

REDBUS INTERHOUSE PLC

COMPANY NO: 153088



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29/06/02

DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31st December, 2001.

Principal activities

The principal activity of the company is the provision of neutral internet colocation services for internet and communications companies.

Review of business

A review of the business is set out in the Chairman's Statement, the Review of Operations and the Financial Review on pages 2 to 14.

Results and dividends

The results for the year are set out in the group profit and loss account. The loss for the financial year amounted to £65,161,000 (2000 – loss £53,309,000). The directors are not recommending the payment of a dividend (2000 – £nil).

Substantial interests

At the date of this report the company had been notified of the following substantial interests in the shares of the company:

	No. of shares	%
Redbus Group SA*	37,909,368	25.12
Telos Environmental Services Limited**	22,496,000	14.91
CGNU plc	9,085,313	6.02
i-spire plc***	6,501,679	4.31

* Cliff Stanford has an interest in the shares held by Redbus Group SA since 92 per cent of the issued share capital of that company is held in a discretionary trust of which he is the principal beneficiary.

** John Porter has an interest in these shares since he is the sole owner of Telos Environmental Services Limited.

***John Porter has an interest in these shares since he is a director and the majority shareholder of i-spire plc.

Details of the interests of Cliff Stanford and John Porter in the shares of the company are given in the Directors' Report on Remuneration.

DIRECTORS' REPORT

Directors

The directors who held office during the year were as follows:

John Porter (*Executive Chairman*)
Cliff Stanford (*Executive Deputy Chairman*)
Kevin Neal (*Managing Director*)
Carl Fry (*Finance Director*)
Alex Bligh
Paul Dumond
James Morton
Tony Simkin

In accordance with the articles of association, Kevin Neal and Alex Bligh retire by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-appointment.

Supplier payment policy

The company's policy is to pay its suppliers on the terms agreed with them. Trade creditor days for the company for the year ended 31st December, 2001 was 30 days (2000 – 30 days).

Share capital

During the year the company issued a total of 130,656 ordinary shares on the exercise of share options.

Authority to purchase own shares

At the last annual general meeting shareholders granted authority for the company to purchase up to 22,623,799 of its ordinary shares for a minimum price of the nominal value of each ordinary share and a maximum price of 105% of the average of the middle market quotation of the shares for the five business days prior to the purchase. The company did not purchase any of its own shares during the year. The authority expires at the conclusion of the forthcoming annual general meeting, but shareholders' approval for a new authority over a maximum of 22,633,632 ordinary shares will be sought at the meeting.

Auditors

A resolution to reappoint Arthur Andersen as auditors will be proposed at the forthcoming annual general meeting.

Masters House
107 Hammersmith Road
London W14 0QH

15th March, 2002



By order of the Board
Paul G. Dumond
Director

CORPORATE GOVERNANCE

The Combined Code

Redbus Interhouse plc, is committed to maintaining high standards of corporate governance in line with the Combined Code which sets out the principles of Good Governance and Code of Best Practice.

Statement of compliance

The provisions set out in Section 1 of the Combined Code have been complied with except as set out below.

Statement of application

The Company has applied the principles set out in Section 1 of the Combined Code as set out below and, in connection with directors' remuneration, in the Directors' Report on Remuneration.

The board

The board of directors meets at regular intervals during the year. The roles of chairman and managing director are split between John Porter and Kevin Neal respectively. The board comprises 4 executive and 4 non-executive directors. All of the non-executive directors are considered to be independent of management and free from material conflicts of interest that could affect their judgement. The board believes that this provides it with an appropriate balance between executive and independent non-executive directors. The board has appointed James Morton as the senior independent non-executive director.

Although contrary to provision A.1.6 there is no formal training procedure for newly appointed directors, such persons have direct access to the company's professional advisers who are able to advise on the necessary requirements for a member of the board of a listed company.

Information, including that of an operating and financial nature, is supplied to the board in a timely and appropriate fashion. Appointments to the board are dealt with by the board as a whole and, accordingly, there is no nominations committee in contrast to the requirements of provision A.5.1.

The Combined Code requires that the non-executive directors serve for set terms and that all directors seek re-election every three years. Under the company's articles of association one third of the directors retire every year and no director may serve for more than three years without being re-elected by the shareholders. The proposal for re-election of any director is considered by the board. The company believes that this approach is sufficiently in line with the requirements of the Combined Code.

Board committees

The board has remuneration and audit committees. The membership of the remuneration committee and its functions, together with details of remuneration policy and procedures and the remuneration paid during the year are set out in the Directors' Report on Remuneration. Membership of the audit committee comprised James Morton, Paul Dumond and Tony Simkin. Its function is to oversee the arrangements for financial reporting and the application of suitable financial internal controls and procedures and to maintain an appropriate relationship with the auditors.

CORPORATE GOVERNANCE

Dialogue with shareholders

The directors seek to build a mutual understanding of the objectives of the company with its institutional shareholders by making regular presentations to them to discuss long-term issues and obtain feedback. The board actively encourages private investors to attend the annual general meeting and to raise questions regarding strategy and performance.

Internal control

The board has overall responsibility for establishing a sound system of internal control and for reviewing its effectiveness. Any such system can provide only reasonable and not absolute assurance against the risk of failure to achieve the company's business objectives or risk of loss or material misstatement of the financial results. The responsibility for implementing systems of internal control has been entrusted to the executive directors and senior management. In light of the early stage of development of the company's activities, the priority has been to establish suitable systems of internal control to serve the company's current and medium term needs. This process is continuing and, while the company's financial internal controls have been reviewed a review of other internal controls is expected to be carried out during the coming year. Accordingly, a review of the effectiveness of all internal controls as required by provision D.2.1 has not been completed.

Derivatives and other financial instruments

The company's financial instruments comprise cash and items such as trade debtors and creditors that arise as a result of normal operations. The company does not enter into derivatives transactions and does not trade in financial instruments.

The board does not consider the company's exposure to risk arising from financial instruments to be significant. The group's policy is to maximise interest income by placing excess funds on the money market. The company's liquidity risk is not considered to be significant. The company's reporting currency is in sterling and, accordingly, the risk of translation losses arises on consolidation of the results of European operations. There is also the risk of exchange losses in the company's accounts on euro denominated short term loans to its European subsidiaries. The company's policy is not to hedge against foreign currency exposure as it is considered that the decision to hedge can equally be a disadvantage as a benefit.

Going concern

After making enquiries, the directors have a reasonable expectation that the company and the group have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the accounts.

Directors' responsibilities

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

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

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

DIRECTORS' REPORT ON REMUNERATION

Remuneration committee

The remuneration of executive directors and the grant of share options and long term incentive awards in the group generally are overseen by the remuneration committee of the board of directors. The members of the remuneration committee comprised Alex Bligh, Paul Dumond and James Morton.

Directors' remuneration

The company's policy on the remuneration of executive directors, as well as that for other senior employees, is determined by the remuneration committee and is subject to confirmation by the board. Remuneration is set at a level sufficient to attract, retain and motivate the individuals needed to run the company successfully. During the year the performance related remuneration comprised share options. Subsequent to the year end the company implemented new arrangements for executive directors under which they are entitled to quarterly cash bonuses contingent upon the achievement of pre-determined targets for sales, earnings before interest, taxes, depreciation and amortisation and cash. The company believes that the current arrangements meet the requirements of provisions B.1.4 and B.1.6 of the Combined Code.

Neither of the directors who are being proposed for re-appointment at the forthcoming annual general meeting have service agreements with the company that are terminable on more than one year's notice.

Emoluments for the year ended 31st December, 2001 were as follows:

Name of Director	Fees £000	Basic salary £000	Benefits £000	2001 total £000	9 months 31st December, 2000 total £000
<i>Executive</i>					
John Porter	50	—	—	50	38
Cliff Stanford	—	—	—	—	—
Kevin Neal	—	184	1	185	158
Carl Fry	—	161	8	169	57
<i>Non-executive</i>					
Alex Bligh	—	10	—	10	7
Paul Dumond	—	10	—	10	7
James Morton	—	10	—	10	57
Tony Simkin	—	—	—	—	50
Aggregate emoluments	50	375	9	434	374

The above table does not include amounts payable to Redbus Management Limited in respect of the services of its directors Cliff Stanford and Tony Simkin of £50,000 (9 months ended 2000 – £38,000) and £10,000 (9 months ended 2000 – £35,000) respectively.

DIRECTORS' REPORT ON REMUNERATION

Company incentive schemes

The company currently operates two plans for the long term incentivisation of employees: the Redbus Interhouse Unapproved Executive Option Scheme 2000 (the "Scheme") and the Redbus Interhouse Long Term Incentive Plan (the "Plan"). The company's general policy on the granting of share options and long term incentive awards is to motivate and reward directors and senior managers and other employees. Set out below are summaries of these two plans. There are currently no performance requirements attached to the grant or exercise of options or awards. The board believes that this is appropriate as both gains under the Scheme and payments under the Plan are linked to the success of the company as reflected in increases in its share price. In addition, the board considers it appropriate to offer such incentives in this form in order to attract, retain and motivate staff.

Unapproved executive share option scheme

The Scheme was approved by shareholders at the extraordinary general meeting on 3rd April, 2000. The Scheme is the only option scheme under which share options in the company are currently granted. Options are awarded by either the remuneration committee or the board of directors. They generally become exercisable at a rate of 1/36th per month, commencing one year after the date of grant or such other date as may be determined at the time of grant and expire no later than 10 years after the date of grant.

Directors' options

Details of the options held by the directors were as follows:

	Date of Grant	Note	Option Price (pence)	Options Outstanding at 31st December, 2001	Options Outstanding at 31st December, 2000	Expiry Date
Directors:						
John Porter	3rd April, 2000	(a)	110.00	100,000	100,000	8th March, 2010
Cliff Stanford	3rd April, 2000	(a)	110.00	100,000	100,000	8th March, 2010
Kevin Neal	26th May, 1999	(b)	5.79	690,000	690,000	25th May, 2004
	1st October, 1999	(b)	5.79	690,000	690,000	30th September, 2004
	3rd April, 2000	(a)	110.00	100,000	100,000	8th March, 2010
Carl Fry	19th September, 2000	(a)	289.00	112,941	112,941	19th September, 2010
	2nd April, 2001	(a)	77.50	464,516	—	2nd April, 2011
Alex Bligh	26th May, 1999	(b)	5.79	3,450,000	3,450,000	25th May, 2004
	3rd April, 2000	(a)	110.00	25,000	25,000	8th March, 2010
Paul Dumond	15th September, 1997	(c)	12.10	15,345	15,345	15th September, 2004
	3rd April, 2000	(a)	110.00	50,000	50,000	8th March, 2010
James Morton	3rd April, 2000	(a)	110.00	250,000	250,000	8th March, 2010
Tony Simkin	3rd April, 2000	(a)	110.00	100,000	100,000	8th March, 2010

(a) Options granted by the company under the Scheme that become exercisable at a rate of 1/36th per month, commencing one year after the date of grant.

(b) All options currently exercisable.

(c) Options granted by Horace Small Apparel plc prior to its reverse acquisition by Redbus Interhouse Limited in April, 2000, all currently exercisable.

No directors exercised options during the year.

The market price of the ordinary shares at 31st December, 2001 was 10.5p and the range during the year was 10.5p to 222.5p.

DIRECTORS' REPORT ON REMUNERATION

Long term incentive plan

The Plan was approved by shareholders at the annual general meeting on 24th October, 2000.

The Plan is structured to deliver cash bonuses to eligible directors and employees and comprises of two parts. The first part of the Plan allows for directors and employees to be entitled to a bonus equal to the growth in value of a specified number of shares ("Phantom Awards"). Under the second part, discretionary cash bonuses can be paid to directors and employees based on the achievement of performance criteria determined by the remuneration committee.

At the date of this report, only Phantom Awards have been granted under the Plan. These awards were made to approximately 60 employees who would otherwise have been granted options, under the Scheme, earlier in 2000 than was possible due to the company being in an extended close period. In these cases, the maximum potential payments are calculated based on the difference between the share price when the options would have been granted (the 'Entry Price') and the share price at the time the options were actually granted (the "Exit Price"). The actual payment is determined at the date of exercise and is based on the difference between the Entry Price, and the share price at the date of exercise up to and not exceeding the Exit Price.

These awards generally become exercisable in the same way as options under the Scheme, at the rate of 1/36th per month commencing one year after the date of grant or such other date as may be determined at the date of grant. Awards expire no later than 10 years after the date of grant.

Directors' interest in the long term incentive plan

The awards to directors are as follows:

	Date of Grant	Entry Price £	Exit Price £	Total Potential Cash Value £	Expiry Date	Number of Phantom Awards 2001	Number of Phantom Awards 2000
Director:							
Carl Fry	5th December, 2000	1.885	2.89	113,506	5th December, 2010	112,941	112,941

Directors' share interests

The directors' beneficial interests in the share capital of the company are set out below:

	2001	2000
John Porter ⁽¹⁾	28,997,679	29,997,679
Cliff Stanford ⁽²⁾	39,260,719	39,260,719
Paul Dumond	8,333	8,333
James Morton	33,000	33,000

Notes

⁽¹⁾ John Porter's interest in these shares is through Telos Environmental Services Limited, of which he is the sole owner, and through i-spire plc, of which he is a director and majority shareholder.

⁽²⁾ The substantial majority of Cliff Stanford's interest in these shares is through Redbus Group S.A., since 92 per cent of the issued share capital of that company is held in a discretionary trust of which he is the principal beneficiary.

There have been no changes in the above directors' share interests since the year end.

INDEPENDENT AUDITORS' REPORT

To the shareholders of Redbus Interhouse plc

We have audited the accounts of Redbus Interhouse plc for the year ended 31st December, 2001 which comprise the Profit and loss account, Balance sheets, Cash flow statement, Statement of total recognised gains and losses and the related notes numbered 1 to 23. These accounts 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 accounts in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of directors' responsibilities. Our responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, United Kingdom Auditing Standards and the Listing Rules of the Financial Services Authority.

We report to you our opinion as to whether the accounts give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' report is not consistent with the accounts, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law or the Listing Rules regarding directors' remuneration and transactions with the company and other members of the group is not disclosed.

We review whether the Corporate governance statements reflect the company's compliance with the seven provisions of the Combined Code specified for our review by the Listing Rules, and we report if they do not. We are not required to consider whether the board's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the group's corporate governance procedures or its risk and control procedures.

We read the other information contained in the annual report, and consider whether it is consistent with the audited accounts. This other information comprises only the Chairman's statement, Review of operations, Financial review, Directors' report, Corporate governance statements, Directors' report on remuneration and Statement of directors' responsibilities. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts. Our responsibilities do not extend to any other information.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts and of whether the accounting policies are appropriate to the circumstances of the company and of the group, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and of the group at 31st December, 2001 and of the group's loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen
Chartered Accountants and Registered Auditors
180 Strand
London

15th March, 2002

GROUP PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Notes	2001 £000	2000 £000
Turnover - continuing operations	2	9,311	3,475
Cost of sales		(67,003)	(6,339)
Provision for impairment of tangible fixed assets	3, 10	(50,165)	—
Other exceptional items	3	(2,788)	—
Other cost of sales		(14,050)	(6,339)
Gross loss		(57,692)	(2,864)
Administrative expenses		(10,247)	(51,157)
Goodwill write-off	1	—	(47,231)
Exceptional items	3	(970)	855
Other administrative expenses		(9,277)	(4,781)
Operating loss	2	(67,939)	(54,021)
EBITDA loss before exceptional items		(7,729)	(5,566)
Depreciation		(6,287)	(2,079)
Provision for impairment of tangible fixed assets		(50,165)	—
Goodwill write-off		—	(47,231)
Other exceptional items		(3,758)	855
Share of associate's operating loss	3, 12	(100)	(970)
Interest receivable and similar income	5	2,902	1,853
Interest payable and similar charges	6	(49)	(128)
Loss on ordinary activities before taxation	7	(65,186)	(53,266)
Taxation on loss on ordinary activities	8	25	(43)
Loss for the financial year		(65,161)	(53,309)
Loss per share:			
Basic and diluted loss per share	9	(43.2)p	(46.8)p
Adjusted loss per share	9	(7.4)p	(5.4)p

Movements on reserves are set out in note 18.

The accompanying notes are an integral part of these accounts.

GROUP STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

FOR THE YEAR ENDED 31ST DECEMBER, 2001

	2001 £000	2000 £000
Loss for the financial year	(65,161)	(53,309)
Currency translation differences	103	872
Total recognised losses for the financial year	(65,058)	(52,437)

The accompanying notes are an integral part of these accounts.

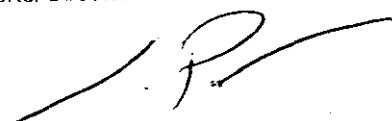
GROUP balance sheet

AT 31ST DECEMBER, 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Tangible assets	10	24,629	22,796
Investment in associate	12	-	100
		24,629	22,896
Current assets			
Debtors: due within one year	13	9,868	7,708
Debtors: due after one year	13	5,974	5,691
Cash at bank and in hand	14	22,152	86,144
		37,994	99,543
Creditors: amounts falling due within one year	15	(10,565)	(7,427)
Net current assets		27,429	92,116
Total assets less current liabilities		52,058	115,012
Creditors: amounts falling due after more than one year	15	(19)	(244)
Provisions for liabilities and charges	16	(3,559)	(2,413)
Net assets	2	48,480	112,355
Capital and reserves			
Called up share capital	17	1,509	1,508
Capital redemption reserve	18	46	46
Share premium account	18	102,526	102,147
Other reserve	18	14,306	14,306
Profit and loss account	18	(69,907)	(5,652)
Equity shareholders' funds	19	48,480	112,355

The accounts were approved by the Board of Directors on 15th March, 2002 and signed on its behalf by:

John Porter Director



The accompanying notes are an integral part of these accounts.

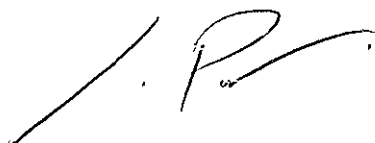
COMPANY BALANCE SHEET

AT 31ST DECEMBER, 2001

	Notes	2001 £000	2000 £000
Fixed assets			
Tangible assets	10	229	—
Investments in subsidiary undertakings	11	3,427	4,117
Investment in associate	12	—	100
		3,656	4,217
Current assets			
Debtors: due within one year	13	25,493	36,002
Debtors: due after one year	13	5,296	4,665
Cash at bank and in hand		16,338	72,644
		47,127	113,311
Creditors: amounts falling due within one year	15	(752)	(1,448)
Net current assets		46,375	111,863
Total assets less current liabilities		50,031	116,080
Provisions for liabilities and charges	16	(158)	—
Net assets		49,873	116,080
Capital and reserves			
Called up share capital	17	1,509	1,508
Capital redemption reserve	18	46	46
Share premium account	18	102,526	102,147
Profit and loss account	18	(54,208)	12,379
Equity shareholders' funds		49,873	116,080

The accounts were approved by the Board of Directors on 15th March, 2002 and signed on its behalf by:

John Porter Director



The accompanying notes are an integral part of these accounts.

GROUP CASH FLOW STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER, 2001

	Notes	2001 £000	2000 £000
Net cash outflow from operating activities	20a	(8,123)	(8,732)
Returns on investments and servicing of finance			
Interest received and similar income		2,902	1,853
Interest paid and similar charges		(49)	(128)
Net cash inflow		2,853	1,725
Taxation			
Corporation tax		(275)	(13)
Net cash outflow		(275)	(13)
Capital expenditure and financial investment			
Purchase of tangible fixed assets		(58,293)	(16,315)
Disposal of tangible fixed assets		14	–
Net cash outflow		(58,279)	(16,315)
Acquisitions and disposals			
Cash at bank and in hand acquired in reverse acquisition		–	9,099
Purchase of associate		–	(70)
Net cash inflow		–	9,029
Cash outflow before financing		(63,824)	(14,306)
Financing			
Receipt from issue of ordinary shares		51	101,511
Capital element of finance lease and hire purchase contract payments		(322)	(351)
Net cash (outflow)/inflow		(271)	101,160
(Decrease)/increase in cash in the year	20b	(64,095)	86,854

The accompanying notes are an integral part of these accounts.

NOTES TO THE ACCOUNTS

1. ACCOUNTING POLICIES

The accounts have been prepared under the historical cost convention and in accordance with applicable accounting standards. The following paragraphs describe the principal policies, all of which have been applied consistently throughout the current and preceding years.

The accounting policies of some overseas subsidiary undertakings do not conform with UK accounting standards and, where appropriate, adjustments are made on consolidation in order to present the group accounts on a consistent basis.

Basis of consolidation

On 5th April, 2000 the company, then named Horace Small Apparel plc, became the legal parent company of Redbus Interhouse Limited in a share-for-share transaction. Due to the relative values of the companies, reverse acquisition accounting was adopted as the basis of consolidation. Horace Small Apparel plc has been brought into the consolidation from 5th April, 2000 at fair values at that date and the reserves of the group are based on the pre-combination reserves of Redbus Interhouse Limited.

Turnover

Turnover comprises sales of colocation services, set-up fees in relation to colocation services and fees in respect of ancillary services, excluding sales taxes. Sales of colocation services are recognised evenly on a time basis according to the periods to which invoiced amounts relate. Set-up fees in relation to colocation services are recognised once the service has been completed. Fees in respect of ancillary services are recognised either on a time basis or once the service has been completed depending upon the nature of the service.

Goodwill

Goodwill arising on the acquisition of subsidiary and associated undertakings, representing the excess of the fair value of the consideration given over the fair value of the net assets acquired, is capitalised and written off on a straight line basis over its useful economic life. Provision is made for any impairments. Goodwill arising on the reverse acquisition of Horace Small Apparel plc of £47,231,000 was written off to the profit and loss account in 2000.

Tangible fixed assets

Tangible fixed assets are stated at cost, net of depreciation and any provision for impairment.

Depreciation is provided in order to write off assets on a straight line basis over their estimated useful lives as follows:

Property	50 years
Plant and equipment	5 years
Computer equipment	3 years
Office equipment	3 years
Motor vehicles	3 years

Investments

Investments in subsidiary undertakings are stated at cost less provision for impairment. Investments in associates are stated in the company's accounts at cost less provision for impairment and in the group's accounts using the equity method.

Leases and hire purchase contracts

Assets held under finance leases and hire purchase contracts are capitalised at the fair value of the asset and the resulting lease and hire purchase obligations are included in creditors net of finance charges. The assets are depreciated over the shorter of the lease term and their useful economic life. Finance charges are allocated to accounting periods over the periods of the leases and hire purchase contracts at a constant rate of return on the outstanding balance.

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

NOTES TO THE ACCOUNTS

I. ACCOUNTING POLICIES (CONTINUED)

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid or recovered using the tax rates and laws that have been enacted or substantially enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the group's taxable profits and its results as stated in the accounts that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the accounts.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as 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 recognised in respect of the retained earnings of overseas subsidiaries and associates only to the extent that, at the balance sheet date, dividends have been accrued as receivable or a binding agreement to distribute past earnings in future has been entered into by the subsidiary or associate.

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

Pensions

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged to the profit and loss account is the contribution payable for the year.

Foreign currencies

Foreign currency transactions are converted at the rate of exchange ruling at the date of the transaction or translated at the period end rate in the case of transactions not then finalised. Exchange differences arising on these transactions are charged in the profit and loss account. Assets and liabilities of overseas subsidiaries at the period end are translated into sterling at the rate of exchange ruling at that date and the results of overseas subsidiary undertakings are translated into sterling at the average rate of exchange for the period. Translation differences arising as a consequence are taken to reserves and reported in the statement of total recognised gains and losses.

NOTES TO THE ACCOUNTS

2. SEGMENTAL ANALYSIS

The Group operates in one business segment and in the geographical segments set out below. Turnover by destination is not materially different to turnover by origin as set out below.

Turnover

	2001 £000	2000 £000
United Kingdom	5,642	2,987
Europe	3,669	488
	9,311	3,475

Operating loss

	2001 Underlying £000	2001 Provision for impairment £000	2001 Other exceptional items £000	2001 Total £000	2000 Underlying £000	2000 Goodwill write-off £000	2000 Exceptional items £000	2000 Total £000
United Kingdom	11	(16,942)	(88)	(17,019)	(2,320)	–	–	(2,320)
Europe	(6,897)	(33,223)	(2,359)	(42,479)	(2,268)	–	–	(2,268)
	(6,886)	(50,165)	(2,447)	(59,498)	(4,588)	–	–	(4,588)
Central	(7,130)	–	(1,311)	(8,441)	(3,057)	(47,231)	855	(49,433)
	(14,016)	(50,165)	(3,758)	(67,939)	(7,645)	(47,231)	855	(54,021)

Operating net assets

	2001 £000	2000 £000
United Kingdom	8,621	7,955
Europe	9,067	12,741
	17,688	20,696
Central	8,892	6,089
Net cash	21,900	85,570
Net assets	48,480	112,355

Central and net cash include, respectively, £3,964,000 (2000 – £3,799,000) and £987,000 (2000 – £770,000) in relation to PLC Properties LLC and Redbus Interhouse Inc, subsidiaries incorporated in the USA.

NOTES TO THE ACCOUNTS

3. EXCEPTIONAL ITEMS

	Notes	2001 £000	2000 £000
Included in cost of sales:			
Provision for impairment of tangible fixed assets	10	(50,165)	–
Provision for onerous property leases	16	(2,296)	–
Provision for redundancy costs	16	(220)	–
Share option compensation charge		(272)	–
		(2,788)	–
Included in administrative expenses:			
Provision for redundancy costs	16	(89)	–
Abortive fund raising costs		(640)	–
Abortive acquisition costs		(241)	–
Reduction in provision for environmental remediation costs	16	–	855
		(970)	855
Included in share of associate's operating loss:			
Goodwill write-off	12	(100)	(742)
Net exceptional (expense)/credit		(54,023)	113

The exceptional share option compensation charge makes provision for all future charges arising on share options that were issued with exercise prices at below market price.

4. EMPLOYEES

	2001	2000
The monthly average number of employees was made up as follows:	Number	Number
Engineers	88	17
Technical support	20	13
Sales and marketing	18	7
Administration	27	15
	153	52
Staff costs, including directors' remuneration during the year comprised:	£000	£000
Salaries and wages	4,371	2,059
Social security costs	828	252
Other pension costs	145	–
	5,344	2,311

The pension cost charge for the year amounted to £145,000 (2000 – £nil). Information in respect of directors' remuneration and share interests is contained within the Directors' Report on Remuneration on pages 19 to 21.

NOTES TO THE ACCOUNTS

5. INTEREST RECEIVABLE AND SIMILAR INCOME

	2001 £000	2000 £000
Bank interest receivable	2,902	1,853

6. INTEREST PAYABLE AND SIMILAR CHARGES

	2001 £000	2000 £000
Interest on bank loans and overdrafts	4	56
Interest on finance leases and hire purchase contracts	45	72
	49	128

7. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	2001 £000	2000 £000
This is stated after charging/(crediting):		
Depreciation on tangible fixed assets:		
Owned	6,087	1,934
Held under finance leases and hire purchase contracts	200	145
Hire of office equipment under operating leases	24	11
Foreign exchange differences	949	174
National insurance on share options	(1,485)	1,513
Hire of other assets under operating leases	2,107	783
Auditors' remuneration for audit services	69	48

Amounts payable to the auditors by the company and its UK subsidiary undertakings in respect of non-audit services were £661,000 (2000 – £62,000). This amount principally comprises fees in relation to an abortive fund raising, an abortive acquisition and taxation services.

8. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	2001 £000	2000 £000
UK Corporation tax at 30%	–	(13)
US Federal and State tax	(4)	(30)
Release of prior year provision	29	–
Taxation credit/(charge)	25	(43)

There is no current UK tax charge for the year due to losses made in the year. The accumulated tax losses give rise to a potential deferred tax asset of £3,698,000 (2000 – £1,187,000) and the decelerated capital allowances give rise to a potential deferred tax asset of £9,307,000 (2000 – £339,000) which, for prudence, have not been recognised.

NOTES TO THE ACCOUNTS

9. LOSS PER SHARE

The basic and diluted loss per share is based on the loss for the financial year of £65,161,000 (2000 – £53,309,000) and on the weighted average number of ordinary shares in issue during the year of 150,863,203 (2000 – 113,937,612). The weighted average number of ordinary shares for the year ended 31st December, 2000 assumes that the 69,000,000 ordinary shares issued in relation to the reverse acquisition existed for the entire year. Horace Small Apparel plc shares have been included since 5th April, 2000 and all other shares have been included in the computation based on the weighted average number of days since issuance.

The adjusted loss per share has been calculated to give a fairer presentation of trading performance and is based on the adjusted loss for the financial year of £11,138,000 (2000 – £6,191,000 loss), prior to the provision for impairment of tangible fixed assets of £50,096,000 and other exceptional expenses of £3,858,000 (2000 – goodwill write-off of £47,231,000 and the net exceptional credit of £113,000).

10. TANGIBLE FIXED ASSETS

	The group					
	Property £000	Plant and equipment £000	Computer equipment £000	Office equipment £000	Motor vehicles £000	Total £000
Cost						
At 1st January, 2001	5,385	22,716	249	258	72	28,680
Additions	–	57,634	397	499	38	58,568
Disposals	–	–	–	–	(45)	(45)
Currency translation differences	163	(452)	8	(4)	(2)	(287)
At 31st December, 2001	5,548	79,898	654	753	63	86,916
Depreciation						
At 1st January, 2001	3,451	2,276	46	58	53	5,884
Provision for impairment	–	50,165	–	–	–	50,165
Charge for the year	42	5,915	162	149	19	6,287
Disposals	–	–	–	–	(37)	(37)
Currency translation differences	103	(110)	(1)	(2)	(2)	(12)
At 31st December, 2001	3,596	58,246	207	205	33	62,287
Net book value						
At 31st December, 2001	1,952	21,652	447	548	30	24,629
At 31st December, 2000	1,934	20,440	203	200	19	22,796

An impairment review of plant and equipment located at all of the Group's facilities was carried out as of 31st December, 2001 giving rise to an impairment provision of £50,165,000. The Board does not consider that reliable estimates can be obtained for the net realisable values of the Group's facilities and, accordingly, the recoverable amounts of the plant and equipment at the Group's facilities is equal to the value in use. The discount rate applied in arriving at value in use was 18 per cent.

NOTES TO THE ACCOUNTS

10. TANGIBLE FIXED ASSETS (CONTINUED)

At 31st December, 2001 tangible fixed assets included assets held under finance leases and hire purchase contracts with a net book value of £529,000 (2000 – £711,000) and assets in the course of construction that are not being depreciated of £3,820,000 (2000 – £4,870,000).

Property comprises freehold property of 3.32 acres and leasehold property of 6.39 acres. No depreciation is being provided on land amounting to £932,000 (2000 – £905,000) as the group has an option to acquire the freehold of the leasehold property for a consideration of £103,000 (\$150,000) at any time prior to 1st January, 2008.

	Computer equipment £000	Office equipment £000	The company Total £000
Cost			
At 1st January, 2001	–	–	–
Additions	264	22	286
At 31st December, 2001	264	22	286
Depreciation			
At 1st January, 2001	–	–	–
Charge for the year	53	4	57
At 31st December, 2001	53	4	57
Net book value			
At 31st December, 2001	211	18	229
At 31st December, 2000	–	–	–

II. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	The company £000
Cost	
At 1st January, 2001	6,258
Additions	36
At 31st December, 2001	6,294
Amounts written off	
At 1st January, 2001	2,141
Charge to the profit and loss account	726
At 31st December, 2001	2,867
Net book value	
At 31st December, 2001	3,427
At 31st December, 2000	4,117

NOTES TO THE ACCOUNTS

11. INVESTMENTS IN subsidiary UNDERTAKINGS (CONTINUED)

The company's principal subsidiary undertakings are set out as follows:

Company	Nature of business	Country of incorporation	Class of shares and proportion held
Redbus Interhouse (Holdings)*	Holding company	UK	100% ordinary
Redbus Interhouse (UK) Limited*	Internet services	UK	100% ordinary
Redbus Interhouse (France) SA	Internet services	France	100% ordinary
Redbus Interhouse (Spain) SA	Internet services	Spain	100% ordinary
Redbus Interhouse (Germany) GmbH	Internet services	Germany	100% ordinary
Redbus Interhouse (Italy) S.p.A	Internet services	Italy	100% ordinary
Redbus Interhouse (Netherlands) B.V.	Internet services	Holland	100% ordinary
QPS Management a.s.	Internet services	Czech Republic	100% ordinary
Redbus Interhouse Inc.	Internet services	USA	100% ordinary
PLC Properties LLC*	Property	USA	100% ordinary

A full list of subsidiary undertakings will be included in the company's annual return.

* Held directly by Redbus Interhouse plc.

12. INVESTMENT IN ASSOCIATE

	The group £000	The company £000
At 1st January, 2001	100	100
Goodwill write-off	(100)	—
Provision for impairment	—	(100)
At 31st December, 2001	—	—

The company has a 20% interest in The APP Tap Limited, an internet application service provider which is now in liquidation.

NOTES TO THE ACCOUNTS

13. DEBTORS

	The group		The company	
	2001 £000	2000 £000	2001 £000	2000 £000
Amounts falling due within one year:				
Cash held in escrow account (see note 14)	2,931	2,845	-	-
Trade debtors	2,472	2,150	-	-
Rental deposits	22	8	-	-
Amounts owed by subsidiary undertakings	-	-	25,153	35,956
Value added tax recoverable	2,904	1,839	168	2
Other debtors	123	244	-	19
Prepayments and accrued income	1,416	622	172	25
	9,868	7,708	25,493	36,002
Amounts falling due after more than one year:				
Rental deposits	5,974	5,691	5,296	4,665

14. CASH HELD IN ESCROW ACCOUNT

Cash at bank and in hand of £22,152,000 (2000 - £86,144,000) does not include £2,931,000 (\$4,250,000) (2000 - £2,845,000 (\$4,250,000)) held in a restricted deposit account in the U.S.A. pursuant to an escrow agreement entered into with VF Workwear, Inc. ("VF") at the time the company then named Horace Small Apparel plc, sold its U.S. subsidiary undertakings to VF. The amount held in escrow relates to potential environmental liabilities at a property in Nashville, U.S.A. An amount equal to \$2,750,000, less any amount spent on environmental remediation, will be released once any required remediation work has been completed in accordance with the terms of the escrow agreement. The balance will be retained for no less than 18 months to cover any third party claims.

In addition, a further cash amount of £620,000 (\$1,000,000) was invested in the company's U.S. subsidiary, PLC Properties LLC, the distribution of which is restricted. Of this amount £261,000 (\$378,000) (2000 - £392,000 (\$586,000)) remains and is included in cash at bank and in hand of £22,152,000 at 31st December, 2001. Such restrictions will remain until the expiry of the escrow arrangement referred to above.

NOTES TO THE ACCOUNTS

15. CREDITORS

	The group		The company	
	2001 £000	2000 £000	2001 £000	2000 £000
Amounts falling due within one year:				
Obligations under finance leases and hire purchase contracts	233	330	-	-
Trade creditors	4,528	3,750	323	271
Amounts owed to subsidiary undertakings	-	-	-	96
Corporation tax	40	340	7	310
Social security and other taxes	204	230	106	68
Other creditors	22	165	-	-
Deferred income	1,910	1,430	-	-
Accruals	3,628	1,182	316	703
	10,565	7,427	752	1,448

Amounts falling due after more than one year:

Obligations under finance leases and hire purchase contracts	19	244	-	-
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16. PROVISIONS FOR LIABILITIES AND CHARGES

	The group			
	National Insurance on share options £000	Environmental remedial costs £000	Onerous property leases £000	Redundancy costs £000
At 1st January, 2001	1,513	900	-	-
Charge/(credit) to the profit and loss account	(1,485)	-	2,296	309
Currency translation differences	-	26	-	-
At 31st December, 2001	28	926	2,296	309

The environmental remedial costs provision is in respect of any required remediation work on the property retained on the disposal of Horace Small Holdings to VF Workwear, Inc. in the U.S.A, the extent and timing of which cannot be determined. As set out in note 14, an amount equal to £2,931,000 (\$4,250,000) (2000 - £2,845,000 (\$4,250,000)) is held in a restricted deposit account in relation to potential environmental costs.

	The company	
	Redundancy costs £000	Total £000
At 1st January, 2001	-	-
Charge to the profit and loss account	158	158
At 31st December, 2001	158	158

NOTES TO THE ACCOUNTS

17. SHARE CAPITAL AND LONG TERM INCENTIVE AWARDS

(a) Share capital

This comprises ordinary shares as follows:

	Authorised		Allotted, called up and fully paid	
	No. of shares	£000	No. of shares	£000
At 1st January, 2001				
– ordinary shares of 1 pence each	200,000,000	2,000	150,760,228	1,508
Shares issued during the year on exercise of share options	–	–	130,656	1
At 31st December, 2001				
– ordinary shares of 1 pence each	200,000,000	2,000	150,890,884	1,509

(b) Options

The following options, which include those detailed in the Directors' Report on Remuneration, were outstanding:

Dates of Grant	Note	Option Prices (pence)	Number 2001	Number 2000
7th June, 1995 to 8th May, 1998	(a)	12.10 to 57.29	368,345	368,345
26th May, 1999 to 7th March, 2000	(b)	5.79	4,879,680	4,879,680
9th March, 2000	(c)	40.00	1,417,494	1,658,205
5th April, 2000 to 7th December, 2000	(d)	110.00 to 289.00	1,982,408	2,177,212
2nd April, 2001	(d)	77.50 to 289.00	2,620,269	–
			11,268,196	9,083,442

Notes

- (a) Options granted by Horace Small Apparel plc prior to the reverse acquisition by Redbus Interhouse Limited. All are currently exercisable and expire between 7 and 10 years from date of grant.
- (b) Options granted by Redbus Interhouse Limited which were rolled over to options over Redbus Interhouse plc shares following the reverse acquisition by Redbus Interhouse Limited in April, 2000. All are currently exercisable and expire 5 years from the date of grant.
- (c) Options granted by Redbus Interhouse Limited which were rolled over to options over Redbus Interhouse plc shares following the reverse acquisition by Redbus Interhouse Limited in April, 2000. They vest over a 3 year period, generally commencing on the first anniversary of the date of grant, and expire 10 years from the date of grant.
- (d) Options granted by the company under the Unapproved Executive Share Option Scheme 2000, a summary of which appears in the Directors' Report on Remuneration.

NOTES TO THE ACCOUNTS

17. SHARE CAPITAL AND LONG TERM INCENTIVE AWARDS (CONTINUED)

Options to acquire 130,656 shares were exercised during the year. Options to acquire up to 304,859 shares lapsed during the year.

The market price of the ordinary shares at 31st December, 2001 was 10.5p and the range during the year was 10.5p to 222.5p.

(c) Long term incentive awards

A summary of the company's Long Term Incentive Plan appears in the Directors' Report on Remuneration.

The following awards, which include those detailed in the directors' report on remuneration, were outstanding:

Date of Grant	Entry Price (£)	Exit Price (£)	Total Potential Cash Value (£)	Expiry Date	Number of Phantom Awards 2001	Number of Phantom Awards 2000
5th December, 2000	1.885	2.89	113,506	5th December, 2010	112,941	112,941
5th December, 2000	1.100	1.885	785,206	5th December, 2010	1,000,262	1,000,262

No phantom awards were awarded, exercised or lapsed during the year.

18. RESERVES

					The group
	Capital Redemption Reserve £000	Share Premium £000	Other Reserve £000	Profit and Loss Account £000	Total £000
At 1st January, 2001	46	102,147	14,306	(5,652)	110,847
Issue of shares on the exercise of share options	–	50	–	–	50
Loss for the financial year	–	–	–	(65,161)	(65,161)
Share option compensation charge	–	–	–	803	803
Stamp duty accrual not required	–	329	–	–	329
Currency translation differences	–	–	–	103	103
At 31st December, 2001	46	102,526	14,306	(69,907)	46,971

					The company
	Capital Redemption Reserve £000	Share Premium £000	Profit and Loss Account £000	Total £000	
At 1st January, 2001	46	102,147	12,379	114,572	
Issue of shares on the exercise of share options	–	50	–	50	
Loss for the financial year	–	–	(66,587)	(66,587)	
Stamp duty accrual not required	–	329	–	329	
At 31st December, 2001	46	102,526	(54,208)	48,364	

Of the group loss for the year, a loss of £66,587,000 (2000 – £630,000 profit) has been dealt with in the accounts of the company. By virtue of section 230(4) of the Companies Act 1985, the company is exempt from presenting a profit and loss account.

NOTES TO THE ACCOUNTS

19. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	2001 £000	The group 2000 £000
Loss for the financial year	(65,161)	(53,309)
Share option compensation charge	803	997
Currency translation differences	103	872
Capital adjustment for reverse acquisition accounting	-	58,037
Stamp duty accrual not required	329	-
New shares issued	51	103,201
Net (reduction)/addition to equity shareholders' funds	(63,875)	109,798
Opening equity shareholders' funds	112,355	2,557
Closing equity shareholders' funds	48,480	112,355

20. NOTES TO THE GROUP CASH FLOW STATEMENT

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

	2001 £000	2000 £000
Operating loss	(67,939)	(54,021)
Provision for impairment of tangible fixed assets	50,165	-
Goodwill write-off	-	47,231
Depreciation	6,287	2,079
Profit on disposal of tangible fixed assets	(6)	-
Exceptional items	2,605	(855)
Share option compensation charge	803	997
Increase in debtors	(2,443)	(9,507)
Increase in creditors and provisions	2,405	5,344
Net cash outflow from operating activities	(8,123)	(8,732)

NOTES TO THE ACCOUNTS

20. NOTES TO THE GROUP CASH FLOW STATEMENT (CONTINUED)

b) Analysis and reconciliation of net funds

	At 1st January, 2001 £000	Cash flow £000	Non-cash changes £000	At 31st December, 2001 £000
Cash at bank and in hand	86,144	(64,095)	103	22,152
Obligations under finance leases and hire purchase contracts	(574)	322	–	(252)
	85,570	(63,773)	103	21,900
			2001 £000	2000 £000
(Decrease)/increase in cash in the year			(64,095)	86,854
Cash outflow from decrease in finance lease and hire purchase contracts			322	351
Change in net funds resulting from cash flows			(63,773)	87,205
New finance leases and hire purchase contracts			–	(353)
Currency translation differences			103	872
Movement in net funds in the year			(63,670)	87,724
Net funds/(debt) at the beginning of the year			85,570	(2,154)
Net funds at the end of the year			21,900	85,570
Net funds analysed as follows:				
Cash at bank and in hand			22,152	86,144
Obligations under finance leases and hire purchase contracts			(252)	(574)
			21,900	85,570

NOTES TO THE ACCOUNTS

21. FINANCIAL INSTRUMENTS

The Corporate Governance review on pages 17 and 18 includes an explanation of the company's policies in respect of financial instruments. The company has no financial assets other than cash at bank and in hand of £22,152,000 (2000 – £86,144,000) which comprise deposits placed on money market at call, 7 days and monthly rates, £5,056,000 (2000 – £4,575,000) held as collateralised cash deposits as security against rental properties and £2,931,000 (\$4,250,000) (2000 – £2,845,000 (\$4,250,000)) held in a restricted deposit account (note 14). At 31st December, 2001 the company had financial liabilities of £252,000 (2000 – £574,000) denominated in sterling and at a fixed interest rate relating to obligations under finance leases and hire purchase contracts. As permitted by applicable accounting standards short-term debtors and creditors have been excluded from the disclosures.

22. FINANCIAL AND OPERATING LEASE COMMITMENTS

Capital commitments at 31st December, 2001 which had been contracted for but not provided for in these accounts totalled £1,612,000 (2000 – £11,135,000).

At 31st December, 2001 the group was committed to making the following annual payments in respect of operating leases relating to land and buildings:

	The group		The company	
	2001 £000	2000 £000	2001 £000	2000 £000
Leases which expire:				
after five years	8,034	4,742	272	272
	8,034	4,742	272	272

The company has guaranteed the obligations of a subsidiary company in relation to payments due under an operating lease relating to land and buildings in respect of annual payments amounting to £560,000.

23. RELATED PARTY TRANSACTIONS

Cliff Stanford is a director of Redbus Group SA and of its subsidiaries Redbus Design Limited, Redbus Management Limited, Redbus Executive Aviation Limited, Redbus CPD Limited and Redbus Netstream Limited. Tony Simkin is a director of Redbus Group SA and of its subsidiaries Redbus Management Limited, Redbus Executive Aviation Limited, Redbus CPD Limited and Redbus Netstream Limited. These companies received fees of £274,457 (2000 – £198,252) for services provided in the normal course of business, of which £608 (2000 – £100,592) remained outstanding at the year end. A subsidiary company provided colocation services to Redbus Netstream Limited and technical services to Redbus Management Limited amounting to £37,300 (2000 – £43,812), of which £8,500 (2000 – £6,323) had not been received at the year end. Cliff Stanford purchased, from one of the subsidiary companies, a car at a market value of £13,872.

John Porter is a director of Cheapflights.com Limited, Ministry of Sound Digital Limited and UK2.NET Limited. A subsidiary company provided colocation services amounting to £80,926 (2000 – £67,253) of which £12,571 (2000 – £27,065) had not been received at the year end.

Kevin Neal is a director of The APP Tap Limited in which the company has a 20 per cent interest. A subsidiary company provided colocation services to The APP Tap Limited amounting to £12,600 (2000 – £28,567), of which £nil (2000 – £10,267) had not been received at the year end. A subsidiary company purchased contracts from the APP Tap Limited amounting to £35,000 (2000 – £nil).

Paul Dumond is a director of Nautilus Management Limited. Nautilus Management Limited provided accounting and company secretarial services to the company amounting to £155,387 (2000 – £80,000) of which £8,333 (2000 – £33,000) remained outstanding at the year end.

CORPORATE INFORMATION

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WEB SITE	www.interhouse.redbus.com
COMPANY NUMBER	153088
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LEGAL ADVISORS	Ashurst Morris Crisp 5 Appold Street, London EC2A 2HA Stephoe & Johnson Clements House 14/18 Gresham Street London EC2V 7JE
REGISTRARS	Capita IRG Plc Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ
STOCKBROKERS	Collins Stewart Limited 9th Floor 88 Wood Street London, EC2V 7QR

DIRECTORS

John Porter (Executive Chairman)

John Porter was appointed a director of Redbus Interhouse plc in January, 2000 and its Executive Chairman in April, 2000. Through Telos Environmental Services Limited he was a major shareholder in Redbus Interhouse Limited which was acquired by the company in April, 2000. John, a graduate of Stanford Business School, is also Chairman of i-spire plc, which controls partner companies in internet infrastructure and e-marketing, and Telos Group, the parent company of Telos Corporation which delivers complete e-business solutions. He was previously Chairman of Verifone Inc which was acquired by Hewlett Packard in 1997 for \$1.4 billion.

Cliff Stanford (Executive Deputy Chairman)

Cliff Stanford was appointed a director and Executive Deputy Chairman of Redbus Interhouse plc in April, 2000 and has been a director of Redbus Interhouse Limited since September, 1998. He has always had a keen interest in new technologies and ideas and has spent 20 years at the leading edge of computing technology. He founded Demon Internet Limited in 1992 and was its Managing Director until the company was sold to Scottish Telecom for £66 million in April, 1998. Following this, in May, 1998 he founded Redbus Investments to make equity investments in and provide management expertise to innovative new business ideas.

Kevin Neal (Managing Director)

Kevin Neal was appointed Managing Director of Redbus Interhouse plc in April 2000 and has been Managing Director of Redbus Interhouse Limited since October, 1998. Kevin has more than 25 years experience in the technology industry and prior to joining Redbus Interhouse Limited was with Demon Internet Limited as head of sales and support. His previous experience included the Port of London Authority, leading their computer centre.

Carl Fry (Finance Director)

Carl Fry was appointed Finance Director in July, 2000. Carl, a Chartered Accountant, has considerable public company experience within the property and technology sectors. He was Finance Director of Creston plc from 1995 until 2000 and was previously Finance Director from 1989 to 1994 at de Morgan Group plc. His earlier career included positions at OMI International plc and Inchcape plc.

Alex Bligh†

Alex Bligh was appointed a non-executive director of Redbus Interhouse plc in April, 2000 having been a Director of Redbus Interhouse Limited since August, 1998. Alex is Vice President of Core Network at Concentric Network Corporation Inc, and was formerly Chief Technical Officer of Internet Technology Group PLC ("ITG"). He was Managing Director and founder of Xara Networks Limited prior to its acquisition by ITG in April, 1997. Alex is also a non-executive director of the non-profit making industry body NOMINET UK (the UK Internet naming authority) and also serves on several other industry bodies.

Paul Dumond*†

Paul Dumond, a Chartered Accountant, has been a non-executive director of the company since 1996. He is Company Secretary of Danka Business Systems PLC, a world-wide provider of office imaging solutions. He also serves as non-executive director of Mid-States PLC, a cash shell which was formerly a distributor of auto parts. He is a director of Nautilus Management Limited, a management services company.

James Morton*†

James Morton was appointed a non-executive director of Redbus Interhouse plc in 1990. He is currently Investment Director at European American Securities where he advises and/or manages a number of investment funds. James is a non-executive director of Denison International plc, in which he serves as Chairman of the audit committee. He has 25 years experience in the financial services sector and also writes investment books for the Financial Times.

Tony Simkin*

Tony Simkin was Finance Director of Redbus Interhouse Limited and then of Redbus Interhouse plc from 1998 to 2000. He became a non-executive director in July 2000 in order to concentrate on his role as Group Finance Director of Redbus Group SA, the company's largest shareholder, a position he has held since 1998. Tony, a Chartered Accountant, additionally represents the interests of Redbus Group SA on the boards of a number of investee companies. Prior to that he held senior executive posts at a number of companies including Laporte plc. From 1996 to 1998 he was Finance Director of Demon Internet Limited and played a major part in the sale of that company to Scottish Telecom.

* Member of the Audit Committee

† Member of the Remuneration Committee

ANNUAL GENERAL MEETING

The company's annual general meeting will be held at the Royal Garden Hotel, 2-24 Kensington High Street, London W8 4PT on 20th June, 2002 at 2pm. The Notice of Meeting follows, and sets out the business to be transacted. An explanation of each of the resolutions follows below.

ORDINARY BUSINESS

Resolution 1: Adoption of Accounts

This is an ordinary resolution for the adoption of the Directors' Report and Accounts for the financial year ended 31st December, 2001.

Resolutions 2 and 3: Re-appointment of Directors

The Company's Articles of Association require that each Director shall retire from office at no later than the third annual general meeting after the general meeting at which he was elected and every year, a number not exceeding one third of the directors retire from office and, where appropriate, seek re-appointment. This year Kevin Neal and Alex Bligh retire in this way and resolutions 2 and 3 are for their re-appointment.

Resolution 4: Re-appointment of Auditors

A resolution will be proposed at the meeting for the re-appointment of Arthur Andersen and, in accordance with normal practice, to authorise the directors to fix their remuneration.

Resolution 5: Allotment of Relevant Securities

This is an ordinary resolution to renew the authority granted to the board at the annual general meeting held on 28th June, 2001 to allot relevant securities in terms of Section 80 of the Companies Act 1985, up to an aggregate nominal amount of £491,091.16.

SPECIAL BUSINESS

Resolution 6: Disapplication of Pre-emption Rights

This is a special resolution to empower the directors to disapply the statutory pre-emption rights under section 95 of the Companies Act 1985 in certain circumstances. In particular, the directors would be empowered to issue share capital for cash, other than pro-rata to shareholders, up to an aggregate nominal value of £75,445 representing approximately 5% of the company's share capital currently in issue.

Resolution 7: Authority to Buy Back the Company's Own Shares

This is a special resolution to authorise the company to buy back its own shares. No purchases will be made unless the directors consider the purchases to be in the interests of shareholders generally. The proposed authority would be limited by the terms of the resolution to purchases of up to 22,633,632 ordinary shares (representing approximately 15% of the company's share capital in issue) made through The London Stock Exchange at prices not exceeding 105% of the average of the middle market quotations derived from The London Stock Exchange Daily Official List for the five business days before each purchase.

NOTICE OF MEETING

Notice is hereby given that the annual general meeting will be held at the Royal Garden Hotel, 2-24 Kensington High Street, London W8 4PT on 20th June, 2002 at 2pm.

ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Accounts for the year ended 31st December, 2001.
2. To re-appoint Kevin Neal as a director.
3. To re-appoint Alex Bligh as a director.
4. To re-appoint Arthur Andersen as auditors and authorise the directors to fix their remuneration.
5. To consider and, if thought fit, to approve the following Ordinary Resolution:

That the directors be and they are hereby generally and unconditionally empowered, in place of all existing authorities under Section 80 of the Companies Act 1985, to exercise all powers of the company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £491,091.16, provided that this authority shall expire on 19th June, 2007 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 board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

SPECIAL BUSINESS

6. To consider and, if thought fit, to approve the following Special Resolution:

That subject to the passing of resolution 5 the directors be and they are hereby generally and unconditionally authorised, pursuant to Section 95 of the Companies Act 1985, to exercise all powers of the Company to allot equity securities (within the meaning of Section 94(2) of the Companies Act 1985), as if Section 89(1) of the Companies Act 1985 did not apply to such allotment, provided that this authority shall:

(a) expire on 19th June, 2007 save that the directors may allot equity securities under this authority after the expiry thereof pursuant to any offer or agreement made by the company on or before such expiry date pursuant to this authority as if such authority had not expired; and

(b) be limited to the allotment of equity securities:

(i) in connection with a rights issue or any other pre-emptive offer concerning equity securities in the company where it is, in the opinion of the directors, necessary or expedient to allot equity securities otherwise than in accordance with Section 89 of the Companies Act 1985 by reason of the rights attached to any shares or securities of the company or in relation to fractional entitlements or legal or practical problems under the laws of or the requirements of any recognised regulatory body or stock exchange in any territory; and

(ii) pursuant to the terms of any stock option plan or share option scheme or other plan for employees and/or executive or non-executive directors approved by the company in General Meeting, up to an aggregate nominal value of £150,890.88; and

(iii) otherwise than pursuant to sub-paragraphs (i) and (ii), up to an aggregate nominal value not exceeding £75,445.

NOTICE OF MEETING

7. To consider and, if thought fit, to approve the following Special Resolution:

That the company is hereby generally and unconditionally authorised to make market purchases (within the meaning of Section 163 of the Companies Act 1985) of ordinary shares of £0.01 each in the capital of the company ("Ordinary Shares") with effect from the conclusion of this meeting provided that:

(a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 22,633,632; and

(b) the minimum price which may be paid for each Ordinary Share is £0.01; and

(c) the maximum price (inclusive of expenses) which may be paid for each such Ordinary Share is an amount equal to 105 per cent of the average of the middle market quotations as derived from The London Stock Exchange Daily Official List for the five business days immediately preceding the day on which such Ordinary Share is purchased; and

(d) the company may make a contract to purchase its Ordinary Shares under this authority prior to the expiry thereof, which will or may be executed wholly or partly after the expiry of such authority, and may make a purchase of its Ordinary Shares pursuant to any such contract.

This authority shall expire at the conclusion of the next Annual General Meeting of the company or, if earlier, 19th December 2003.

By Order of the Board

15th March, 2002

Paul Dumond

Director and Company Secretary

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A form of proxy is enclosed with this notice.
2. To be valid, the form of proxy and any power of attorney, or notarially certified copy thereof, under which it is executed, must be lodged with Capita IRG plc, Balfour House, 390/398 High Road, Ilford, Essex, IG1 1BR not later than 2pm on 18th June, 2002 or 48 hours before the time fixed for an adjourned meeting. The completion and return of the form of proxy does not preclude a member from attending the meeting and voting in person.
3. The company, pursuant to Regulation 41 of the Uncertificated Securities Regulations 2001, specifies that only those shareholders registered in the register of members of the company as at 2pm on 18th June, 2002 shall be entitled to attend or vote at this meeting in respect of the number of shares registered in their name at that time. Changes in entries on the relevant register of members after 2pm on 18th June, 2002 shall be disregarded in determining the rights of any person to attend or vote at this meeting.
4. If this meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, the time referred to in the foregoing note 3 will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period, then to be so entitled members must be entered on the company's register of members at a time which is 48 hours before the time fixed for the adjourned meeting or, if the company gives notice of the adjourned meeting, at the time specified in that notice.