which are held under option. The loan to Mr Doran is secured by the shares purchased and the amount recoverable by the Group will be dependent on the share price when the share options vest. The share price as at the year ended 30 June 2006 was £0.0675 pence which is below the original purchase price. Accordingly, a provision of £109,000 has been charged to the profit and loss account which represents the extent to which the Company's loan may not be recoverable.

Company

The auditor's remuneration for the Company for the year ended 30 June 2006 was £13,500 (2005: £25,000).

4 DIRECTORS' EMOLUMENTS

	2006 £	2005 £
Emoluments	**620,815**	488,787
Pension contributions	**20,129**	13,050
Compensation for loss of office	**289,717**	-
	930,661	501,837
Highest paid director:		
Emoluments	**188,763**	124,628
Pensions contributions	**-**	3,600
	188,763	128,228

During the year 5 (2005: 5) Directors accrued benefits under money purchase pension schemes. No directors exercised share options in the period (2005: none).

Included within Directors' emoluments is an amount of £nil (2005: £9,370) in respect of payments made to third parties for making available the services of an executive director.

5 STAFF COSTS

GROUP	2006 £	2005 £
Wages and salaries	**4,846,309**	4,009,825
Social security costs	**532,792**	451,221
Other pension costs	**38,013**	68,791
	5,417,114	4,529,837

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

	2006 NO.	2005 NO.
Administration and management	**109**	94

COMPANY	2006 £	2005 £
Wages and salaries	**1,332,697**	1,225,550
Social security costs	**160,132**	123,480
Other pension costs	**38,013**	20,223
	1,530,842	1,369,253

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

	2006 NO.	2005 NO.
Administration and management	**16**	17

6 PROFIT ON SALE OF INVESTMENTS

	2006 £	2005 £
Profit on sale of investments	**nil**	4,434

7 DEEMED PROFIT ON DISPOSAL

Audio Visual Machines Limited (AVM), a subsidiary of the Group, acquired the entire share capital of the Video Meeting Company Limited (VMC) on 30 September 2005 for a consideration of £800,000 satisfied by way of shares in Audio Visual Machines Limited. The issue of shares by AVM to the previous owners of VMC resulted in a reduction in the Group's holding in AVM from 77% to 54%. In accordance with FRS 2, the Group has recognised an exceptional profit of £363,715 in the profit and loss account following the reduction of the Group's interest in its subsidiary.

8 AMOUNTS WRITTEN OFF INVESTMENTS

In accordance with the Group's accounting policy, the Group has assessed the fair value of its fixed asset investments at the balance sheet date. The assessment has resulted in a write-off of £2,670,624 (2005: £98,716) to the profit and loss account.

Prior year release of provisions

During the year ended 30 June 2005, £1,271,819 of provisions against investments were released to the profit and loss account as the directors concluded that they were no longer necessary.

9 NET INTEREST PAYABLE

NET INTEREST PAYABLE	2006 £	2005 £
Interest receivable	**300,353**	96,882
Interest payable on: - bank loans	**(204,531)**	(26,109)
- other loans	**(96,861)**	(122,751)
- finance leases	**(514)**	(354)
Loan finance costs	**-**	(6,355)
	(1,553)	(58,687)

10 TAXATION

	2006 £	2005 £
(a) Analysis in year		
Current tax:		
Corporation tax credit at 30% (2005:30%)	**(26,152)**	(21,982)
Under / (Over) provision from prior year	**801**	(5,193)
Total current tax credit	**(25,351)**	(27,175)
Deferred tax:		
Origination and reversal of timing differences	**67,224**	(3,125)
Tax charge/(credit) on loss on ordinary activities	**41,873**	(30,300)

10 TAXATION continued

(b) Factors affecting tax charge for the year:

The current tax credit for the year is higher than the standard rate of corporation tax in the UK (30%).
The differences are explained below:

	2006 £	2005 £
Loss on ordinary activities before tax	**(4,613,242)**	(434,880)
Loss on ordinary activities multiplied by the standard rate of corporation tax in the UK of 30% (2005:30%)	**(1,383,973)**	(130,464)
Effect of:		
Expenses not deductible for tax purposes and other permanent differences	**49,467**	85,618
Depreciation in the year in excess of capital allowances	**54,302**	22,366
Investments written down/(back) - not tax deductible	**801,187**	(83,807)
Research and development tax relief	**(99,338)**	(45,885)
Losses foregone on surrender for tax relief	**-**	43,664
Unrelieved tax losses	**614,555**	99,014
Losses utilised	**(62,352)**	(1,830)
Marginal small companies rate relief	**-**	(10,658)
Adjustment in respect of previous period	**801**	(5,193)
Current tax credit for the year	**(25,351)**	(27,175)

(c) Deferred tax:

The Group has provided for a deferred tax liability as follows:

	GROUP		COMPANY	
	2006 £	2005 £	2006 £	2005 £
Accelerated capital allowances	**8,816**	3,944	**-**	-
Deferred tax liability	**8,816**	3,944	**-**	-

The unprovided deferred tax asset for all timing differences of the Group is as follows:

	GROUP		COMPANY	
	2006 £	2005 £	2006 £	2005 £
Accelerated capital allowances	**(119,608)**	(65,306)	**(98,130)**	(64,861)
Tax losses carried forward	**(24,859,858)**	(24,358,268)	**(24,664,595)**	(24,216,655)
Deferred tax asset	**(24,979,466)**	(24,423,574)	**(24,762,725)**	(24,281,516)

The Group has tax losses of approximately £13,035,000 (2005: £11,498,000) available for off set against future taxable trading profits and capital losses of approximately £69,766,000 (2005: £69,696,000) available to carry forward and off set against future chargeable gains. Deferred tax assets of £25.0 million (2005: £24.3 million) have not been recognised in respect of these losses since the benefit of the unrecognised losses will only accrue when taxable profits are realised on the sale of the Company's investments and gains are realised on future disposals.

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

The loss dealt with in the financial statements of the parent Company is £5,467,848 (2005: profit £540,012).

12 LOSS PER SHARE

The basic loss per share has been calculated by dividing the loss attributable to equity shareholders funds by the weighted average number of shares in issue during the year.

The loss and weighted average number of shares used in the calculation of the loss per share are set out below:

	2006	2005
Basic loss per share		
Loss attributable to ordinary shareholders (£)	**(4,741,702)**	(355,552)
Weighted average number of shares - number	**171,332,649**	92,425,254
Loss per 5 pence ordinary share - basic and diluted (£)	**(0.028)**	(0.0038)

Diluted Loss per share

Due to the loss in the current and prior year there is no further dilution of the loss per share as a result of the share options in issue.

The loss and weighted average number of shares used to calculate the loss per share based on continuing and discontinued operations respectively are set out below:

	2006	2005
Basic loss per share from continuing operations		
Loss attributable to ordinary shareholders (£)	**(4,741,702)**	(355,552)
Pre-tax losses from discontinued operations (£)	**(20,679)**	(188,981)
Tax relating to discontinued operations (£)	**(141,211)**	30,766
Losses from continuing operations (£)	**(4,579,812)**	(197,377)
Weighted average number of shares - number	**171,332,649**	92,425,254
Loss per 5 pence ordinary share from continuing operations - basic and diluted (£)	**(0.027)**	(0.0021)

	2006	2005
Basic loss per share from discontinued operations		
Pre-tax losses from discontinued operations (£)	**(20,679)**	(188,981)
Tax relating to discontinued operations (£)	**(141,211)**	30,766
Losses from discontinued operations (£)	**(161,890)**	(158,215)
Weighted average number of shares - number	**171,332,649**	92,425,254
Loss per 5 pence ordinary share from discontinued operations - basic and diluted (£)	**(0.0009)**	(0.0017)

13 INTANGIBLE FIXED ASSETS

GROUP	INTELLECTUAL PROPERTY £	GOODWILL £	TOTAL £
Cost			
At 1 July 2005	**529,839**	**517,242**	**1,047,081**
Additions	**-**	**7,740,346**	**7,740,346**
At 30 June 2006	**529,839**	**8,257,588**	**8,787,427**
Depreciation			
At 1 July 2005	**141,290**	**42,467**	**183,757**
Charged in the year	**52,984**	**373,910**	**426,894**
At 30 June 2006	**194,274**	**416,377**	**610,651**
Net book value			
At 30 June 2006	**335,565**	**7,841,211**	**8,176,776**
At 30 June 2005	388,549	474,775	863,324

The goodwill acquired during the year relates to the acquisition of The Video Meeting Company Limited and Quayside Corporate Services Limited. Details of these acquisitions are provided in note 28.

14 TANGIBLE FIXED ASSETS

GROUP	FREEHOLD LAND AND BUILDINGS £	SHORT LEASEHOLD IMPROVEMENTS £	FIXTURES, FITTINGS AND COMPUTER EQUIPMENT £	PLANT AND MACHINERY £	MOTOR VEHICLES £	TOTAL £
Cost						
At 1 July 2005	**403,481**	**139,091**	**417,480**	**23,314**	**26,433**	**1,009,799**
Additions	**-**	**25,109**	**39,318**	**21,745**	**21,740**	**107,912**
Acquired with subsidiary	**-**	**-**	**32,054**	**19,679**	**-**	**51,733**
Disposals	**-**	**-**	**(7,726)**	**-**	**-**	**(7,726)**
At 30 June 2006	**403,481**	**164,200**	**481,126**	**64,738**	**48,173**	**1,161,718**
Depreciation						
At 1 July 2005	**3,001**	**88,140**	**298,630**	**777**	**1,767**	**392,315**
Charged in the year	**8,050**	**34,435**	**107,367**	**21,652**	**7,266**	**178,770**
Disposals	**-**	**-**	**(7,722)**	**-**	**-**	**(7,722)**
At 30 June 2006	**11,051**	**122,575**	**398,275**	**22,429**	**9,033**	**563,363**
Net book value						
At 30 June 2006	**392,430**	**41,625**	**82,851**	**42,309**	**39,140**	**598,355**
At 30 June 2005	400,480	50,951	118,850	22,537	24,666	617,484

As at 30 June 2006 motor vehicles with a net book value of £21,822 (2005:£nil) were held under finance leases.

14 TANGIBLE FIXED ASSETS continued

COMPANY	SHORT LEASEHOLD IMPROVEMENTS £	FIXTURES, FITTINGS AND COMPUTER EQUIPMENT £	TOTAL £
Cost			
At 1 July 2005	**111,020**	**371,430**	**482,450**
Additions	**25,109**	**28,083**	**53,192**
At 30 June 2006	**136,129**	**399,513**	**535,642**
Depreciation			
At 1 July 2005	**60,069**	**285,984**	**346,053**
Charged in the year	**34,435**	**88,300**	**122,735**
At 30 June 2006	**94,504**	**374,284**	**468,788**
Net book value			
At 30 June 2006	**41,625**	**25,229**	**66,854**
At 30 June 2005	50,951	85,446	136,397

15 INVESTMENTS

GROUP	UNLISTED SHARES £	LISTED SHARES £	LOANS £	TOTAL £
Cost or valuation				
At 1 July 2005	**5,449,172**	**86,205**	**1,723,969**	**7,259,346**
Reclassification	**556,975**	**-**	**(556,975)**	**-**
Additions	**1,235,505**	**-**	**35,000**	**1,270,505**
Disposals	**(800,400)**	**(86,205)**	**-**	**(886,605)**
Revaluations	**(1,095,754)**	**-**	**-**	**(1,095,754)**
Eliminated on liquidation	**(820,891)**	**-**	**-**	**(820,891)**
At 30 June 2006	**4,524,607**	**-**	**1,201,994**	**5,726,601**
Amounts provided				
At 1 July 2005	**1,274,037**	**84,433**	**252,873**	**1,611,343**
Reclassification	**252,873**	**-**	**(252,873)**	**-**
Disposals	**(711,024)**	**(84,433)**	**-**	**(795,457)**
Provided during the year	**1,935,027**	**-**	**735,597**	**2,670,624**
Eliminated on liquidation	**(819,274)**	**-**	**-**	**(819,274)**
At 30 June 2006	**1,931,639**	**-**	**735,597**	**2,667,236**
Net book value				
At 30 June 2006	**2,592,968**	**-**	**466,397**	**3,059,365**
At 30 June 2005	**4,175,135**	**1,772**	**1,471,096**	**5,648,003**

Certain of the Group's investments undertook capital re-organisations during the year resulting in a reclassification between the Group's debt and equity investments.

15 INVESTMENTS continued

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

	2006 £	2005 £
Unlisted investments	**3,059,365**	4,624,449
Listed investments – market value	**-**	1,772

The estimated taxation on the potential capital gain if sold at valuation is £nil (2005: £nil) since there are sufficient capital losses available to offset any potential gains.

COMPANY	SUBSIDIARY UNDERTAKINGS £	UNLISTED SHARES £	LISTED SHARES £	LOANS £	TOTAL £
Cost or valuation					
At 1 July 2005	**693,209**	**6,066,248**	**86,205**	**2,547,732**	**9,393,394**
Reclassification	**823,763**	**556,975**	**-**	**(1,380,738)**	**-**
Additions	**6,325,861**	**1,235,505**	**-**	**35,000**	**7,596,366**
Disposals	**-**	**(800,400)**	**(86,205)**	**-**	**(886,605)**
Revaluations	**-**	**(1,095,754)**	**-**	**-**	**(1,095,754)**
Eliminated on liquidation	**-**	**(820,891)**	**-**	**-**	**(820,891)**
At 30 June 2006	**7,842,833**	**5,141,683**	**-**	**1,201,994**	**14,186,510**
Amounts provided					
At 1 July 2005	**-**	**1,891,113**	**84,433**	**252,873**	**2,228,419**
Disposals	**-**	**(711,024)**	**(84,433)**	**-**	**(795,457)**
Reclassification	**-**	**252,873**	**-**	**(252,873)**	**-**
Provided during the year	**870,629**	**1,935,027**	**-**	**735,597**	**3,541,253**
Eliminated on liquidation	**-**	**(819,274)**	**-**	**-**	**(819,274)**
At 30 June 2006	**870,629**	**2,548,715**	**-**	**735,597**	**4,154,941**
Net book value					
At 30 June 2006	**6,972,204**	**2,592,968**	**-**	**466,397**	**10,031,569**
At 30 June 2005	693,209	4,175,135	1,772	2,294,859	7,164,975

Certain of the Group's investments undertook capital re-organisations during the year resulting in a reclassification between the Group's debt and equity investments.

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

	2006 £	2005 £
Unlisted investments	**10,031,569**	6,141,421
Listed investments	**-**	1,772

The estimated taxation on the potential capital gain if sold at valuation is £nil (2005: £nil) since there are sufficient capital losses available to offset any potential gains.

15 INVESTMENTS continued

NAME OF SUBSIDIARY	CLASS OF HOLDING	INTEREST IN SUBSIDIARY	NATURE OF BUSINESS
Subsidiary undertakings			
Interregnum Investment Partners Limited	Ordinary	100%	Fund managers
Interregnum Advisory Partners Limited	Ordinary	100%	Advisory services and Trustee
Yospace Technologies Limited	Ordinary	54%	Provision of wireless software
Audio Visual Machines Limited	Ordinary	54%	Audio visual solutions Provider
Quayside Corporate Services Limited	Ordinary	100%	Business turnaround specialists
Interregnum Limited	Ordinary	100%	Dormant

All subsidiaries are registered in England and Wales.

On 28 February 2006, The Group acquired the entire share capital of Quayside Corporate Services Limited for a consideration of 90,909,100 shares in The Parkmead Group plc plus a cash payment of an amount equal to the net asset value of Quayside Corporate Services Limited at the date of acquisition being £1,856,835.

On 23 September 2005 AVM acquired 100% of the Video Meeting Company Limited for a consideration, including costs, of £816,627 satisfied by the issue of 3,067,488 Ordinary B shares of £0.01 pence each in AVM. The assets acquired have been included in the Group's balance sheet at their fair value as at the date of acquisition.

On 29 September 2006 The Parkmead Group plc entered into an agreement to sell its entire shareholding in AVM for a consideration of £1,275,000 before expenses.

16 STOCK

	GROUP		COMPANY	
	2006 £	2005 £	2006 £	2005 £
Finished Goods	**252,971**	160,637	**-**	-
	252,971	160,637	**-**	-

17 DEBTORS

	GROUP		COMPANY	
	2006 £	2005 £	2006 £	2005 £
Due within one year				
Trade debtors	**2,748,350**	1,443,131	**240,926**	505,632
Amounts recoverable on contracts	**112,143**	64,507	**-**	-
Amounts due from Group undertakings	**-**	-	**3,131,838**	12,470
Other debtors	**3,310,377**	315,045	**133,576**	247,940
Prepayments and accrued income	**526,521**	195,614	**410,008**	162,649
	6,697,391	2,018,297	**3,916,348**	928,691
Due in more than one year				
Other debtors	**-**	20,384	**-**	-
	6,697,391	2,038,681	**3,916,348**	928,691

Other debtors include an amount of £162,456 due from Mr David Mills, a director of the Company. The debt arose following the Group's acquisition of the entire share capital of Quayside Corporate Services Limited. The consideration comprised 90,909,091 shares in The Parkmead Group plc plus a cash payment of an amount equal to the net asset value of Quayside Corporate Services Limited at the date of acquisition being £1,856,835. At the date of acquisition, the net asset value of Quayside Corporate Services Limited was over estimated to the extent of £162,456 which was paid to the majority shareholder in Quayside Corporate Services Limited, Mr David Mills. This amount has been paid back to the Group since the year end.

Other debtors also include a loan of £2,678,849 to Mr Niall Doran by the Employee Benefit Trust. The Trust has advanced monies to Mr Doran to allow him to purchase shares in the Group for £0.08 pence per share, which are held under option. The loan to Mr Doran is secured by the shares purchased and the amount recoverable by the Group will be dependent on the share price when the share options vest. The amount will fall due when the options vest which may arise after one year.

18 CREDITORS

	GROUP		COMPANY	
	2006 £	2005 £	2006 £	2005 £
Amounts falling due within one year				
Bank overdraft	**207,311**	227,005	**-**	-
Short term loans (note 20)	**201,795**	1,432,934	**150,000**	1,350,000
Obligations under finance leases and hire purchase contracts	**19,278**	-	**-**	-
Trade creditors	**1,507,499**	590,421	**373,685**	208,530
Amounts due to Group Undertakings	**-**	-	**167,311**	-
Corporation tax	**793,018**	10,255	**4,800**	-
Other taxes and social security costs	**628,361**	310,321	**27,237**	70,049
Other creditors	**77,050**	336,599	**2,235**	-
Accruals and deferred income	**1,753,345**	388,984	**700,261**	275,369
	5,187,657	3,296,519	**1,425,529**	1,903,948

Details of the security in respect of bank overdrafts and loans are provided in Note 20. All other amounts are unsecured, interest free and repayable on demand.

19 CREDITORS

	GROUP 2006 £	GROUP 2005 £	COMPANY 2006 £	COMPANY 2005 £
Amounts falling due after more than one year				
Bank loans	**426,695**	825,274	**-**	150,000
Other creditors	**202,889**	-	**-**	-
Accruals and deferred income	**65,398**	-	**-**	-
	694,982	825,274	**-**	150,000

20 LOANS

	GROUP 2006 £	GROUP 2005 £	COMPANY 2006 £	COMPANY 2005 £
Amounts falling due:				
In one year or less or on demand	**201,795**	1,432,934	**150,000**	1,350,000
In more than one year but not more than two years	**55,815**	405,768	**-**	150,000
In more than two years but not more than five years	**205,601**	175,120	**-**	-
In more than five years	**165,279**	244,386	**-**	-
	628,490	2,258,208	**150,000**	1,500,000
Less: Included in creditors: amounts falling due within one year	**(201,795)**	(1,432,934)	**(150,000)**	(1,350,000)
	426,695	825,274	**-**	150,000

Included within loans is an amount of £243,302 (2005: £266,880) secured over freehold property owned by AVM repayable over 8 years which accrues interest at the rate of 2.6% over Barclays Bank plc base rate.

Included within loans are the amounts of £126,250 and £82,225 (2005: £240,620) of which £15,000 and £15,167 are repayable within 12 months, £60,000 and £60,688 is repayable over more than one year but less than five years with the balance being paid in more than five years time. These loans are secured with a floating charge over the assets of Yospace Technologies Limited and attract interest at the rate of 3.5% over Barclays Bank plc base rate.

Included within amounts due within one year is the amount of £150,000 (2005: £1,500,000) being a deferred payment relating to the acquisition of Audio Visual Machines Limited in January 2005. This loan note was redeemed at par on 26 July 2006.

21 PROVISIONS FOR LIABILITIES AND CHARGES

GROUP	DILAPIDATIONS £	DEFERRED TAX £	TOTAL £
At 1 July 2005	**-**	**3,944**	**3,944**
Arising following acquisition of a subsidiary during year	**-**	**(62,352)**	**(62,352)**
Charge to the profit and loss account	**100,000**	**67,224**	**167,224**
At 30 June 2006	**100,000**	**8,816**	**108,816**

Subsequent to the year end the Company has served notice under terms of the lease to vacate the building on or before 3 October 2007. Accordingly, full provision of £100,000 for dilapidation costs has been made in the year based on estimates provided by the Group's property advisors. The provision is expected to be utilised during 2007.

Company

The Company balance sheet reflects the dilapidations provision of £100,000 (2005:£nil).

22 FINANCIAL INSTRUMENTS

(a) Policies and risks

Financial Instruments
The Group's financial instruments comprise of term loans and floating rate loan notes; equity investments held within the portfolio; cash and liquid resources; the loan to the employee benefit trust; and, various items such as trade debtors and trade creditors that arise directly from its operations. The main reason for holding the equity investments and long term loans is to achieve capital growth in their value and subsequently dispose of them realising a profit. The main risk arising from the Group's financial instruments is market price risk and the underlying performance of the portfolio companies being able to service their indebtedness to the Company.

Financial risk management
The Group's operations expose it to a variety of financial risks that include market price risk, credit risk, interest rate risk and liquidity risk. The Group's treasury policy which is determined by the Board of Directors governs the management of financial risks within the Group. In accordance with the treasury policy, the Group actively monitors and manages its financial risk exposures. The policy permits the use of financial instruments such as derivatives, were appropriate, however, derivatives are only used as hedging instruments against specific risks and are not used speculatively. As at 30 June 2006 and 30 June 2005 the Group had no derivative instruments outstanding.

Market price risk
The Group regularly monitors its investment portfolio and manages disposals to meet overall business requirements as they arise.

Interest rate risk
The Company and Quayside Corporate Services have no net debt. AVM has loan facilities secured against freehold property and trade receivables. Yospace Technologies has loan facilities secured against its trade receivables and a floating charge over its other assets. Interest rates applied to these borrowings are variable. The Group does not hedge against these loans.

Credit risk
The Group's credit risk is primarily attributable to its trade receivables. Other than large corporate clients where credit risk is assumed to be low, client credit risk is managed by the use of credit scoring services and also through cash management procedures.

Liquidity risk
The Group ensures availability of funding through the retention of an appropriate amount of cash on deposit.

Currency risk
The Group has limited foreign currency exposure and it deals only in stable currencies.

During the year the Group closed down its only operation that did not operate in the United Kingdom (Interregnum Inc, incorporated in the United States of America).

The disclosures below exclude short-term debtors and creditors.

(b) Currency profile

	2006 £	2005 £
Cash Sterling	**6,067,413**	757,537
Cash US dollars	**139,902**	128,919
	6,207,315	886,456
Less: Bank overdraft Sterling	**(207,311)**	(227,005)
	6,000,004	659,45

All other loans and long term liabilities are denominated in Sterling.

22 FINANCIAL INSTRUMENTS continued

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

Other than the loans referred to in note 20 all the Group's other financial liabilities as at 30 June 2006 and 30 June 2005 mature within one year.

(d) Interest rate profile

The interest rate profile on financial assets is:

2006	FLOATING RATE £	FIXED RATE £	INTEREST FREE £	TOTAL £
Sterling	6,067,413	466,397	2,592,968	**9,126,778**
US dollar	139,902	-	-	**139,902**
	6,207,315	**466,397**	**2,592,968**	**9,266,680**

2005	FLOATING RATE £	FIXED RATE £	INTEREST FREE £	TOTAL £
Sterling	757,537	1,023,372	4,197,291	5,978,200
US dollar	576,643	-	-	576,643
	1,334,180	1,023,372	4,197,291	6,554,843

Floating rate financial assets comprise of cash deposits on the money markets at various short-term maturity rates which on average have an interest rate of 4.25%. Fixed rate financial assets comprise of investments which earn interest at 7%. The financial assets on which no interest is earned are the Group's fixed asset equity investments which have no maturity date.

The interest rate profile on financial liabilities is:

2006	FLOATING RATE £	FIXED RATE £	TOTAL £
Sterling	**835,801**	**19,278**	**855,079**

2005	FLOATING RATE £	FIXED RATE £	TOTAL £
Sterling	2,185,213	300,000	2,485,213

The interest on fixed rate financial liabilities is 6% which is fixed until maturity. Floating rate financial liabilities comprise of bank loans totalling £426,695 with interest rates averaging 7% and a maturity rate averaging four years and bank overdraft and loans totalling £259,106 with interest rates averaging 7.5%. Included within floating rate liabilities is an amount of £150,000 being deferred consideration payable for the acquisition of AVM which attracts interest at 6%.

22 FINANCIAL INSTRUMENTS continued

(e) Fair values of financial assets and liabilities

	2006 £	2005 £
Cash and deposits	**6,207,315**	886,456
Debtors due after one year	**-**	20,384
Fixed asset investments – loans	**466,397**	1,471,096
Fixed asset investments – listed equity	**-**	1,772
Fixed asset investments – unlisted equity	**2,592,968**	4,175,135
Short term borrowings	**(201,795)**	(1,432,934)
Finance leases	**(19,278)**	-
Long term borrowings	**(426,695)**	(825,274)
Bank overdrafts	**(207,311)**	(227,005)

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

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

(f) Undrawn committed facilities

The Group had undrawn committed borrowing facilities at 30 June 2006 of £132,689 (2005: £316,627). This facility expires within one year.

23 SHARE CAPITAL

	AUTHORISED 2006 NO.	 2005 NO.
Ordinary shares of £0.05 pence each	**450,000,000**	165,000,000
	£	£
Ordinary shares of £0.05 pence each	**22,500,000**	8,250,000

	ALLOTTED, CALLED UP AND FULLY PAID 2006 NO.	 2005 NO.
Ordinary shares of £0.05 pence each	**368,341,780**	92,425,254
	£	£
Ordinary shares of £0.05 pence each	**18,471,089**	4,621,623

During the year ended 30 June 2006, the following changes to share capital were noted:

- on 22 February 2006, 151,515,152 £0.05 pence ordinary shares were issued at £0.066 pence each raising £10.0 million in cash for the Group;
- on 28 February 2006, 90,909,091 £0.05 pence ordinary shares were issued at £0.066 pence in consideration for the entire share capital of Quayside Corporate Services Limited. The resultant share premium of £1,454,546 met the conditions for merger relief under s131 Companies Act 1985 and, accordingly, the full amount has been transferred to the merger reserve;.
- on 23 May 2006, 33,485,616 £0.05 pence shares were issued at £0.08 pence to the Group's Employee Benefit Trust; and,
- during the year a former employee exercised options in respect of 6,667 ordinary £0.05 pence shares for a consideration of £333.

23 SHARE CAPITAL continued

Share Options

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

	NUMBER OF ORDINARY SHARES £	OPTION PRICE PER SHARE £
Date granted		
22 May 2006	33,485,616	0.08

These options vest in two equal tranches such that 50% of the options vest at any time if the closing mid market price of the ordinary shares of the Company has exceeded £0.18 pence. The remainder of the options vest if, at any time, the closing mid market price exceeds £0.27 pence. Subject to the vesting conditions, the options can be exercised at any date up to April 2016.

During the year to 30 June 2006, 8,377,409 options lapsed.

The following options, granted in previous years, were unexercised at 30 June 2006:

NO. OF SHARES	EXERCISE PRICE	PERIOD IN WHICH OPTIONS CAN BE EXERCISED		
1,187,500	5.00 pence	25 February 2000	to	25 February 2010
2,694,048	5.00 pence	13 March 2000	to	13 March 2010
10,192,050	5.00 pence	8 April 2003	to	8 April 2013
1,047,088	5.38 pence	8 April 2003	to	8 April 2013
2,118,836	5.38 pence	24 July 2003	to	24 July 2013
250,000	5.00 pence	27 April 2004	to	27 April 2014
1,943,334	5.38 pence	20 December 2004	to	20 December 2014
25,000	5.75 pence	25 February 2005	to	25 February 2015
50,000	6.75 pence	01 April 2005	to	01 April 2015
2,000,000	5.00 pence	12 December 2005	to	12 December 2015
33,485,616	8.00 pence	22 May 2006	to	31 April 2016

24 MOVEMENTS IN SHARE CAPITAL AND RESERVES

GROUP	CALLED UP SHARE CAPITAL £	SHARE PREMIUM ACCOUNT £	REVALUATION RESERVE £	MERGER RESERVE £	PROFIT AND LOSS ACCOUNT £	EQUITY SHAREHOLDERS FUNDS £
At 1 July 2005	4,621,263	19,430,496	789,290	(2,406,655)	(16,159,905)	6,274,489
Shares issued						
- placing (note 23)	7,575,758	2,424,242	-	-	-	10,000,000
- EBT and share options (note 23)	1,674,613	1,004,568	-	-	-	2,679,181
- on acquisition of QCS (note 23)	4,545,455	-	-	1,454,546	-	6,000,001
Transaction costs	-	(462,500)	-	-	-	(462,500)
Elimination of share premium against profit and loss account	-	(22,396,806)	-	-	22,396,806	-
Write down of previously revalued investments	-	-	(789,290)	-	(306,464)	(1,095,754)
Currency translation adjustment	-	-	-	-	9,772	9,772
Loss for the year	-	-	-	-	(4,741,702)	(4,741,702)
At 30 June 2006	18,417,089	-	-	(952,109)	1,198,507	18,663,487

24 MOVEMENTS IN SHARE CAPITAL AND RESERVES continued

During the year ended 30 June 2006, the Directors performed an assessment of the value of the Group's investment holdings. Previous temporary diminutions in value of £306,464 have now been deemed permanent and a transfer has been made between the revaluation reserve and the profit and loss account in this regard.

On 29 June 2006 The Parkmead Group plc received Court approval to eliminate the balance on its share premium account against its profit and loss reserves account to the extent that losses were available based on its audited accounts at 30 June 2006.

COMPANY	SHARE CAPITAL £	SHARE PREMIUM £	REVALUATION RESERVE £	MERGER RESERVE £	PROFIT AND LOSS ACCOUNTS £	EQUITY SHAREHOLDERS FUNDS £
At 1 July 2005	4,621,263	19,430,496	218,754	-	(17,498,480)	6,772,033
New shares issued						
- placing (note 23)	7,575,758	2,424,242	-	-	-	10,000,000
- EBT and share options (note 23)	1,674,613	1,004,568	-	-	-	2,679,181
- on acquisition of QCS (note 23)	4,545,455	-	-	1,454,546	-	6,000,001
Transaction costs	-	(462,500)	-	-	-	(462,500)
Elimination of share premium against profit and loss account	-	(22,396,806)	-	-	22,396,806	-
Write down of previous revalued investments	-	-	(218,754)	-	(877,000)	(1,095,754)
Loss for the year	-	-	-	-	(5,467,848)	(5,467,848)
As at 30 June 2006	18,417,089	-	-	1,454,546	(1,446,522)	18,425,113

25 RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	GROUP 2006 £	GROUP 2005 £	COMPANY 2006 £	COMPANY 2005 £
At 1 July	**6,274,489**	6,293,922	**6,772,033**	6,466,438
Shares issued				
- placing (note 23)	**10,000,000**	-	**10,000,000**	-
- EBT and share options (note 23)	**2,679,181**	-	**2,679,181**	-
- on acquisition of QCS (note 23)	**6,000,001**	-	**6,000,001**	-
Transaction costs	**(462,500)**	-	**(462,500)**	-
Revaluation of investments upwards	-	953,305	**-**	953,305
Temporary diminutions in value of investments	-	(360,290)	**-**	(930,826)
Write down of previously revalued investments	**(1,095,754)**	(256,896)	**(1,095,754)**	(256,896)
Currency translation adjustment	**9,772**	-	**-**	-
(Loss)/Profit for the year	**(4,741,702)**	(355,552)	**(5,467,848)**	540,012
At 30 June	**18,663,487**	6,274,489	**18,425,113**	6,772,033

26 MINORITY INTERESTS

	£
At 1 July 2005	**(185,641)**
Additional minority share acquired	**800,000**
Deemed profit on disposal allocated to minority	**(363,715)**
Profit for the year attributable to minority interests	**86,587**
At 30 June 2006	**337,231**

27 NOTES TO THE STATEMENT OF CASHFLOWS

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

	2006 CONTINUING OPERATIONS £	2006 DISCONTINUED OPERATIONS £	2006 TOTAL £	2005 £
Operating (loss)/profit	**(2,314,123)**	**9,343**	**(2,304,780)**	(1,553,730)
Depreciation	**129,959**	**48,811**	**178,770**	218,074
Amortisation of intangible assets	**306,794**	**120,100**	**426,894**	178,408
(Increase) / Decrease in stocks		**(22,566)**	**(22,566)**	115,800
Increase in debtors	**(2,307,641)**	**(665,523)**	**(2,973,164)**	(448,215)
Increase in creditors	**151,553**	**746,000**	**897,553**	398,867
Increase in other provisions	**100,000**	**-**	**100,000**	3,944
Net cash outflow from operating activities	**(3,933,458)**	**236,165**	**3,697,293**	(1,086,852)

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

	2006 £	2005 £
Returns on investments and servicing of finance		
Interest received	**300,353**	421,154
Interest paid	**(301,392)**	(185,257)
Interest element of finance lease rental payments	**(514)**	(354)
Net cash (outflow)/inflow from returns on investments and servicing of finance	**(1,553)**	235,543
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	**(95,222)**	(139,616)
Payments to acquire fixed asset investments	**(1,270,505)**	(733,716)
Receipts from sale of tangible fixed assets	**-**	3,372
Receipts from sale of fixed assets investments	**144,000**	7,378
Net cash outflow from capital expenditure and financial investment	**(1,221,727)**	(862,582)
Acquisitions and disposals		
Purchase of subsidiary	**(916,596)**	(232,091)
Costs of deconsolidation of subsidiary	**-**	(58,575)
Cash/(Overdraft) acquired with subsidiary	**509,820**	(181,048)
Net cash outflow from acquisitions	**(406,776)**	(471,714)
Financing		
Issue of ordinary share capital	**12,679,181**	-
Transaction costs	**(462,500)**	-
Capital element of finance lease rental payments	**(2,544)**	(11,063)
Decrease in short term borrowings	**(31,139)**	(395,563)
(Decrease)/increase in long term borrowings	**(1,598,579)**	295,812
Net cash inflow/(outflow) from financing	**10,584,419**	(110,814)

27 NOTES TO THE STATEMENT OF CASHFLOWS continued

c) Analysis of change in net funds

	AT 1 JULY 2005	CASH FLOW	ACQUISITIONS	OTHER NON-CASH CHANGES	AT 30 JUNE 2006
	£	£	£	£	£
Cash	886,456	4,811,039	509,820	-	**6,207,315**
Overdraft	(227,005)	19,694	-	-	**(207,311)**
Short term loans	(82,934)	31,139	-	-	**(51,795)**
Finance lease obligations	-	2,544	(9,132)	(12,690)	**(19,278)**
Long term loans	(675,274)	248,579	-	-	**(426,695)**
Loan stock	(1,500,000)	1,350,000	-	-	**(150,000)**
	(1,598,757)	6,462,995	500,688	(12,690)	**5,352,236**

Non-cash changes comprise £12,690 of new finance leases entered into during the year.

28 ACQUISITIONS

On 23 September 2005 Audio Vusual Machines Limited (AVM) acquired 100% of the Video Meeting Company Limited (VMC) for a consideration, including costs of £816,627 satisfied by the issue of 3,067,488 Ordinary B shares of £0.01 pence each in Audio Visual Machines Limited. The assets acquired have been included in the Group's balance sheet at their fair value as at the date of acquisition and has given rise to goodwill of £1,428,047. The book and fair value of the assets acquired were as follows:

	BOOK VALUE	ADJUSTMENTS	FAIR VALUE
	£	£	£
Tangible fixed assets	**61,703**	**(42,023)**	**19,680**
Debtors	**496,578**	**-**	**496,578**
Stock	**60,613**	**(12,508)**	**48,105**
Creditors: amounts falling due within one year	**(879,714)**	**(211,602)**	**(1,091,316)**
Creditors: amounts falling due after one year	**-**	**(84,467)**	**(84,467)**
Net liabilities	**(260,820)**	**(350,600)**	**(611,420)**
Goodwill arising on acquisition			**1,428,047**
Cost of Acquisition			
Satisfied by:			
Ordinary B Shares issued by Audio Visual Machines Limited			**750,000**
Legal costs of acquisition			**66,627**
			816,627

The adjustments were made to align the accounting policies for depreciation, stock provisioning and revenue recognition of VMC with those of the Parkmead Group plc.

The summarised profit and loss account for VMC for the period from 29 September 2005 to 30 June 2006 was as follows:

	£
Turnover	**2,171,507**
Operating Profit	**213,722**
Profit before tax	**199,460**

28 ACQUISITIONS continued

A separate profit and loss account for the Video Meeting Company Limited for the period from 1 May 2005 to 23 September 2005 is not available. The loss before tax of VMC for its preceding financial year ended 30 April 2005 was £498,322.

On 28 February the Group acquire the entire share capital of Quayside Corporate Services Limited. The book and fair values of the assets and liabilities acquired were as follows:

	BOOK VALUE £	FAIR VALUE TO GROUP £
Tangible fixed assets	**32,054**	**32,054**
Debtors	**2,479,659**	**2,479,659**
Cash	**509,820**	**509,820**
Creditors: amounts falling due within one year*	**(1,164,698)**	**(1,164,698)**
Net assets	**1,856,835**	**1,856,835**
Goodwill arising on acquisition		**6,073,962**
Satisfied by:		
Cash		**1,856,835**
Allotment of 90,909,091 ordinary 5 pence shares in The Parkmead Group plc		**6,000,001**
Legal costs of acquisition		**73,961**
		7,930,797

The summarised profit and loss account for Quayside Corporate Services Limited for the period from 1 March 2006 to 30 June 2006 was as follows:

	£
Turnover	**487,575**
Operating Profit	**123,654**
Profit before tax	**128,925**

Quayside Corporate Services Limited (QCS) contributed £205,736 to the Group's net operating cash flows. The profit before tax of QCS for its preceding 14 month financial period ended 28 February 2006 was £1,926,353.

On 16 February 2006, the Group acquired the stock of £21,663 and certain contracts of DDI Lizard Limited for a consideration of £264,000. No fair value adjustments were made to the value of the assets acquired. Acquisition costs of £4,000 were incurred and goodwill of £238,337 arose out of this transaction.

The acquisition of DDI Lizard Limited was made direct from the Administrators appointed to the Company. No comparatives for the prior financial year are available as the Company has not filed accounts since 31 December 2004.

*Included within creditors is the amount of £653,462 being in respect of corporation tax.

29 OTHER FINANCIAL COMMITMENTS

At 30 June 2006 the Group and the Company had annual commitments under non-cancellable operating leases as set out below:

	LAND AND BUILDINGS	
	2006	2005
	£	£
Operating leases which expire:		
Within one year	**338,145**	-
Within two to five years	**81,000**	70,445
After five years	**-**	225,500
	419,145	295,945

The Group and the Company had no other operating lease commitments.

30 ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS

In the opinion of the Directors there is no ultimate controlling party. No disclosure has been made of transactions and balances between companies in the Group for which the Group holds 90% or more of the voting rights. All other transactions and balances with related parties are detailed below.

Transactions with Subsidiaries

During the year The Parkmead Group plc supplied consultancy services of £60,195 (2005: £38,000) to Yospace Technologies Limited (Yospace), a subsidiary in which the Group owns 54% of the ordinary share capital. In addition The Parkmead Group plc holds £524,542 (2005: £524,542) series A loan notes, £101,080 (2005: £101,080) series B loan notes and £150,000 (2005 £50,000) series C loan notes in Yospace. During the year The Parkmead Group plc accrued interest receivable on this balance of £122,936 (2005: £36,122). At the year end Yospace owed Parkmead Group plc £358,315 (2005: £185,607) being in respect of accrued interest of £292,287 (2005: (£140,399) and consultancy services of £66,029 (2005: £45,208).

During the year services to the value of £34,574 (2005: £35,471) were supplied to Yospace from a company in which G Ransom, a director of Yospace, is a Director. At the year end Yospace owed £17,866 to that company. In addition, services to the value of £6,960 (2005: £6,960) were also supplied to Yospace from a company in which N Warren, a Director of Yospace, was also a Director. At the year end £2,900 was owed by Yospace to that company.

During the year ended 30 June 2006, the Parkmead Group plc supplied consultancy services of £81,031 (2005: £38,266) to Audio Visual Machines Limited (AVM). At the year end, AVM owed The Parkmead Group plc £23,157 (2005:£14,277)

During the year AVM utilised the services of Amanda Gurney-Smith, a business controlled by the wife of one of the directors of AVM, Mr E C P Cook. The cost of these services amounted to £45,610 (2005:£20,874). The amount owed by the Company to Amanda Gurney-Smith at the balance sheet date was £4,113 (2005: £3,170).

30 ULTIMATE CONTROLLING PARTY AND RELATED PARTY TRANSACTIONS continued

Transactions with Directors

Since the date of acquisition Quayside Corporate Services Limited has provided services to a number of companies where David Mills, a Director of the Group, serves as a Director. These companies, and the amount of services provided are: Bradman Lake Group Limited £24,088; Cinque Ports Products Limited £27,746; Euro Manx Limited £4,383; Franson Limited £6,543; Iford Golf Centre Limited £6,454; The Louvre Trading Limited £10,568; Magenta Services Limited £67437; Remnant Media Limited £72,085; Seoul Nassau Limited £750; Sharpes Keynets Limited £93,299; SMF International Limited £5,599; and Theros Limited £59,716; The value of amounts outstanding as at the balance sheet date were; Bradman Lake Group Limited £35,409.94; Cinque Ports Products Limited £37,258; Euro Manx Limited £7,304; Franson Limited £10,516; Iford Golf Centre Limited £2,003; The Louvre Trading Limited £16,292; Magenta Services Limited £30,212, Remnant Media Limited £97,379; Seoul Nassau Limited £1,500; Sharpes Keynets Limited £150,522; SMF International Limited £8,333; and, Theros Limited £53,255.

During the year The Parkmead Group plc provided corporate advisory services to Corporate Jet Services Limited, a company in which David Mills serves as a Director. Services to the value of £42,401 were provided of which £39,698 was outstanding as at the year end.

During the year Quayside Corporate Services procured services from Wordsters Limited, a company whom Alison Mills, the wife of David Mills, is a Director. The value of services proved amounted to £21,080 of which £nil was unpaid at the year end.

During the year Quayside Corporate Services procured services from Peter Mills, a brother of David Mills. The value of services proved amounted to £27,412 of which £5,619 was unpaid at the year end.

Included within trade creditors at the year end are the following amounts due to non-executive directors' companies, in respect of remuneration for the following directors included within directors' emoluments in note 4: M Morris, £3,681; C Goodall £11,000; and, B Wilson £1,175.

31 POST BALANCE SHEET EVENTS

On 29 September 2006, the Company entered into an agreement to sell its entire shareholding in Audio Visual Machines Limited. Proceeds from this sale amounted to £1.275 million before expenses.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting (AGM) of The Parkmead Group plc will be held at **22-23 Old Burlington Street, London W1S 2JJ** on **Thursday 25 January 2007** at **2.00pm** for the following purposes:

ORDINARY BUSINESS

1 To receive and consider the Company's accounts for the financial year ended 30 June 2006 together with the last Directors' Report and the auditors' report.

2 To reappoint Gordon Ashworth who was appointed following the last AGM and who, being eligible, offers himself for reappointment as a Director.

3 To reappoint Thomas Cross who was appointed following the last AGM and who, being eligible, offers himself for reappointment as a Director.

4 To reappoint Colin Goodall who was appointed following the last AGM and who, being eligible, offers himself for reappointment as a Director.

5 To reappoint John Leggate who was appointed following the last AGM and who, being eligible, offers himself for reappointment as a Director.

6 To reappoint David Mills who was appointed following the last AGM and who, being eligible, offers himself for reappointment as a Director.

7 To reappoint Brian Wilson who was appointed following the last AGM and who, being eligible, offers himself for reappointment as a Director.

8 To reappoint Ian Taylor MBE MP who retires by rotation and who, being eligible, offers himself for reappointment as a Director.

SPECIAL BUSINESS

To consider and, if thought fit, pass the following resolutions, of which resolutions 9 (special notice having been received of the intention to propose the resolution) and 10 will be proposed as ordinary resolutions and resolutions 11 and 12 will be proposed as special resolutions.

9 To reappoint PricewaterhouseCoopers LLP as auditors (having previously been appointed by the directors to fill the casual vacancy arising by reason of the resignation of PKF (UK) LLP) to hold office from the conclusion of the meeting to the conclusion of the next meeting at which the accounts are laid before the Company at a remuneration to be determined by the Directors.

10 That, in substitution for all existing authorities, to the extent unused, and pursuant to section 80 of the Companies Act 1985 (the Act) the Directors be and they are hereby authorised generally and unconditionally to allot relevant securities (as defined in section 80(2) of the Act) up to an aggregate nominal amount of £4,082,911 provided that this authority, unless renewed, shall expire on the date five years from the date on which this resolution is passed save that the Company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the Directors may allot the relevant securities in pursuance of such offer or agreement as if the authority conferred hereby had not expired.

11 That, subject to the passing of the previous resolution, the Directors be and they are hereby empowered pursuant to section 95 of the Act to allot equity securities (within the meaning of section 94(2) of the Act) for cash pursuant to the authority conferred by the previous resolution as if section 89(1) of the Act did not apply to any such allotment, provided that this power shall be limited to the allotment of equity securities:

- in connection with or the subject of an offer or invitation, open for acceptance for a period fixed by the directors, to holders of ordinary shares and such other equity securities of the Company as the Directors may determine on the register on a fixed record date in proportion (as nearly as may be) to their respective holdings of such securities or in accordance with the rights attached thereto (including equity securities which, in connection with such offer or invitation, are the subject of such exclusions or other arrangements as the Directors may deem necessary or expedient to deal with fractional entitlements that would otherwise arise or with legal or practical problems under the laws of, or the requirements of any recognised regulatory body or any stock exchange in, any territory or otherwise howsoever); and,
- (otherwise than pursuant to sub-paragraph (a) above) up to an aggregate nominal amount of £1,841,708 (representing 10% of the Company's issued ordinary share capital as at the date of this notice), and shall expire on the conclusion of the next AGM of the Company after the passing of this resolution save that the Company may, before such expiry make an offer or agreement which would or might require equity securities to be allocated after such expiry and the Directors may allot equity securities in pursuance of any such offer or agreement notwithstanding that the power conferred hereby has expired.

12 That, the Company be and is hereby generally and unconditionally authorised for the purposes of section 166 of the Act to make one or more market purchases (within the meaning of section 163(3) of the Act) of ordinary shares of 5 pence each in the capital of the Company provided that:

- the maximum aggregate number of ordinary shares hereby authorised to be purchased is 36,834,178 (representing 10% of the Company's issued ordinary share capital as at the date of this notice);
- the minimum price (exclusive of expenses)which may be paid for such shares is 5 pence per share;
- the maximum price (exclusive of expenses) which may be paid for an ordinary share shall not be more than 5 per cent above the average of the market values for an ordinary share as derived from the Appendix to the London Stock Exchange Daily Official List for the five business days immediately preceding the date on which the ordinary share is purchased;
- unless previously renewed varied or revoked, the authority hereby conferred shall expire at the conclusion of the Company's next AGM or 15 months from the date of passing this resolution, if earlier; and
- the Company may make a contract or contracts to purchase ordinary shares under the authority hereby conferred prior to the expiry of such authority which will or may be executed wholly or partly after the expiry of such authority and may make a purchase of ordinary shares in pursuance of any such contract or contracts.

By order of the Board

Gordon Ashworth
Company Secretary
5 December 2006

Registered office:
22-23 Old Burlington Street
London W1S 2JJ

NOTES

1 Pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001 the Company specifies that to be entitled to attend and vote at the meeting (and for the purposes of the determination by the Company of the number of votes they may cast), holders of ordinary shares must be entered on the relevant register of securities by 6.00pm on 23 January 2007. Changes to entries on the relevant register of securities after 6.00pm on 23 January 2007 shall be disregarded in determining the rights of any person to attend and vote at the meeting.

2 A member or the duly authorised representative of a corporation entitled to attend and vote at the meeting may appoint one or more proxies to attend and (on a poll) vote instead of him. A proxy need not be a member of the Company.

3 A form of proxy is enclosed. To be effective, it must be deposited at the office of the Company's registrars Capita so as to be received not later than 48 hours before the time appointed for holding the Annual General Meeting. Completion of the proxy does not preclude a member from subsequently attending and voting at the meeting in person if he or she so wishes.

4 Copies of the following documents are available for inspection at the registered office of the Company during normal business hours (Saturdays and public holidays excepted) from the date of this notice until the conclusion of the AGM, and are also available for inspection at the place of the AGM from 1.00pm on the day of the AGM until conclusion of the AGM:

a. the register of interests of the Directors and their families in the share capital of the Company; and,

b. contracts of service of the Directors with the Company or with any of its subsidiary undertakings.

PARKMEAD GROUP

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