

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. If you are in any doubt about the contents of this document or as to the action you should take, you are recommended immediately to seek your own personal financial advice from your stockbroker, bank manager, solicitor, accountant or other independent financial adviser authorised pursuant to the Financial Services Act 1986.

If you have sold or transferred all your shares in Redbus Interhouse PLC, you should forward this document, together with the accompanying Application Form (having signed box H), immediately to the purchaser or transferee or to the agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee, except that the accompanying Application Form should not be forwarded or transmitted in or into the United States, Canada, Australia, Japan, South Africa or the Republic of Ireland. If you have sold or transferred any part of your holding of shares in Redbus Interhouse PLC you should consult the agent through whom the sale or transfer was effected and refer to the instructions regarding split applications set out in the accompanying Application Form.

A copy of this document, which comprises a prospectus relating to Redbus Interhouse PLC prepared in accordance with the Listing Rules made under Section 142 of the Financial Services Act 1986, has been delivered to the Registrar of Companies in England and Wales for registration in accordance with Section 149 (as amended by Section 154A) of that Act.

Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List. This application for listing has been made under the provisions of Chapter 25: Innovative High Growth Companies of the Listing Rules of the UK Listing Authority. Application has also been made to the London Stock Exchange for Admission to Trading. No application has been made, or is contemplated, for the New Ordinary Shares to be traded on any other stock exchange.

An investment in the Ordinary Shares is subject to a number of risks. Shareholders and prospective investors should consider carefully all of the information set out in this document and the risks attaching to an investment in Redbus Interhouse PLC, including, in particular, the risks described in the "Risk Factors" paragraph contained in Part I of this document, before making any investment decision. The risks described in that paragraph do not purport to be an exhaustive list. Shareholders and prospective investors should carefully consider whether investment in the New Ordinary Shares is suitable for them in the light of the information in this document and their personal circumstances.

REDBUS INTERHOUSE PLC

(Incorporated in England and Wales under the Companies Act 1985 with registered number 153088)

Placing and Open Offer of 30,054,845 New Ordinary Shares at 280p per share by Collins Stewart Limited



Interim Results for the three months ended 30 June 2000

Collins Stewart Limited, which is a member of and regulated by The Securities and Futures Authority Limited, is acting as financial adviser and as sponsor to the Company and no-one else in connection with the Placing and Open Offer. Collins Stewart Limited will not regard any other person as its customer or be responsible to any other person for providing the protections afforded to customers of Collins Stewart Limited nor for providing advice in relation to the transactions and arrangements detailed in this document.

The latest time for acceptance and payment in full under the Open Offer is 3.00 pm on 11 October 2000. The procedure for acceptance and payment is set out in Part II of this document and in the accompanying Application Form. An application may only be made on the Application Form, which is personal to the shareholder(s) named thereon and may not be assigned, transferred or split except to satisfy *bona fide* market claims. To be valid, Application Forms must be returned, together with the appropriate remittance, by post or by hand to Capita IRG plc, New Issues Department, Balfour House, 390-398 High Road, Ilford, Essex IG1 1NQ, England, so as to arrive not later than 3.00 pm on 11 October 2000.

No person has been authorised to give any information or make any representations other than those contained in this document and, if given or made, such information or representations must not be relied upon as having been authorised. This document does not constitute an offer to sell or the solicitation of an offer to buy any New Ordinary Shares offered by this document to or from any person in any jurisdiction to whom it is unlawful to make such offer in such jurisdiction. Neither the delivery of this document nor any sale made under this document shall, in any circumstances, create any implication that the information contained in this document is correct as of any time subsequent to the date of this document. This document should not be distributed, published, reproduced in whole or part or disclosed by recipients to any other person.

Persons outside the United Kingdom into whose possession this document comes are required by the Company and Collins Stewart to inform themselves about and to observe any restriction as to the offer or sale of New Ordinary Shares and the distribution of this document. In particular, the New Ordinary Shares have not been and will not be registered under the US Securities Act of 1933 ("Securities Act") or with any securities regulatory authority of any state or other political subdivision of the United States and, accordingly, may not, directly or indirectly, be offered or sold within the United States or to, or for the account or benefit of, US Persons except pursuant to an exemption from, or a transaction not subject to, the registration requirements of the Securities Act. The New Ordinary Shares offered to Qualifying Shareholders in the Open Offer may not be offered, sold, renounced, taken up or delivered, directly or indirectly in or into the United States, subject to certain limited exceptions. The New Ordinary Shares in the Placing are being offered and sold within the United States only to "qualified institutional buyers" as defined within Rule 144A under the Securities Act in reliance on exemptions from the registration requirements of the Securities Act thereunder and are being offered and sold outside the United States to non-US Persons in accordance with Regulation S under the Securities Act. Prospective purchasers of the New Ordinary Shares in the United States in the Placing are hereby notified that the seller of the New Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

NEW ORDINARY SHARES SOLD IN THE UNITED STATES IN THE PLACING ARE NOT TRANSFERABLE EXCEPT IN ACCORDANCE WITH THE RESTRICTIONS DESCRIBED IN PART VI OF THIS DOCUMENT, AND EACH PURCHASER OF NEW ORDINARY SHARES WILL BE DEEMED TO HAVE MADE CERTAIN REPRESENTATIONS AND AGREEMENTS AS DESCRIBED HEREIN.

The relevant clearances have not been, and will not be, obtained from the Securities Commission of any province or territory of Canada and no prospectus in relation to the New Ordinary Shares has been, or will be, lodged with, or registered by, the Australian Securities Commission, nor has this document been prepared to comply with the laws of Japan. Accordingly, subject to certain exceptions, the New Ordinary Shares may not, directly or indirectly, be offered or sold within Canada, Australia, Japan or the Republic of Ireland.

In subscribing for the New Ordinary Shares pursuant to the Placing and Open Offer, a subscriber will be deemed to confirm that he is not relying on any information or representation in relation to or affecting the Company or any other part of the Group or the Placing and Open Offer other than information and representations contained in this document, and accordingly agrees that no person responsible for this document, or any part thereof, shall have any liability for any information or representation not in this document. Neither the delivery of this document in any jurisdiction nor any offer or sale made hereunder shall, in any circumstances, create any implication that there has been no change in the affairs of the Company or any other member of the Group since the date hereof.

THE NEW ORDINARY SHARES OFFERED HEREBY HAVE NOT BEEN APPROVED, DISAPPROVED OR RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR ANY NON-US SECURITIES COMMISSION OTHER THAN THE UK AUTHORITIES DETAILED HEREIN OR ANY REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE IN THE UNITED STATES.

This document has been prepared pursuant to rules and requirements other than those promulgated under the United States federal securities laws, and may not contain disclosures customary, expected or required in transactions prepared pursuant to the US rules and requirements. In particular, but without limitation, (i) the financial statements contained in this document may not be comparable to financial statements of US Companies prepared in accordance with US generally accepted accounting principles and (ii) this document does not contain disclosure regarding US tax consequences of an investment in the New Ordinary Shares.

NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR ANY APPLICATION FOR A LICENCE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES ANNOTATED, 1955, AS AMENDED ("RSA"), WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE OF NEW HAMPSHIRE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE OF NEW HAMPSHIRE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY OR TRANSACTION. IT IS UNLAWFUL TO MAKE OR CAUSE TO BE MADE TO ANY PROSPECTIVE PURCHASER, CUSTOMER OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

AVAILABLE INFORMATION

Neither the Company nor any other member of the Group is required to file periodic reports under Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended ("the Exchange Act"). The Company has agreed that, for so long as any New Ordinary Shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which the Company is neither subject to Section 13 or 15(d) of the Exchange Act nor exempt from reporting pursuant to Rule 12g3-2(b) thereunder, provide to any holder or beneficial owner of Ordinary Shares or prospective purchaser designated by such holder or beneficial owner, upon the request of such holder, beneficial owner or prospective purchaser, the information required to be delivered pursuant to Rule 144A(d)(4) under the Securities Act.

ENFORCEABILITY OF CIVIL LIABILITIES

The Company is a public limited company incorporated under the laws of England and Wales. Certain of the Directors and certain of the executive officers of the Company and its subsidiaries are non-residents of the United States and all or a substantial portion of the assets of the Company and such persons are located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or such persons, or to enforce against any of them judgments of US courts including judgments predicated upon the civil liability provisions under the federal securities laws of the United States or any state or territory within the United States. There is also doubt as to the enforceability in England in original actions or in actions for enforcement of judgments of US courts, predicated upon the civil liability provisions of the federal securities laws of the United States.

FORWARD-LOOKING STATEMENTS

This document includes "forward-looking statements" within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. All statements other than statements of historical facts included in this document, including, without limitation, those regarding the Company's financial position, business strategy plans and objectives of management for future operations (including development plans and objectives relating to the Company's products) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Company's present and future business strategies and the environment in which the Company will operate in the future. Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under Risk Factors on pages 15 to 18 of Part I of this document. These forward-looking statements speak only as of the date of this document. Should there be any material changes prior to Admission, these will be reflected in a supplementary prospectus.

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DEFINITIONS

The following definitions apply throughout this document and the accompanying Application Form unless the context otherwise requires:

“Acquisition”	the acquisition by Redbus Interhouse, then named Horace Small Apparel PLC, of Redbus Interhouse Limited;
“Act”	the Companies Act 1985 (as amended);
“Admission”	admission of the New Ordinary Shares to the Official List;
“Admission to Trading”	admission of the New Ordinary Shares to trading on the London Stock Exchange;
“Application Form”	the application form issued to Qualifying Shareholders in connection with the Open Offer;
“App Tap”	The App Tap Limited;
“Board” or “Directors”	the directors of the Company as at the date of this document;
“Collins Stewart”	Collins Stewart Limited;
“Company” or “Redbus Interhouse”	Redbus Interhouse PLC;
“CREST”	the relevant system (as defined in the Uncertificated Securities Regulations 1995) in respect of which CRESTCo Limited is the operator;
“Exchange Act”	the US Securities and Exchange Act of 1934, as amended;
“Executive Option Scheme”	The Redbus Interhouse Unapproved Executive Share Option Scheme 2000;
“Existing Ordinary Shares”	the 120,219,383 Ordinary Shares in issue at the date of this document;
“Issue Price”	280p per New Ordinary Share;
“London Stock Exchange”	London Stock Exchange plc;
“Listing Rules”	the listing rules of the UK Listing Authority;
“New Ordinary Shares”	the 30,054,845 new Ordinary Shares to be issued pursuant to the Placing and Open Offer;
“Official List”	the Official List of the UK Listing Authority;
“Open Offer”	the invitation by Collins Stewart on behalf of the Company to Qualifying Shareholders to apply for New Ordinary Shares on the terms and subject to the conditions set out in Part II of this document and in the Application Form;
“Open Offer Shares”	up to 30,054,845 of the New Ordinary Shares to be offered pursuant to the Open Offer;
“Optionholders”	the holders of options to subscribe for Ordinary Shares under the Option Schemes;
“Option Schemes”	the UK Scheme, the US Stock Plan, the Redbus Interhouse Limited Unapproved Option Scheme and individual option grants and the Executive Option Scheme;
“Ordinary Shares”	ordinary shares of 1p each in the capital of the Company;

"Placing"	the placing by Collins Stewart of the Placing Shares in accordance with the Placing Agreement;
"Placing Agreement"	the conditional agreement relating to the Placing and Open Offer dated 19 September 2000 between the Company (1) and Collins Stewart (2) details of which are set out in paragraph 10 of Part VI of this document;
"Placing Shares"	the New Ordinary Shares which are the subject of the Placing, 17,250,000 of which are being placed firm and 12,804,845 of which are being conditionally placed subject to clawback to meet valid applications under the Open Offer;
"QIBs"	qualified institutional buyers as defined in Rule 144A under the Securities Act;
"Qualifying Shareholders"	Shareholders on the register of members of the Company on the Record Date other than certain overseas shareholders as described in Part II of this document;
"Receiving Agents" or "Registrar"	Capita IRG Plc of Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ;
"Record Date"	the close of business on 12 September 2000;
"Redbus Interhouse Group" or "Group"	Redbus Interhouse and its subsidiaries as at the date of this document;
"Redbus Interhouse Limited Scheme"	the Redbus Interhouse Limited Unapproved Share Option Scheme;
"Redbus Interhouse (UK) Limited"	formerly known as Redbus Interhouse Limited
"Securities Act"	the US Securities Act of 1933, as amended;
"Shareholders"	holders of Ordinary Shares;
"UK Listing Authority"	the Financial Services Authority acting in its capacity as the competent authority for the purposes of Part IV of the Financial Services Act 1986
"UK Scheme"	the United Uniform Services 1990 Executive Share Option Scheme;
"United Kingdom" or "UK"	the United Kingdom of Great Britain and Northern Ireland;
"United States" or "US"	the United States of America, its territories, any state of the United States of America and the District of Columbia;
"US Stock Plan"	the United Uniform Services 1990 Stock Option Plan.

GLOSSARY

The following are terms used in relation to neutral Internet colocation solutions:

"Application Service Provider" or "ASP"	a provider of application services through an IP based interface
"e-commerce"	electronic commerce, including the electronic conclusion of transactions by means of the Internet
"Internet"	an international network linking computers over telecommunications circuits
"Internet Service Provider" or "ISP"	a business that provides access to the Internet as a back-up or dedicated connection to its own network server, which is in turn interconnected with the networks that make up the Internet
"IP"	Internet protocol, governing the software requirements for the transfer of information over the Internet to enable the information to be available to a variety of types of computer operating system
"the LINX"	the London Internet Exchange, a not-for-profit company limited by guarantee whose members are ISPs providing a physical interconnection for them to exchange Internet traffic
"Neutral Internet Colocation Facility" or "NICF"	a facility which offers Internet access to multiple data and voice networks, on a neutral basis
"SME"	small and medium sized enterprises
"Virtual Private Networks"	private networks delivered over a service provider's shared infrastructure
"WAP"	wireless application protocol, governing the software requirements for the access of information over the Internet by way of a mobile handset

DIRECTORS AND ADVISERS

Directors	John Porter <i>Executive Chairman</i> Cliff Stanford <i>Executive Deputy Chairman</i> Kevin Neal <i>Managing Director</i> Carl Fry <i>Finance Director</i> Alex Bligh <i>Non-executive</i> Paul Dumond <i>Non-executive</i> James Morton <i>Non-executive</i> Tony Simkin <i>Non-executive</i>
Company Secretary	Paul Dumond
Registered Office	Masters House 107 Hammersmith Road London W14 0QH
Sponsor, Stockbroker and Financial Adviser to the Company	Collins Stewart Limited 21 New Street, Bishopsgate London EC2M 4HR
Reporting Accountants to the Company	RSM Robson Rhodes 186 City Road London EC1V 2NU
Registered Auditors to the Company	Arthur Andersen 1 Surrey Court London WC2R 2PS
Solicitors to the Company	Ashurst Morris Crisp Broadwalk House 5 Appold Street London EC2A 2HA
Solicitors to the Sponsor	Norton Rose Kempson House Camomile Street London EC3A 7AN
Principal Bankers to the Company	National Westminster Bank PLC Holborn Circus PO Box No 204 No 1 Hatton Garden London EC1P 1DU
Registrars	Capita IRG Plc Balfour House 390/398 High Road Ilford Essex IG1 1NQ

EXPECTED TIMETABLE

Record Date	12 September 2000
Latest time and date for splitting of Application Forms (to satisfy <i>bona fide</i> market claims only)	3.00 pm on 9 October 2000
Latest time and date for receipt of Application Forms and payment in full under the Open Offer	3.00 pm on 11 October 2000
Dealings expected to commence in the New Ordinary Shares and CREST member accounts credited	8.00 am on 17 October 2000
Definitive certificates for New Ordinary Shares dispatched	24 October 2000

ISSUE STATISTICS

Issue Price	280p
Number of Ordinary Shares in issue prior to the Placing and Open Offer	120,219,383
Number of New Ordinary Shares proposed to be issued in connection with the Placing and Open Offer	30,054,845
Number of Ordinary Shares in issue following completion of the Placing and Open Offer	150,274,228
Market capitalisation of the Company at the Issue Price following completion of the Placing and Open Offer	£420.8 million
Proceeds from the Placing and Open Offer (net of expenses)	£82.0 million

Note:

References throughout this document to the number of Ordinary Shares in issue following completion of the Placing and Open Offer do not include any Ordinary Shares arising from the exercise of outstanding options.

PART I

LETTER FROM THE CHAIRMAN

REDBUS INTERHOUSE PLC

(Incorporated and registered in England and Wales under number 153088)

Directors:

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

Registered Office:

Masters House
107 Hammersmith Road
London W14 0QH

19 September 2000

To Shareholders and, for information only, to Optionholders.

Dear Shareholder

Placing and Open Offer and Interim Results

Introduction

Your Board announced today that Redbus Interhouse is raising approximately £82.0 million, net of expenses, by way of a Placing and Open Offer of New Ordinary Shares at the Issue Price of 280p per New Ordinary Share. The Placing and Open Offer has been fully underwritten by Collins Stewart.

The purpose of this document is to provide Shareholders with details of the Placing and Open Offer and to explain the reasons for this fundraising.

In addition, the interim results of the Company for the three months ended 30 June 2000 were announced by your Board today and are set out in Part III of this document.

Background to and reasons for the Placing and Open Offer

Redbus Interhouse is establishing a network of Neutral Internet Colocation Facilities across Europe. Redbus Interhouse's NICF solutions provide ISPs, Internet-based businesses and communication carriers with the ability to rapidly deploy their services over leading IP and voice networks, as well as next generation networks and protocols, such as satellite networks and WAP. As a carrier-independent colocation provider, Redbus Interhouse provides its customers with access to a range of data or communications network providers so that they can choose the service that best suits their needs.

Redbus Interhouse allows customers to outsource their mission-critical data centre, hosting and network operations so that they are able to focus on their core business. Redbus Interhouse's NICF solutions provide customers with flexible network access facilities, without the customers incurring capital-intensive network infrastructure investment. It also reduces customers' exposure to the associated technological risks arising from rapidly changing network technologies and changing relationships between telecommunication companies and ISPs.

Redbus Interhouse's customers consist of telecommunications companies, ISPs, e-commerce businesses, ASPs, web hosters and corporate customers, from SME to blue-chip companies. Redbus Interhouse's colocation service offering to all of its customers incorporates certain added value services as standard with revenues for such services built into contracted rates thereby already significantly enhancing revenues from basic colocation. Additional internet-related services are also offered and as the business develops the Directors expect the proportion of Redbus Interhouse's customers requiring such additional services to increase.

In July of this year, the Company announced an investment in App Tap, a UK-based Internet Application Service Provider, which offers server hosting services including network availability and performance monitoring, domain name hosting and firewall and security support. Redbus Interhouse will seek to offer the additional services required by its evolving customer base through a combination of internal development, strategic partnerships or acquisitions.

As stated in the prospectus issued by the Company in relation to its fundraising of approximately £20 million (net of expenses) in April of this year, the funds available to Redbus Interhouse were expected by the Directors to be sufficient to establish and maintain at least eight sites within the two year period commencing from the date of admission of Ordinary Shares issued in connection with that fundraising.

Redbus Interhouse's two existing operational facilities, based in London and Paris, are both experiencing a strong level of growth in utilisation and are both expected by the Board to be fully utilised by the end of this year. In addition, the Company has either commenced fit-out of or agreed lease terms, subject to contract, for a further 7 facilities.

As a result of both the strong demand that is being experienced for the Company's NICFs and the pace at which competitors are developing their own facilities, the Directors believe it is appropriate to accelerate its NICF deployment programme. In order to deploy NICFs on an accelerated basis, the Company requires the proceeds of the Placing and Open Offer so as to be able to enter into leases and fit-out of a greater number of sites within a shorter period than was previously envisaged. Details of the intended application of the net proceeds of the Placing and Open Offer are set out in the paragraph below headed "Use of Proceeds".

Redbus Interhouse's management have identified a minimum of 20 European locations that it believes would support a Redbus Interhouse NICF in the near future. In addition, due to the anticipated strength of demand for NICFs across Europe, Redbus Interhouse intends to deploy larger facilities than previously envisaged. The deployment of Redbus Interhouse's NICFs is intended to provide a network of high-specification facilities across Europe.

Further details of (i) the Company's updated business development strategy, and (ii) progress at the Company's facilities, along with further information on Redbus Interhouse and its marketplace, is set out in the following sections.

Business Development and Prospects

The key elements of the Company's business development strategy are as follows:

- **Establish Pan European coverage:** Redbus Interhouse intends to deploy NICFs across Europe in major commercial centres. Redbus Interhouse plans to have 13 facilities operational by the end of 2001 and 21 by the end of 2002. Details of the 9 sites which the Company now has in operation, commenced build-out of or agreed lease terms, subject to contract, for are set out in the paragraph below headed "Facilities". A further 11 locations have been identified by Redbus Interhouse's management as suitable for development as a Redbus Interhouse NICF in the near future, with site selection underway in Dublin, Geneva, Paris II and Amsterdam.
- **Expand customer base:** As the adoption of the Internet by businesses continues to grow the Directors believe that the addressable customer base for Internet infrastructure and related services will increase. Redbus Interhouse markets its services to two segments:
 - (i) customers with larger server and data housing requirements, such as ISPs, telecommunications companies and web hosting companies; and
 - (ii) a wider target audience with smaller space requirements which includes ASPs, e-commerce businesses and corporate customers.
- **Provide flexible solutions:** Redbus Interhouse's network colocation solutions are flexible and easily scaleable with customers able to contract for a minimum period of only one month. However, demand from larger customers has become much greater than previously anticipated by the Board, and Redbus Interhouse has entered into longer contracts, of up to 10 years, with a number of such customers to allow them to secure their space requirements. This segment of larger customers is leading to the prospect of a number of multi-site agreements.

- **Increase services offered:** As Redbus Interhouse's customer base evolves, the Company intends to expand the service it offers its customers through internal development, partnerships or acquisitions. In addition, Redbus Interhouse intends to further develop its service offering in order to add value to its customers, including the addition of the following services:
 - network monitoring;
 - remote data storage and back-up;
 - firewalls and other related security services;
 - wide-area network and local-area network interconnectivity services; and
 - software consultancy.

Given the intended deployment plan and the strong demand expected for Redbus Interhouse's services across its sites, the Directors expect Redbus Interhouse to experience strong revenue growth.

In the event that demand for Redbus Interhouse's services exceeds management targets anticipated in the updated business development strategy, and/or the Company decides that the planned deployment schedule should be accelerated further, additional funding alternatives will be reviewed.

Facilities

The following table sets out the Company's existing operational facilities along with those sites that are currently being fitted out or which the Company has agreed lease terms in respect of:

<i>Existing NICFs</i>	<i>Date of lease signing</i>	<i>First sales made</i>	<i>Gross leased space (sq.ft.)</i>
London I	Jan 1999	July 1999	36,712
Paris	July 1999	August 2000	43,587
			<u>80,299</u>
<i>Facilities in build-out</i>	<i>Date of lease signing</i>	<i>Build-out commenced</i>	<i>Gross leased space (sq.ft.)</i>
Milan	July 2000	July 2000	26,913
Madrid	July 2000	September 2000	43,060
Frankfurt	August 2000	September 2000	59,208
London II ⁽¹⁾	September 2000	September 2000	23,650
			<u>152,831</u>
<i>Lease terms agreed subject to contract</i>		<i>Build-out expected to commence</i>	<i>Gross leased space (sq.ft.)</i>
London III		January 2001	90,426
Prague		January 2001	43,500
Luxembourg		February 2001	85,044
			<u>218,970</u>
Total			<u><u>452,100</u></u>

(1) preliminary stage of build-out commenced, with exchange of signed leases expected imminently.

Further details of the leases entered into by the Company are set out in paragraph 5 of Part VI of this document.

As previously mentioned, the Company's two existing operational NICFs are progressing rapidly towards full utilisation. As at 31 August 2000, approximately 92 per cent. of the available gross data centre space at the London facility has been sold and more than 80 per cent. of the available gross data centre space at the Paris facility has been sold or allocated to customers subject to

contract. Based on the gross data centre space sold or allocated to customers subject to contract as at 31 August 2000, these facilities would be generating an annualised turnover of approximately £10 million. The Directors expect these facilities to be both profitable and fully utilised by the end of this year.

Redbus Interhouse now has a roll-out team consisting of 16 employees responsible for all aspects of the facility deployment programme from site identification through to project management of the fit-out of new NICFs. It is now envisaged that Redbus Interhouse's facility deployment team will commence the build-out of two facilities every three months, as opposed to the three every six months envisaged at the time of the previous fundraising.

Redbus Interhouse's London facility, located close to the original LINX site in Docklands, became the first advanced expansion site for the LINX, the exchange through which the vast majority of UK Internet inter-provider traffic passes. Where possible Redbus Interhouse will seek to locate sites in other European centres so as to obtain expansion site status for the predominant internet exchange in each centre.

Having taken into account the strong level of demand that has developed in recent months for space at the Company's existing facilities, Redbus Interhouse has revised its deployment plan so that now it is to be based on a "generic" new facility with a gross leased space area of 50,000 square feet being built-out for a total cost of approximately £6 million, as opposed to a 25,000 square feet data centre with a total cost of approximately £3.5 million.

It is envisaged that a generic facility will be operational within five months of the commencement of build-out and will reach full utilisation within 18 months of commencement of operation, at which point it is expected to be generating revenues of approximately £10 million.

It is expected that a generic new facility will reach break-even utilisation levels within the first year of operation, following which it should generate significant margins. In addition to depreciation of facilities' build-out costs, the principal expenses incurred at a facility will consist of rent and salaries.

Redbus Interhouse will consider partnerships and/or joint ventures to assist in the roll-out of further NICFs and services in certain locations where it is deemed appropriate.

Market Background and Competitors

The Directors believe that the market for Redbus Interhouse's services will expand rapidly over the next few years, driven by a number of factors including:

- continuing growth in Internet usage and e-commerce;
- increasing requirements for high quality, resilient server housing facilities;
- e-commerce activities becoming an increasingly essential part of many businesses;
- convergence of traditional telecommunications with IP networks;
- the growth of Virtual Private Networks, offering an alternative to leased private lines for the secure transmission of corporate data; and
- the proliferation of communication services providers and ISPs requiring access to bandwidth without being dependent on any one telecommunications network provider.

A recent independent report by media and technology consultants, The Phillips Group, forecast that the European internet colocation market would grow to revenues of US\$5.4 billion by the end of 2001 from less than US\$1.0 billion at the beginning of 2000. These expected market developments provide the Directors with confidence that demand for NICF services will increase from the already encouraging levels experienced to date.

The European colocation market in which Redbus Interhouse operates contains a number of competitors and the Directors expect competition to increase. The Directors expect competition for colocation services to come from:

- other emerging European providers of carrier-independent colocation facilities;
- carrier-dependent colocation providers;

- large telecommunications companies and Internet Service Providers;
- US carrier-independent colocation companies, some of whom have announced their intention to roll-out facilities across Europe; and
- systems integration companies and other Internet and systems engineering service providers entering the market for the provision of Internet infrastructure.

Competitive Advantages

Neutrality

Neutral colocation facilities offer Internet and communication services providers the ability to locate their operations beyond their immediate network reach and capacity capabilities, without being dependent on potentially competing communication network providers.

Network Effect

The Directors believe that Redbus Interhouse's ability to provide a network of NICFs across Europe, enabling leading communications businesses to deploy their own European expansion footprint, will be a major factor to such businesses deciding to choose Redbus Interhouse as their NICF provider in Europe.

Service Offering

The Directors believe that Redbus Interhouse's services incorporate a market leading level of facility specification, and that this has proved key to attracting a number of its high quality customers.

The Company currently employs 13 and 11 engineers at its London and Paris NICFs respectively, to provide customers with their free "intelligent hands" time, as well as network access equipment commissioning and additional support services, as required. All of Redbus Interhouse's engineers are required to train for Microsoft certification. Redbus Interhouse intends to further expand services offered to meet the demands of its evolving customer base.

Customer base

Redbus Interhouse has established business relationships with some of the leading companies in the Internet and telecommunications sectors. Customers at its existing facilities total approximately 100 and include ISPs, such as Abovenet, INS, Concentric, Carrier 1, Level 3, Easynet, Verio and Claranet; telecommunication companies, such as Energis, AT&T, Fibrenet, IDN, BT, Colt, Level 3 and Global 1; and ASPs, such as Equinox, IP centre and App Tap.

The Directors believe that Redbus Interhouse's current customer base gives it an important advantage in expanding its operations across Europe and expect several of them to become customers of its new NICFs. The Directors also believe that new customers will be attracted to Redbus Interhouse's NICFs in order to locate equipment near existing customers to facilitate interconnection and trading between them.

Management

A key strength of Redbus Interhouse is the experience of Redbus Interhouse's management in having run Internet and technology businesses. This first hand experience in operating substantial Internet businesses has been utilised in developing the model for Redbus Interhouse's facilities and services.

Current Trading and Prospects

As described in more detail in the statement accompanying the interim results for the three months ended 30 June 2000 set out in Part III of this document, your Board is pleased with the progress the Group has made so far this year and remains optimistic about its continued development.

Further financial information on Redbus Interhouse is set out in Part IV of this document.

Use of proceeds

The Placing and Open Offer will raise approximately £82.0 million, net of expenses, for the Company, and, along with the Group's existing cash resources of approximately £19 million, will be used to fund the Group's working capital requirements and planned capital expenditure

involved with the roll-out of further NICFs. Capital expenditure is expected to amount to £14 million during the remainder of 2000, £50 million in 2001 and £57 million in 2002. The Directors believe that Redbus Interhouse's funding requirements over the two year period following Admission will be met, under current estimates, from the net proceeds of the Placing and Open Offer together with its existing cash resources and the cash generated by its operations. Until the Company uses the net proceeds of the Placing and Open Offer for a particular purpose, it intends to invest such proceeds in short-term interest bearing securities or deposits.

Placing and Open Offer

The Company proposes to raise approximately £82.0 million, net of expenses, pursuant to the Placing and Open Offer to fund the expansion of Redbus Interhouse's operations as described above.

Collins Stewart has agreed on behalf of the Company to invite applications from Qualifying Shareholders to subscribe for the Open Offer Shares at the Issue Price of 280p per share. Qualifying Shareholders are being offered the opportunity to participate on the following basis:

1 Open Offer Share for every 4 Existing Ordinary Shares

held by them at the close of business on the Record Date and so in proportion for any other greater or lesser number of Ordinary Shares then held, rounded down to the nearest whole number of Open Offer Shares.

Qualifying Shareholders may apply for any number of Open Offer Shares up to their maximum *pro rata* allocation as set out on their Application Form. Valid applications will be satisfied in full. To be valid, completed Application Forms and payment in full must be received by 3.00 pm on 11 October 2000. Fractions of Open Offer Shares will be disregarded for the purposes of calculating Qualifying Shareholders' maximum entitlements under the Open Offer and such fractions will be aggregated and allotted under the Placing for the benefit of the Company.

Certain Shareholders have given irrevocable undertakings not to take up all of their entitlements under the Open Offer amounting to, in aggregate, 17,250,000 New Ordinary Shares. These 17,250,000 New Ordinary Shares will be placed firm by Collins Stewart to institutional and other investors at the Issue Price. The remainder of the New Ordinary Shares will be conditionally placed by Collins Stewart with investors, at the Issue Price, subject to recall of the New Ordinary Shares to satisfy valid applications by Qualifying Shareholders under the Open Offer. The Placing Shares have not been marketed or made available in whole or in part to the public other than in relation to the Open Offer.

To the extent that Collins Stewart does not procure places for the Placing Shares and such Placing Shares are not recalled pursuant to the Open Offer, Collins Stewart will itself subscribe for such New Ordinary Shares.

The New Ordinary Shares will, following Admission, rank *pari passu* in all respects with the Existing Ordinary Shares, including the right to receive in full all dividends declared.

The Placing and Open Offer are conditional, *inter alia*, on the Placing Agreement becoming unconditional and not being terminated in accordance with its terms and Admission becoming effective not later than 8.00 am on 17 October 2000 or such later date as the Company and Collins Stewart may agree (being not later than 8.00 am on 24 October 2000).

Long-term Investment Plan

It is currently planned that a long-term investment plan which would provide cash benefits to employees of the Company linked to performance will be proposed for adoption at the Company's forthcoming annual general meeting. Full details of the proposed plan will be set out in a letter accompanying the notice of annual general meeting.

Corporate Governance

The Directors recognise the value of the Principles of Good Governance and the Code of Best Practice contained in the Listing Rules (the "Combined Code") and will continue to take appropriate measures to ensure that the Group complies with the Combined Code to the extent they consider appropriate for a group of its type and size.

Dividend Policy

The Board does not expect to declare a dividend on the Ordinary Shares in respect of the period ending 31 December 2000. Cashflow generated from operations will be utilised in funding the development of the Group's activities.

Risk Factors

Investors should consider carefully all of the information set out in this document and the risks attaching to an investment in the Group, including in particular those risks described below, before making an investment decision.

Factors relating to Redbus Interhouse's Business and Strategy

Rapidly changing market environment

The market in which Redbus Interhouse operates is characterised by rapidly changing client requirements, and evolving technologies and industry standards. If Redbus Interhouse fails to keep pace with these changes, its business could suffer. The Group therefore needs to continue to develop strategic business solutions and methodologies that keep pace with continuing changes in industry standards, information technology and client requirements.

Competition

The Board intends to continue to invest and develop competitive, market-leading, NICFs. However, the Internet and telecommunications services sectors are becoming increasingly competitive. It is likely that competition in the NICF sub-sector will increase in the same way as new entrants or existing players, not currently offering neutral facilities, enter the NICF market. As a result, the Group may face increasing competition.

Price competition

Once a facility is built and staffed, the marginal cost of providing colocation space to a customer is relatively low. Therefore, where there is more than one colocation facility in a metropolitan area which will typically be the case, unless market demand for colocation services grows faster than the provision of colocation facilities there is likely to be price competition.

Key personnel

The Group's ability to grow and increase its market share largely depends on the ability to hire, train, retain and manage highly skilled employees, including technical, and sales and marketing personnel. There is significant competition for personnel who are qualified to perform the services the Group provides. Details of the service agreements in relation to the executive Directors, are set out in paragraph 8.1 of Part VI of this document.

Limited operating history and expectation of continuing operating losses

Redbus Interhouse has a short financial history operating in the NICF sector following the acquisition of Redbus Interhouse Limited. Redbus Interhouse Limited also had a short financial history and had incurred net losses and experienced negative cash flow from operations since inception. The Directors expect the Group to continue to operate at a net loss and experience negative operating cash flow at least through the rest of the current year and a substantial part of the next financial year. The Group's ability to achieve profitability and positive cash flow from operations is dependent upon its ability to substantially grow its revenue base.

Fluctuation and possible decline of results

The Group's operating results may fluctuate significantly in the future due to a variety of factors, including the following:

- the timing of deployment and expansion of its network of NICFs;
- the incurring of capital costs related to expansion of the number and size of facilities;
- the introduction of new services by the Group and its competitors;
- the pricing and mix of services offered by the Group;
- the Group's customer retention rate;

- market acceptance of new and enhanced versions of services offered;
- changes in pricing policies by competitors; and
- the ability to manage potential growth and expansion.

Variations in the timing and amounts of revenues due to these factors could have a material adverse effect on operating results. Period-to-period comparisons of historic operating results cannot be relied upon as indicators of future performance. However, if operating results in any future period fall below the expectations of securities analysts and investors, the market price of the Company's securities may decline.

Utilisation of NICFs

The Group's operating results may be significantly affected if it experiences difficulties attracting customers to utilise Redbus Interhouse's NICFs at the take up rate the Board expects.

Protection and maintenance of customers' network operations

Redbus Interhouse uses a variety of methods and technologies to protect and maintain its customers' network operations. However, if any compromise to such protection or maintenance or any breach of security were to occur, it could have a material adverse effect on the Group's reputation and expose it to a resulting loss of revenue and possible legal liability.

The strategy of international expansion may fail

Although Redbus Interhouse's strategy calls for the expansion of services to international markets, it may not be successful in these markets. Redbus Interhouse may not be able to deploy its facilities successfully given less developed technological infrastructures and different regulatory requirements abroad. Furthermore, managing foreign operations from the U.K. and recruiting qualified local personnel, along with local competition, may present difficulties.

Growth of Redbus Interhouse's user base and operations may strain managerial, operational, financial and information systems resources.

Continued growth may cause a significant strain on existing managerial, operational, financial and information systems resources. To minimise the risk of such a strain occurring, the Group will need to:

- hire, train and manage additional employees;
- improve information systems; and
- undertake significant amounts of capital expenditure.

Need to locate and secure suitable sites

Redbus Interhouse needs sites that have specific infrastructure characteristics such as access to multiple telecommunications carriers, a significant and reliable supply of electrical power, high ceilings and the capability for heavy floor loading. In many markets, the supply of facilities with these characteristics is limited and is in high demand. Given the roll-out plans of Redbus Interhouse's competitors, the competition to secure suitable sites in the major European cities is expected to increase significantly. In addition, the completion of lease transactions requires timely and successful negotiations with landlords. Redbus Interhouse's ability to secure leases rapidly may be affected by its limited trading record which may deter potential landlords. In addition, as Redbus Interhouse's premises are all leased, if it is unable to renew the leases of its premises or is unable to renew them on commercially acceptable terms, this will have a material adverse effect on its results.

Dependence on third parties to provide network connections

Redbus Interhouse needs a variety of network connections to its NICFs from local and long distance carriers in order to be attractive to prospective customers. Redbus Interhouse needs to secure relationships with third party network providers and carriers to offer its customers a choice of cost-effective access options to networks. Carriers are likely to evaluate the revenue opportunity of one of Redbus Interhouse's NICFs based upon their estimates of demand. Many of these carriers have their own colocation facilities which are in competition with Redbus Interhouse. These

carriers may therefore, in time, be reluctant to provide network services at Redbus Interhouse's NICFs or may require Redbus Interhouse to pay to obtain these network services. As a result, carriers may elect not to connect their services to Redbus Interhouse's NICFs. If sufficient carriers do not connect to each NICF, the results at that NICF will be materially adversely affected.

Construction technicalities

The construction required to connect multiple carriers to Redbus Interhouse's NICFs is complex and involves factors outside Redbus Interhouse's control, including the availability of local building permits, regulatory processes and the availability of construction resources and equipment. Therefore, there may be delays in obtaining access to multiple network connections at some of Redbus Interhouse's NICFs. Any such delays may have a material adverse effect on Redbus Interhouse's results.

Factors relating to the Placing and Open Offer

Volatility of share price

International stock markets have from time to time experienced significant price and volume fluctuations that affect the market prices for securities, in particular those of Internet (or Internet-related) companies. These fluctuations are likely to recur so that fluctuations in the price of Ordinary Shares may be unrelated to the Company's operating performance or prospects. General economic, political and market conditions such as recessions and interest and exchange rate fluctuations may materially adversely affect share prices. Furthermore, Redbus Interhouse's operating results and prospects may from time to time be below the expectations of market analysts and investors. Any of these events could result in a material decline in the price of Ordinary Shares.

Lack of dividends for the foreseeable future

For the foreseeable future, Redbus Interhouse intends to retain any future earnings to expand the growth and development of its business, including the roll-out of its NICFs and other potential investments, and therefore the Company does not anticipate paying dividends for such period.

Redbus Interhouse may need additional capital in the future

The Directors believe that Redbus Interhouse's funding requirements over a two year period following Admission will be met, under current estimates, from the net proceeds of the Placing and Open Offer, together with cash generated by its operations. In addition, the Group will have, following the Placing and Open Offer, no debt-financing facility in place and any additional capital is likely to be sought initially through debt-financing. Any such debt-financing, if available, may involve restrictions on future financing and operating activities.

However, the nature of Redbus Interhouse's business and business strategy is dependent upon reaction to rapid changes in market conditions. Redbus Interhouse's capital requirements are dependent on numerous factors, including the rate of market acceptance of its services and its ability to maintain and expand its network of facilities. Accordingly, although the Directors currently believe that there will be no such need for any additional equity capital in the two year period, it is possible that market conditions may result in the Directors deciding to accelerate the Company's programme or to expand its facilities, and that may result in the costs exceeding those currently projected. In those circumstances, if capital requirements vary materially from those planned, the Group may require additional financing sooner than anticipated and, although the Directors currently initially intend to rely on debt-financing, it is possible that further equity financing will be required within such period.

A statement by the Company that in its opinion the working capital available to the Group is sufficient for its present requirements is set out in paragraph 13 of Part VI of this document.

Overseas Shareholders

Information for holders of Ordinary Shares who have registered addresses outside the United Kingdom, or who are citizens or residents of countries other than the United Kingdom, appears in Part II of this document, which sets out the restrictions applicable to such Shareholders.

Taxation

Information regarding UK taxation with regards to the Placing and Open Offer is set out in paragraph 17 of Part VI of this document. If you are in any doubt as to your tax position, you should contact your professional adviser immediately.

Application Form

Qualifying Shareholders who wish to apply for Open Offer Shares under the Open Offer should follow the instructions on the Application Form accompanying this document which should be returned together with their application monies, so as to be received by Capita IRG Plc, New Issues Department, as soon as possible but in any event no later than 3.00 pm on 11 October 2000. The attention of Qualifying Shareholders who have registered addresses outside the UK, or who are residents of countries other than the UK, is drawn to the paragraph headed "Overseas Shareholders" in Part II of this document.

Qualifying Shareholders who are CREST sponsored members should refer to their CREST sponsor regarding the action to be taken in connection with this document and the Open Offer.

Further Information

Your attention is drawn to the additional information set out in Parts II to VI of this document.

Yours sincerely

John Porter
Executive Chairman

PART II

OPEN OFFER LETTER FROM COLLINS STEWART

COLLINS ♦ STEWART LTD

REGISTERED OFFICE: 21 NEW STREET · BISHOPSGATE · LONDON EC2M 4HR AND REGISTERED NUMBER: 1774003

(Regulated by The Securities and Futures Authority Limited)

To Qualifying Shareholders and, for information only, to Optionholders.

19 September 2000

Dear Sir

Placing and Open Offer of 30,054,845 New Ordinary Shares at 280p per share

1. Introduction

Your Chairman has explained in his letter set out in Part I of this document details of the Placing and Open Offer of 30,054,845 New Ordinary Shares to raise approximately £82.0 million (net of expenses) in order to fund the expansion of Redbus Interhouse's operations. Qualifying Shareholders are being given the opportunity to apply for, in aggregate, 30,054,845 Open Offer Shares at the Issue Price under the Open Offer. This letter, together with the accompanying Application Form, contains the formal terms and conditions of the Open Offer.

Certain Shareholders have given undertakings not to take up any of their entitlements under the Open Offer amounting to, in aggregate, 17,250,000 New Ordinary Shares and Collins Stewart has, subject to the terms of the Placing Agreement, agreed to procure placees, being institutional and other investors, for these New Ordinary Shares, along with the remaining 12,804,845 New Ordinary Shares at 280p per share, the latter being subject to recall to satisfy valid applications by Qualifying Shareholders under the Open Offer.

The Placing and Open Offer is fully underwritten by Collins Stewart.

2. Terms and conditions of the Open Offer

Subject to the terms and conditions set out in this letter and in the Application Form, Collins Stewart, as agent for the Company, hereby invites applications from Qualifying Shareholders to subscribe for the Open Offer Shares at a price of 280p per share payable in full in cash on application, free from all commissions and expenses.

Qualifying Shareholders may apply for any whole number of Open Offer Shares up to their maximum *pro rata* entitlement as set out in the Application Form, calculated on the following basis:

1 Open Offer Share for every 4 Existing Ordinary Shares

held by Qualifying Shareholders and registered in their names on the Record Date and so in proportion for any other number of Existing Ordinary Shares then held by them rounded down to the nearest whole number of Open Offer Shares.

Fractional entitlements for the Open Offer Shares will not be allotted to Qualifying Shareholders under the Open Offer but will be aggregated and allotted to placees under the Placing with the proceeds being retained for the benefit of the Company.

Qualifying Shareholders may apply to subscribe for less than their *pro rata* entitlement to Open Offer Shares if they so wish. If Qualifying Shareholders apply for Open Offer Shares in excess of their maximum entitlement they will be deemed to have applied only for their maximum entitlement.

The Open Offer is not a rights issue. Open Offer Shares not applied for under the Open Offer will not be sold in the market for the benefit of those who do not apply for them under the Open Offer. The Application Form is not a document of title and can not be traded. Any Open Offer Shares which are not applied for under the Open Offer will be taken up by placees in accordance with their commitments under the Placing or, to the extent that such placees do not subscribe pursuant to their commitments, by Collins Stewart.

The Placing and Open Offer are subject to satisfaction of, *inter alia*, all of the following conditions by not later than 17 October 2000 or such later date, not being later than 24 October 2000, as the Company and Collins Stewart may agree:

- (i) the Placing Agreement having become unconditional (save for Admission) and not having been terminated in accordance with its terms; and
- (ii) Admission and Admission to Trading has occurred.

Details of the Placing Agreement are set out in paragraph 10 of Part VI, of this document.

The Open Offer Shares will, when allotted, be fully paid, and will rank *pari passu* in all respects with the Existing Ordinary Shares (including the right to receive all dividends and other distributions declared or made or paid after Admission) and will be issued free from all liens, charges and encumbrances.

3. Procedure for Application

The enclosed Application Form shows the number of Existing Ordinary Shares registered in the name of a Qualifying Shareholder on the Record Date and also shows the maximum number of Open Offer Shares for which a Qualifying Shareholder may apply. The instructions and other terms set out in the Application Form constitute part of the terms of the Open Offer. The Application Form is personal to the shareholder(s) named therein. It is not a document of title and may not be split, assigned or transferred other than to satisfy bona fide market claims.

The Application Form may be split to satisfy bona fide market claims up to 3.00 pm on 9 October 2000.

If you are a Qualifying Shareholder and wish to take up your entitlement under the Open Offer, in whole or in part, your Application Form must be completed and returned in accordance with the instructions printed thereon, together with a remittance for the full amount payable on acceptance, by hand or by post to Capita IRG Plc, New Issues Department, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ (the "Receiving Agents") so as to arrive as soon as possible but in any event not later than 3.00 pm on 11 October 2000, after which time, save as set out below, applications will not be accepted. A reply-paid envelope is enclosed. Please allow at least two working days for delivery. Collins Stewart and the Company reserve the right (but shall not be obliged) to accept applications in respect of which remittances are received prior to 3.00 pm on 11 October 2000 from an authorised person (as defined in the Financial Services Act 1986) specifying the Open Offer Shares concerned and undertaking to lodge the relevant Application Form in due course. Applications will be irrevocable and will not be acknowledged and receipts will not be issued for amounts paid on application. The Company reserves the right (but shall not be obliged) to accept applications in respect of which Application Forms together with remittances are received through the post after 3.00 pm on 11 October 2000 only if the cover bears a legible postmark not later than 3.00 pm on 11 October 2000. Collins Stewart and the Company also reserve the right (but shall not be obliged) to treat any application not strictly complying with the terms and conditions of application as nevertheless valid.

Applications to subscribe for Open Offer Shares may only be made on the enclosed Application Form which is personal to the shareholder named therein and may not be assigned or transferred other than to satisfy bona fide market claims pursuant to the Rules of the London Stock Exchange. If you have recently sold all or part of your holding of Ordinary Shares, you should consult your stockbroker, bank or other agent through whom the sale was effected as soon as possible, since the invitation to subscribe for Open Offer Shares under the Open Offer may represent a benefit which can be claimed from you by the purchaser under the Rules of the London Stock Exchange. In order to facilitate any such claim you are asked to follow the instructions printed on the Application Form, which is not a document of title and which cannot be traded.

Qualifying Shareholders who hold their Ordinary Shares in certificated form will be allotted Open Offer Shares in certificated form. Qualifying CREST Shareholders will be allotted Open Offer Shares in uncertificated form to the extent that their entitlement to the Open Offer Shares arises as a result of them holding Ordinary Shares in uncertificated form if box J on the accompanying Application Form is duly completed. Notwithstanding any other provision of this document, the Company reserves the right to allot and/or issue any Open Offer Shares in certificated form. In normal circumstances this right is only likely to be exercised in the event of any interruption, failure or breakdown of CREST, or any part of CREST, or on the part of the facilities and/or systems operated by the Receiving Agents in connection with CREST. This right may also be exercised if the correct details (such as Member Account ID and Participant ID details) are not provided as requested on the Application Form.

4. Procedure for Payment

Cheques or bankers' drafts should be made payable to "Capita IRG Plc – a/c Redbus Interhouse PLC" and crossed "Account Payee only" and must be drawn in pounds sterling on a bank or building society in the United Kingdom, the Channel Islands or the Isle of Man which is either a settlement member of the Cheque and Credit Clearing Company Limited or the CHAPS and Town Clearing Company Limited or a member of the Committee of Scottish or Belfast Clearing Houses or which has arranged for its cheques or bankers' drafts (as appropriate) to be presented for payment through the clearing facilities provided for the members of either of those companies or committees and must bear the appropriate sort code number in the top right hand corner and must be for the full amount payable on application. The Company reserves the right to reject applications unless these requirements are fulfilled.

The right is reserved to present cheques and bankers' drafts on receipt. If cheques or bankers' drafts are presented for payment before the closing date of the Open Offer, the application monies will be kept in a separate bank account and any interest earned will be retained for the benefit of the Company. Return of the Application Form with the appropriate remittance will constitute a warranty that the remittance will be honoured on first presentation and that, if demanded, verification of identification satisfactory to the Receiving Agents from the person returning the Application Form will be provided to ensure that the Money Laundering Regulations 1993 would not be breached by acceptance of the payment submitted in connection with the Application Form. Qualifying Shareholders should note that applications will be irrevocable and that it is a term of the Open Offer that applicants warrant that cheques and bankers' drafts shall be honoured on first presentation. The Company may reserve the right to treat as invalid any application in respect of which the remittance is not so honoured.

In the event that the Open Offer has not become unconditional by 17 October 2000 (or such later date, being not later than 24 October 2000, as the Company and Collins Stewart may agree) all monies will be returned by crossed cheque (without payment of interest) to applicants sent by post at the Applicants' risk as soon as practicable thereafter.

If you are in any doubt about the action you take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser authorised under the Financial Services Act 1986 immediately.

5. Money Laundering Provisions

It is a term of the Open Offer that where applications with a value of £9,590 or greater (or is one of a series of applications which are linked where the aggregate value exceeds that amount) are made, the verification of identity requirements of the Money Laundering Regulations 1993 (the "Regulations") will apply.

The Receiving Agents are entitled to require, at their absolute discretion, verification of identity from any person lodging an Application Form (the "Applicant"), including, without limitation, any person who either (i) tenders payment by way of a cheque or banker's draft drawn on an account in the name of a person or persons other than the Applicant or (ii) appears to the Receiving Agents to be acting on behalf of some other person. Submission of an Application Form will constitute a warranty and undertaking by the Applicant to provide promptly to the Receiving

Agents such information as may be specified by it as being required for the purpose of the Regulations. Pending the provision of evidence satisfactory to the Receiving Agents as to identity, the Receiving Agents may in their absolute discretion retain an Application Form lodged by an Applicant and/or the cheque or other remittance relating thereto and/or not enter the Open Offer Shares to which it relates in the register of members or issue any share certificate in respect of them.

The following guidance is provided in order to reduce the likelihood of difficulties, delays and potential rejection of an application (but does not limit the right of the Receiving Agents to require verification of identity as stated above):

- (a) Applicants are urged if possible to make their payment by their own cheque or (where an Application Form has been transferred and/or split to satisfy *bona fide* market claims in relation to transfers through the market prior to 3.00 pm on 9 October 2000) by the cheque of the person named on the Application Form.

If this is not practicable and an Applicant uses a cheque drawn by a building society or other third party or a banker's draft, the Applicant should:

- (i) write the Applicant's name and address on the back of the building society cheque, banker's draft or other third party cheque and, in the case of an individual, record his date of birth against his name; and
 - (ii) if a building society cheque (not being a cheque drawn on an account of the Applicant) or banker's draft is used, ask the building society or bank to endorse on the cheque the full name and account number of the person whose building society or bank account is debited.
- (b) If an Application Form is delivered by hand and the accompanying payment is not the Applicant's own cheque, the Applicant should ensure that he has with him evidence of identity bearing his photograph, for example, a valid full passport.

If you are making an application as agent for one or more persons and you are not a United Kingdom or European Community regulated person or institution, then, irrespective of the value of the application, the Receiving Agents are obliged to take reasonable measures to establish the identity of the person or persons on whose behalf the application is being made. Applicants making such an application as agents should specify on the Application Form if they are a United Kingdom or European Community regulated person or institution (for example, a bank or broker).

If the Receiving Agents determine that the verification of identity requirements apply to any application and the verification of identity requirements have not been satisfied by 3.00 pm on 11 October 2000, the Company may, in its absolute discretion and without prejudice to any other rights of the Company, treat the application as invalid, in which event the monies payable on acceptance of the Open Offer will be returned without interest to the account of the drawee bank or building society from which such monies were originally debited. Subject to the Regulations, the Receiving Agents are entitled in their absolute discretion to determine whether the verification of identity requirements apply to any Applicant or to any person on whose behalf the Receiving Agents consider that an Applicant may be acting and whether such requirements have been satisfied and none of the Receiving Agents, the Company nor Collins Stewart will be liable to any person for any loss suffered or incurred as a result of the exercise of the discretion.

All enquiries in relation to the Application Form should be addressed to the Receiving Agents (telephone number 020 8639 2000).

By lodging an Application Form, each Qualifying Shareholder undertakes to provide such evidence of identity as may be required to ensure compliance with the Regulations. You should bear in mind that, if verification of your identity is required for the purposes of the Regulations and has not been provided by 3.00 pm on 11 October 2000, your application may be treated as invalid. In such circumstances, application monies will be returned by crossed cheque (without interest) sent by post at the Applicant's risk to the bank or building society account from which payment was made.

Application monies will be held in a separate bank account pending fulfilment or waiver of the conditions of the Open Offer. If the conditions of the Open Offer are not fulfilled or waived (as the case may be) on or before 17 October 2000 or such later date as the Company and Collins Stewart may agree (being not later than 24 October 2000), the Open Offer will lapse and all monies will be returned without interest to applicants as soon as possible and in any event within 21 days from that date. All documents or remittances sent by or to an applicant, or as he may direct, will be sent through the post at his own risk.

6. Overseas Shareholders

(a) General

No person receiving a copy of this document and/or the Application Form in any territory other than the United Kingdom may treat the same as constituting an invitation or offer to him, nor should he in any event use such Application Form, unless, in the relevant territory such an invitation or offer could lawfully be made to him or such Application Form could lawfully be used without contravention of any legislation or other local legal or regulatory requirements. Receipt of this document and/or an Application Form does not constitute an invitation or offer to overseas shareholders in any territories in which it would be unlawful to make an invitation or offer and in such circumstances this document and/or Application Form are sent for information only. It is the responsibility of any person receiving a copy of this document and/or an Application Form outside the United Kingdom and wishing to make an application for any Open Offer Shares to satisfy himself as to the full observance of the laws and regulatory requirements of the relevant territory in connection therewith, including obtaining any governmental or other consents which may be required or observing any other formalities to be observed in such territory and paying any issue, transfer or other taxes due in such other territory. The Company reserves the right to treat as invalid any application for Open Offer Shares under the Open Offer if it appears to the Company or its agents that such application or acceptance thereof may involve a breach of the laws or regulations of any jurisdiction or if in respect of such application the Company is not given the relevant warranty concerning overseas jurisdictions set out in the Application Form. Equally, the Company reserves the right to make the Open Offer Shares available to overseas Qualifying Shareholders notwithstanding any statement contained in this document if it is advised to its satisfaction that any such Qualifying Shareholder can properly accept the invitation comprised in the Open Offer without observance by the Company of any requirements which the Company (in its absolute discretion) regards as unduly burdensome. All payments under the Open Offer must be made in pounds sterling.

(b) United States

The New Ordinary Shares have not been and will not be registered under the Securities Act, and may not be offered or sold within the United States or to, or for the account or benefit of, US Persons except in certain transactions exempt from the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

Collins Stewart has agreed that, except as permitted by the Placing Agreement, it will not offer or sell the New Ordinary Shares (i) as part of their distribution at any time or (ii) otherwise until 40 days after the later of the commencement of the Placing and Open Offer and Admission, within the United States or to, or for the account or benefit of, US Persons, and it will have sent to each dealer to which it sells New Ordinary Shares (other than a sale pursuant to Rule 144A) during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the New Ordinary Shares within the United States or to, or for the account or benefit of, US Persons. Terms used in this paragraph have the meanings given to them by Regulation S.

The New Ordinary Shares are being offered and sold outside the United States to non-US Persons in reliance on Regulation S. The Placing Agreement provides that Collins Stewart may directly or through its US broker-dealer affiliates arrange for the offer and resale of New Ordinary Shares within the United States only to QIBs in reliance on Rule 144A.

New Ordinary Shares sold in the United States in the Placing in reliance on Rule 144A (or other available exemptions from the registration requirements under the Securities Act) are not transferable except in accordance with the restrictions described in Part VI of this document, and each purchaser of New Ordinary Shares pursuant to Rule 144A will be deemed to have made certain representations and agreements as described therein.

Until 40 days after the commencement of the Placing and Open Offer, an offer, sale or transfer of New Ordinary Shares within the United States by any dealer (whether or not participating in the Placing and Open Offer) may violate the registration requirements of the Securities Act if such offer, sale or transfer is made otherwise than in accordance with Rule 144A.

(c) Australia

Neither this document nor the Application Form or other offering material in relation to the Open Offer has been or will be distributed, directly in or into Australia nor will it be lodged or registered with the Australian Securities Commission under Australia's Corporation Law. Open Offer Shares are not being offered for subscription or sale and may not be offered, sold or delivered in or into Australia or for the account or benefit of any person or corporation in Australia. No Application Form will be sent to any person or corporation in Australia, including any Qualifying Shareholder with a registered address in Australia.

(d) Japan

The relevant clearances have not been, and will not be, obtained from the Ministry of Finance of Japan and no document in relation to the Open Offer Shares has been or will be lodged with or registered by the Ministry of Finance of Japan and no steps have been taken to enable the Open Offer Shares to be offered, sold, accepted or otherwise delivered in Japan, its territories and possessions and any areas subject to its jurisdiction ("Japan") in compliance with applicable laws of Japan. The Open Offer Shares may not therefore be offered, sold, accepted or otherwise delivered directly, or indirectly, in or into Japan. Accordingly, Application Forms are not being sent to Qualifying Shareholders who have registered addresses in Japan.

(e) South Africa

Qualifying Shareholders resident in South Africa may require the approval of the South African Exchange Control Authorities if they wish to take up their entitlements under the Open Offer.

(f) Republic of Ireland

No document in relation to the Open Offer Shares has been or will be lodged for registration with the Registrar of Companies in the Republic of Ireland. Accordingly, the Open Offer is not being made in the Republic of Ireland and the Application Forms are not being sent to Qualifying Shareholders who have registered addresses in the Republic of Ireland. Envelopes containing Application Forms should not be postmarked in the Republic of Ireland or otherwise dispatched from the Republic of Ireland and all subscribers for Open Offer Shares must provide addresses outside the Republic of Ireland for the delivery of definitive certificates for Open Offer Shares.

7. United Kingdom Taxation

Your attention is drawn to paragraph 17 of Part VI of this document.

If you are in any doubt as to your tax position you should consult your professional advisers immediately.

8. Admission, settlement and dealings

Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List of the UK Listing Authority and for the New Ordinary Shares to be admitted to trading on the London Stock Exchange. It is expected that Admission will become effective on 17 October 2000 and that dealings in the Open Offer Shares will commence on 17 October 2000.

The Existing Ordinary Shares are already admitted to CREST. Accordingly, no further application for admission to CREST is required for the New Ordinary Shares. All of such shares, when issued and fully paid, may be held and transferred by means of CREST.

Subject to the conditions of the Placing and Open Offer being satisfied or waived, all Open Offer Shares to be issued in uncertificated form are expected to be credited to the appropriate CREST Stock Accounts by 17 October 2000, unless the Company exercises the right to issue such Open Offer Shares in certificated form, in which case definitive certificates are expected to be dispatched by post on or before 24 October 2000. Subject as aforesaid, definitive certificates for the Open Offer Shares to be issued in certificated form are expected to be dispatched by post on or before 24 October 2000. No temporary documents of title will be issued. Pending dispatch of definitive share certificates, transfers of Open Offer Shares will be certified against the share register. All documents or remittances sent by or to an applicant (or his agent as appropriate) will be sent through the post at the risk of the applicant. Qualifying CREST Shareholders should note that they will be sent no confirmation of the credit of the Open Offer Shares to their CREST Stock Account nor any other written communication by the Company in respect of the issue of the Open Offer Shares.

All documents or remittances sent by or to a Qualifying Shareholder, or as he or she may otherwise direct, will be sent through the post at their own risk.

Any instructions with regard to payments or notices which have been recorded by the Company or its registrars in respect of Existing Ordinary Shares held by a Qualifying Shareholder will apply to any Open Offer Shares subscribed by such holders under the Open Offer.

9. Further Information

Your attention is drawn to the Further Information set out in Parts III to Parts VI (inclusive) of this document and the terms and conditions set out on the Application Form.

Yours faithfully
for and on behalf of
COLLINS STEWART LIMITED

Kripa Radhakrishnan

PART III

UNAUDITED INTERIM RESULTS FOR THE THREE MONTHS ENDED 30 JUNE 2000 OF REDBUS INTERHOUSE PLC

The following is the text of the Chairman's Statement and the unaudited interim results of Redbus Interhouse PLC for the three months ended 30 June 2000 which was announced today, 19 September 2000.

"Redbus Interhouse is pleased to report on its results for the three months ended 30 June 2000.

Following the completion of the acquisition of Redbus Interhouse Limited and the re-listing of the Company at the beginning of April 2000, excellent progress has been made. The expansion of the Group's business driven by strong customer demand is accelerating at a pace ahead of expectations at the time of re-listing. This enhanced rate of development is expected to continue with a significant increase in the rate of roll out and the size of new sites.

Locations

The Group's strategy is to develop a network of Neutral Internet Colocation Facilities across Europe. Initially, at least 8 sites, including London I and Paris I, were targeted to be operating within 2 years. Leases have now been signed or lease terms agreed subject to contract in relation to 7 new sites, including Frankfurt, Madrid, Milan and London II where build out is either already underway or scheduled to commence before the end of the year and Luxembourg, Prague and London III where build-out is expected to commence in the first quarter of 2001.

In light of this encouraging progress it is now planned to build-out further sites at the rate of 2 per quarter, including facilities in Dublin, Geneva, Paris II and Amsterdam where site selection is underway, so as to have committed to at least 27 planned sites by year end 2002. The new sites are expected to be larger with the gross leased floor area of a generic site now being 50,000 square feet compared with the 25,000 square feet data centres assumed at the time of re-listing. A new 50,000 square feet facility would be expected to produce revenues on full utilisation of approximately £10 million annually and have a build-out cost of approximately £6 million. The operating costs of this larger facility would not increase proportionately due to staffing levels being similar.

In order to provide the Company with additional cash resources to fund this increased rate of roll-out, a placing and open offer raising approximately £82 million after expenses was announced today and a circular containing details of this fundraising has been sent to shareholders.

The Company's existing London I facility is now substantially full, with approximately 92 per cent. of the available gross data centre space sold, and in anticipation of strong demand, two further nearby London sites are to be developed. London II is of similar size to the existing site, but London III is substantially larger. The existing Paris I facility, which was completed in January 2000 is also substantially taken up, with more than 80 per cent. of the available gross data centre space either sold or allocated to customers, pending contract, and consequently a further location in Paris is planned with site identification already underway. This progress has been in conjunction with an increase in customers from 36 in March 2000 to approximately 100 currently. Both of the existing London I and Paris I facilities are expected to become profitable by the end of this year.

The following table summarises the Group's locations by status:

	<i>Gross Leased Space</i> (sq. ft.)
<i>Operational</i>	
1. London I	36,712
2. Paris I	43,587
	<u>80,299</u>
<i>Facilities in build-out</i>	
3. Milan	26,913
4. Madrid	43,060
5. Frankfurt	59,208
6. London II	23,650
	<u>152,831</u>
<i>Lease terms agreed subject to contract</i>	
7. London III	90,426
8. Prague	43,500
9. Luxembourg	85,044
	<u>218,970</u>
Total Gross Square Footage	<u>452,100</u>

(1) preliminary stages of build-out commenced, with exchange of signed leases expected imminently.

Market Demand

Market demand for the Group's services continues to be strong and reinforces the Company's belief in the strong growth potential for the industry across Europe. As already noted, London I and Paris I are well on their way to being fully utilised. A high level of customer interest is evident in the new facilities presently in build-out and where lease terms have been agreed, subject to contract. Demand from larger customers has become much greater than anticipated with such business usually won at pricing levels consistent with standard terms. This new customer base is leading to the prospect of a number of multi-site deals and these customers are also expressing a preference for longer contract periods in order to secure their space requirements.

The marketing of added value services is important to the Group's strategy. Certain added value services are provided to all customers as standard with revenues for such services built into contracted rates thereby already significantly enhancing revenues from basic hosting services. Additional services are also offered and new ones are currently being targeted that are expected to progressively add to revenues. In June 2000 the Company announced the acquisition of a 20 per cent. interest in The App Tap Limited, a UK based ASP which offers server hosting services including network availability and performance monitoring, domain name hosting, and firewall and security support.

Organisation

Following re-listing, the Group has added significantly to its management team and operational staff to augment its infrastructure and support its existing strategy. Recruitment of operational staff will continue as new sites are developed and also to complement the existing sales and support functions.

As previously announced, John Pummell was appointed head of sales and marketing and brought with him considerable experience in information technology. More recently, Carl Fry joined the Company as full-time Finance Director. He has extensive experience at Finance Director level within UK public companies.

Profit and Loss Account

The operating loss before amortisation and goodwill for the three months to 30 June 2000 was £1,326,000. The loss reflects the growth nature of the Group's activities requiring facilities to be established along with their associated cost base in advance of revenue generation. Goodwill amortisation charged in the period amounted to £3,727,000.

No quarterly reporting of the Company's results was required during the year ended 31 March 2000. However, in the comparable period to 30 June 1999 the Group's only income and cash flows were interest and exchange gains and the only costs were administrative expenses, all previous trading operations having been disposed of prior to 31 March 1999.

Balance Sheet

On 5 April 2000, the Company completed a placement of 19,884,034 new ordinary shares, raising approximately £20 million net of expenses to add to its existing cash resources. As at 30 June 2000 the Group's available cash reserves totalled approximately £19 million.

Investment in tangible assets in the quarter, consisting mainly of build-out costs amounted to £2,320,000 which is reflective of the gathering pace of the build-out programme. Debtors of £5,253,000 include cash held in an escrow account of £2,807,000, rent deposits and prepayments of £591,000 and VAT recoverable of £1,020,000. The balance of £835,000 represents trade debtors and reflects the impact of invoicing in advance with the corresponding deferred income included in creditors."

Yours sincerely

John Porter
Executive Chairman

19 September 2000

REDBUS INTERHOUSE PLC
Group Profit and Loss Account
for the 3 months ended 30 June 2000

		<i>3 months ended 30 June 2000 £'000</i>	<i>Year ended 31 March 2000 £'000</i>
	<i>Notes</i>	<i>Unaudited</i>	<i>Audited</i>
Turnover		391	—
Cost of sales		<u>(622)</u>	<u>—</u>
Gross loss		(231)	—
Administrative expenses		<u>(4,822)</u>	<u>(619)</u>
<i>Operating loss</i>			
Continuing operations		(1,326)	(450)
Exceptional items	1	—	(169)
Goodwill amortisation	1	(3,727)	—
Operating loss		<u>(5,053)</u>	<u>(619)</u>
Interest receivable and similar income		<u>347</u>	<u>1,401</u>
(Loss)/profit on ordinary activities before taxation		(4,706)	782
Taxation on (loss)/profit on ordinary activities		<u>(13)</u>	<u>(325)</u>
(Loss)/profit for the financial period attributable to shareholders		<u><u>(4,719)</u></u>	<u><u>457</u></u>
(Loss)/Earnings per share:			
Basic (loss)/earnings per share	1	(4.08)p	1.5p
Adjusted (loss)/earnings per share	1	(0.86)p	2.0p
Diluted (loss)/earnings per share	1	<u><u>(4.08)p</u></u>	<u><u>1.4p</u></u>

REDBUS INTERHOUSE PLC
Group Balance Sheet
at 30 June 2000

		30 June 2000 £'000 Unaudited	31 March 2000 £'000 Audited
	Notes		
Fixed assets			
Intangible assets		71,996	—
Tangible assets		11,222	1,840
		<u>83,218</u>	<u>1,840</u>
Current assets			
Stock		36	—
Debtors	2	5,253	2,713
Cash at bank and in hand	2	20,622	9,099
		<u>25,911</u>	<u>11,812</u>
Creditors: amounts falling due within one year		(4,298)	(432)
Net current assets		<u>21,613</u>	<u>11,380</u>
Total assets less current liabilities		<u>104,831</u>	<u>13,220</u>
Creditors: amounts falling due after more than one year		(414)	—
Provisions for liabilities and charges		(1,816)	(1,724)
Net assets		<u>102,601</u>	<u>11,496</u>
Capital and reserves			
Called up share capital		1,197	307
Share premium account		19,676	147
Capital redemption reserve		46	46
Merger reserve		75,210	—
Profit and loss account		6,472	10,996
Shareholders' funds		<u>102,601</u>	<u>11,496</u>

REDBUS INTERHOUSE PLC
Group Cash Flow Statement
for the 3 months ended 30 June 2000

		<i>3 months ended 30 June 2000 £'000</i>	<i>Year ended 31 March 2000 £'000</i>
	<i>Notes</i>	<i>Unaudited</i>	<i>Audited</i>
Net cash outflow from operating activities	3a	(2,441)	(1,136)
Returns on investments and servicing of finance		347	939
Taxation		(13)	(30)
Capital expenditure		(2,320)	—
Cash outflow before financing		(4,427)	(227)
Financing – increase/(decrease) in funds		19,380	(23,741)
Increase/(decrease) in cash in the period		<u>14,953</u>	<u>(23,968)</u>

Notes

1. (Loss)/earnings per share

The basic (loss)/earnings per share is based on the loss for the financial period of £4,719,000 (year ended 31 March 2000 – profit of £457,000) and on the average number of ordinary shares in issue during the period of 115,722,046 (31 March 2000 – 31,549,555).

The adjusted (loss)/earnings per share is based on the adjusted loss for the financial period prior to amortisation of goodwill and exceptional items of £992,000 (year ended 31 March 2000 – profit of £626,000). The goodwill arising on the acquisition of Redbus Interhouse Limited of £75,723,000 is provisional and is being provisionally amortised over a 5 year period. The Board is reviewing the period over which goodwill should be amortised with a view to establishing such a period for the purposes of the accounts for the period to 31 December 2000. The exceptional charges during the year ended 31 March 2000 related to the cancellation of share options and professional charges for the return of capital to shareholders.

For the quarter to 30 June 2000 there was no dilution arising through the conversion of share options. The diluted earnings per share for the year ended 31 March 2000 is based on the profit for the financial period of £457,000 and on 32,876,317 shares diluted through the potential conversion of share options.

The accounting policies of the Company have been amended to reflect the requirements of UITF 25 in relation to provision of employer national insurance on unapproved share options.

2. Cash held in escrow account and restricted cash

Debtors includes cash of £2,807,000 (\$4,250,000) (31 March 2000 – £2,655,000 (\$4,250,000)) held in a restricted deposit account in the United States pursuant to an escrow agreement entered into with VF Workwear, Inc (“VF”) at the time the company sold its US subsidiary undertakings to VF.

In addition, a further cash amount has been invested in the company’s US subsidiary, PLC Properties LLC, the distribution of which is restricted. Of this amount £414,507 (\$627,564) (31 March 2000 – £441,000 (\$703,000)) remains and is included in cash at bank and in hand of £20,622,000 (31 March 2000 – £9,099,000).

3. Notes to the Group Cash Flow Statement

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

	3 months ended 30 June 2000 £'000 Unaudited	Year ended 31 March 2000 £'000 Audited
Operating loss	(5,053)	(619)
Amortisation of goodwill	3,727	—
Depreciation	434	41
Decrease in stocks	4	—
Increase in debtors	(1,387)	(31)
Decrease in creditors and provisions	(183)	(564)
Other translation adjustments	17	37
Net cash outflow from operating activities	<u>(2,441)</u>	<u>(1,136)</u>

(b) Analysis of movement in net funds

	3 months ended 30 June 2000 £'000 Unaudited	Year ended 31 March 2000 £'000 Audited
Increase/(decrease) in cash in the period	14,953	(23,968)
Cash outflow from decrease in lease financing	74	—
Change in net funds resulting from cash flows	15,027	(23,968)
Debt and finance leases acquired with subsidiaries	(4,772)	—
Translation difference	171	430
Movement in net funds in the period	10,426	(23,538)
Net funds at beginning of period	9,099	32,637
Net funds at end of period	<u>19,525</u>	<u>9,099</u>
Net funds analysed as follows:		
Cash at bank and in hand	20,622	9,099
Bank overdraft	(369)	—
Amounts due under finance leases	(728)	—
	<u>19,525</u>	<u>9,099</u>

4. Reconciliation of movement in shareholders' funds

	3 months ended 30 June 2000 £'000 Unaudited	Year ended 31 March 2000 £'000 Audited
Issue of shares	95,629	157
Reduction of capital	—	(22,284)
Purchase of own shares	—	(1,614)
(Loss)/profit for the financial period	(4,719)	457
Currency translation differences	195	39
Net movement in shareholders' funds	91,105	(23,245)
Shareholders' funds at the beginning of the period	11,496	34,741
Shareholders' funds at the end of the period	<u>102,601</u>	<u>11,496</u>

Financial information

The financial information for the 3 months ended 30 June 2000 is unaudited and does not constitute full accounts within the meaning of the Companies Act 1985. The financial information has been reviewed by RSM Robson Rhodes and their report is set out below. The results for the year ended 31 March 2000 have been extracted from the full accounts for that year, which will be delivered to the Registrar of Companies. The auditors report was unqualified and did not contain statements under Section 237(2) or (3) of the Companies Act 1985.

INDEPENDENT REVIEW REPORT TO REDBUS INTERHOUSE PLC

Introduction

We have been instructed by the Company to review the financial information set out in the above interim report. We have also read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities

The interim report (including the financial information contained therein) is the responsibility of, and has been approved by, the directors. The Listing Rules of the UK Listing Authority require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed

We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board. A review consists principally of making enquiries of group management and applying analytical procedures to the financial information and underlying financial data, and, based thereon, includes an assessment of whether the accounting policies and presentation have been consistently applied, unless otherwise disclosed.

A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information.

Review conclusion

On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the three months ended 30 June 2000.

RSM Robson Rhodes
Chartered Accountants

London
19 September 2000"

PART IV

FINANCIAL INFORMATION ON REDBUS INTERHOUSE LIMITED

Financial information on Redbus Interhouse

The following table of financial information relating to Redbus Interhouse has been extracted from the audited financial statements of Redbus Interhouse for the 17 months ended 31 December 1999. The financial information set out below does not constitute full statutory financial statements within the meaning of Section 240 of the Act and has been extracted without material adjustment from the audited financial statements of Redbus Interhouse. Statutory financial statements for the 17 months ended 31 December 1999 have been delivered to the Registrar of Companies. The auditors of Redbus Interhouse, BDO Stoy Hayward, Chartered Accountants, Willoughby House, 439 Richmond Road, Nr. Richmond Bridge, Middlesex, TW1 2HA, have given an unqualified report under Section 235 of the Act which did not contain a statement under Section 237(2) and (3) of the Act in respect of the period ended 31 December 1999.

1. PROFIT AND LOSS ACCOUNT

The profit and loss account of the Group for the 17 months ended 31 December 1999 are set out below:

		17 months ended 31 December 1999
	Note	£
Turnover	5(a)	290,951
Cost of sales		668,224
Gross loss		(377,273)
Administrative expenses		1,323,044
Operating loss	5(d)	(1,700,317)
Interest receivable		51,379
Interest payable and similar charges	5(e)	31,804
Loss on ordinary activities before taxation		(1,680,742)
Tax on loss on ordinary activities		—
Loss on ordinary activities after tax and retained loss carried forward	5(l)	<u>(1,680,742)</u>

All amounts relate to continuing activities.

All recognised gains and losses are included in the profit and loss account.

The movement in shareholders' funds is shown in note 5(n).

2. BALANCE SHEET

The balance sheet as at 31 December 1999 is set out below:

	Note	31 December 1999 £
Fixed Assets		
Tangible assets	5(f)	5,876,069
		<u>5,876,069</u>
Current Assets		
Stock	5(g)	39,974
Debtors	5(h)	1,138,638
Cash at bank and in hand		16,596
		<u>1,195,208</u>
Creditors: amounts falling due within one year	5(i)	4,384,762
Net Current Liabilities		<u>(3,189,554)</u>
Total Assets less Current Liabilities		<u>2,686,515</u>
Creditors: amounts falling due after more than one year	5(j)	367,257
		<u>2,319,258</u>
Capital and Reserves		
Called up share capital	5(k)	1,000,000
Share premium	5(l)	3,000,000
Profit and loss account	5(l)	(1,680,742)
Shareholders' Funds	5(m)	<u>2,319,258</u>

3. CONSOLIDATED CASH FLOW STATEMENT

	Note	17 months ended 31 December 1999 £
Net cash outflow from operating activities	5(n)	(280,162)
Returns on investment and servicing of finance	5(o)	19,575
Taxation		—
Capital expenditure and financial investment	5(o)	(5,584,355)
Cash outflow before use of liquid resources		<u>(5,844,942)</u>
Financing	5(o)	4,263,433
Decrease in cash in the period	5(p)/5(q)	<u>(1,581,509)</u>

4. ACCOUNTING POLICIES

The following accounting policies are considered material in relation to the financial information.

(a) Basis of accounting

The financial statements have been prepared under the historical cost convention and in accordance with applicable accounting standards.

(b) Basis of consolidation

The consolidated financial statements incorporate the results of Redbus Interhouse and all of its subsidiary undertakings as at 31 December 1999 using the acquisition method of accounting, the results of subsidiary undertakings being included from the date of acquisition.

(c) Turnover

Turnover represents sales to outside customers at invoiced amounts less value added tax.

(d) Depreciation

Depreciation is provided to write off the cost, less estimated residual values, of all fixed assets evenly over their expected useful lives. It is calculated at the following rates:

	<i>Policy</i>
Leasehold improvements	20% per annum
Office furniture and Equipment	33⅓% per annum
Computer equipment	33⅓% per annum
Motor vehicles	33⅓% per annum

(e) Stock

Stock is stated at the lower of cost and net realisable value. Cost is based on the cost of purchase on a first in, first out basis. Net realisable value is based on estimated selling price less additional costs to completion and disposal.

(f) Leased assets

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases) the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor. All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight line basis over the term of the lease.

(g) Deferred taxation

Provision is made for timing differences between the treatment of certain items for taxation and accounting purposes, to the extent that it is probable that a liability or asset will crystallise.

5. NOTES TO THE FINANCIAL INFORMATION

(a) Turnover

Turnover is wholly attributable to Redbus Interhouse's principal activity and arose solely within the United Kingdom.

(b) Employees

	<i>17 months ended 31 December 1999 £</i>
Staff costs consist of:	
Wages and salaries	560,440
Social security costs	63,064
	<hr/> 623,504 <hr/>

The average number of employees including directors, during the period was 12.

(c) *Directors' remuneration and interests*

	17 months ended 31 December 1999 £		
Directors' emoluments			<u>79,300</u>
	<i>Basic Salary</i> £	<i>Taxable Benefit</i> £	<i>Total</i> £
<i>Period ended 31 December 1999</i>			
A. Bligh	—	—	—
C. M. Stanford	—	—	—
A. N. Simkin	—	—	—
J. T. Gardiner	—	—	—
K. Neal	79,199	101	79,300
Aggregate Emoluments	<u>79,199</u>	<u>101</u>	<u>79,300</u>

Directors' Interests

The aggregate emoluments disclosed above do not include any amounts for the value of options to subscribe for ordinary shares in the company granted to or held by directors. Details of the options granted in the 17 months to 31 December 1999 and held at the period end are as follows:

<i>Director</i>	<i>No. of shares</i>	<i>Date of Grant</i>	<i>Exercise Price</i> £
K. Neal	10,000	26 May 1999	4.00
	10,000	30 November 1999	4.00
A. Bligh	50,000	26 May 1999	4.00

Options expire after 5 years from registration.

(d) *Operating Loss*

	17 months ended 31 December 1999 £
This has been arrived at after charging:	
Depreciation	363,333
Amortisation	—
Hire of plant and machinery-operating leases	590
Hire of other assets – operating leases	551,181
Auditors' remuneration	<u>5,500</u>

(e) *Interest payable and similar charges*

	17 months ended 31 December 1999 £
Finance leases	25,271
Bank interest	<u>6,533</u>
	<u>31,804</u>

(f) *Tangible Fixed Assets*

	<i>Leasehold improvements</i>	<i>Office furniture and equipment</i>	<i>Computer equipment</i>	<i>Motor vehicles</i>	<i>Total</i>
	£	£	£	£	
Cost					
Additions and at 31 December 1999	6,028,031	86,818	45,598	78,955	6,239,402
Accumulated depreciation					
Charge for the period and at 31 December 1999	318,472	8,843	4,699	31,319	36,333
Net Book Value:					
At 31 December 1999	5,709,559	77,975	40,899	47,636	5,876,069

The net book value of leasehold buildings above includes an amount of £604,808 in respect of assets held under finance leases and hire purchase contracts. Depreciation on these assets totalled £50,239.

(g) *Stocks*

	<i>31 December 1999</i>
	£
Goods held for resale	39,974

(h) *Debtors*

	<i>31 December 1999</i>
	£
Trade debtors	113,473
Amounts owed by group undertakings	3,816
Other debtors	708,291
Prepayments	313,058
	1,138,638

(i) *Creditors: amounts falling due within one year:*

	<i>31 December 1999</i>
	£
Bank overdraft (secured)	1,598,105
Obligations under finance leases and hire purchase contracts	205,039
Trade creditors	1,958,964
Amounts owed to group undertakings	350,000
Taxation and social security	26,923
Other creditors	63,866
Accruals	116,851
Deferred income	65,014
	4,384,762

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

(j) *Creditors: amounts falling due after more than one year:*

	31 December 1999 £
Obligations under finance leases and hire purchase contracts	367,257
	31 December 1999 £
Obligations under finance leases are due as follows:	
In more than one year but not more than two years	224,685
In more than two years but not more than five years	142,572
In more than five years	—
	<u>367,257</u>

(k) *Called up share capital*

	31 December 1999
Authorised	1,000,000
Allotted and fully paid up (No.)	1,000,000
Ordinary shares of £1 each (£)	<u>1,000,000</u>

Two £1 ordinary shares were issued at par on incorporation. 565,998 £1 ordinary shares were issued on 29 April 1999 at a premium of £2.53 and a further 434,000 on 2 June 1999 at a premium of £3.61 to fund the working capital of the group.

(l) *Reserves*

	<i>Share premium account</i> £	<i>Profit and loss account</i> £
On incorporation	—	—
Loss for the period	—	(1,680,742)
Issue of shares	3,000,000	—
At 31 December 1999	<u>3,000,000</u>	<u>(1,680,742)</u>

(m) *Reconciliation of movement in shareholders' funds*

	1999 £
Opening shareholders' funds	—
Shares issued on incorporation	2
Other shares issued	3,999,998
Loss for the period	(1,680,742)
Closing shareholders' funds	<u>2,319,258</u>

(n) Reconciliation of operating loss to operating cash flows

	1999 £
Operating loss	(1,700,317)
Depreciation of tangible assets	363,333
Amortisation of intangible assets	—
Increase in stock	(39,974)
Increase in debtors	(1,134,822)
Increase in creditors	2,231,618
Net cash outflow from operating activities	<u>(280,162)</u>

(o) Analysis of cash flows

	1999 £
Returns on investment and servicing of finance	
Interest received	51,379
Interest paid	(6,533)
Interest element of finance lease rental payments	(25,271)
Net cash inflow	<u>19,575</u>
Taxation	<u>—</u>
Capital expenditure and financial investment	
Purchase of tangible fixed assets	<u>(5,584,355)</u>
Financing	
Issue of shares	4,000,000
Decrease in debt	(82,751)
Increase in amounts due from group undertakings	(3,816)
Increase in amounts due to group undertakings	350,000
Net cash inflow	<u>4,263,433</u>

(p) Analysis and reconciliation of net debt

	Opening Balance £	Cashflow £	Other non- cash changes £	31 December 1999 £
Cash at bank and in hand	—	16,596	—	16,596
Overdrafts	—	(1,598,105)	—	(1,598,105)
	—	(1,581,509)	—	(1,581,509)
Finance leases	—	82,751	(655,047)	(572,296)
Net debt	—	<u>(1,498,758)</u>	<u>(655,047)</u>	<u>(2,153,805)</u>

(q) Reconciliation of net cash flow to movement in the net debt

	1999 £
Decrease in cash in the period	(1,581,509)
Cash outflow from decrease in debt and lease financing	82,751
	<u>(1,498,758)</u>
New finance leases	(655,047)
Movement in net debt in the period	<u>(2,153,805)</u>
Opening net debt	—
Closing net debt	<u>(2,153,805)</u>

(r) Related party transactions

During the 17 months to 31 December 1999 the group received management services from Redbus Management Limited, a subsidiary of Redbus Interhouse Group SA. The charge for the period totalled £44,000 and £2,938 remained payable at the period end. C.M. Stanford, a director of the Group, issued an interest free loan of £78,955 to the Belgian subsidiary to fund the purchase of motor vehicles. The total amount remained outstanding at 31 December 1999.

(s) Contingent liabilities

The Group's bankers have extended a facility to issue guarantees on behalf of the Group, secured by a fixed and floating charge over the Group's assets. The total of such guarantees at 31 December 1999 was £1,768,287.

(t) Commitments under operating leases

At 31 December 1999 the Group had annual commitments under non-cancellable operating leases as set out below:

	31 December 1999 Land and buildings £
Operating leases which expire:	
In two to five years	331,838
After five years	<u>512,000</u>
	<u>843,838</u>

(u) Capital commitments

	31 December 1999
Contracted but not provided for	<u>978,329</u>

(v) Ultimate parent company

At 31 December 1999 the Company's ultimate parent company was Redbus Group SA, a company incorporated in Belgium. The majority shareholder of Redbus Group SA is Impetus Investments Inc. which is held within a discretionary trust for the benefit of C.M. Stanford and his children.

PART V

UNITED STATES TRANSFER RESTRICTIONS

Rule 144A new Ordinary Shares

Each purchaser of New Ordinary Shares within the United States, by accepting delivery of this document, will be deemed to have represented, agreed and acknowledged that:

- (1) It is (a) a qualified institutional buyer within the meaning of Rule 144A ("QIB"), (b) acquiring such New Ordinary Shares for its own account or for the account of a QIB and (c) aware, and each beneficial owner of such New Ordinary Shares has been advised, that the sale of such New Ordinary Shares to it is being made in reliance on exemptions under the Securities Act, including under Section 4(2) of the Securities Act.
- (2) It understands that such New Ordinary Shares have not been and will not be registered under the Securities Act and may not be offered, sold, pledged or otherwise transferred except (a) in accordance with Rule 144A to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or for the account of a QIB, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S or (c) pursuant to an exemption from registration under the Securities Act provided by Rule 144 thereunder (if available), in each case in accordance with any applicable securities laws of any State of the United States.
- (3) It understands that such New Ordinary Shares (to the extent they are in certificated form), unless otherwise determined by the Company in accordance with applicable law, will bear a legend substantially to the following effect:

THESE ORDINARY SHARES (OR ANY PREDECESSORS THERETO) WERE ORIGINALLY ISSUED IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED IN THE ABSENCE OF SUCH REGISTRATION OR ANY APPLICABLE EXEMPTION THEREFROM.

EACH PURCHASER OF THESE ORDINARY SHARES IS HEREBY NOTIFIED THAT THE SELLER OF THIS SECURITY MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A THEREUNDER.

THESE ORDINARY SHARES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933 (THE "SECURITIES ACT") OR WITH ANY SECURITIES REGULATORY AUTHORITY OF ANY STATE OR OTHER JURISDICTION OF THE UNITED STATES AND MAY NOT BE OFFERED, SOLD, PLEDGED OR OTHERWISE TRANSFERRED EXCEPT (1) IN ACCORDANCE WITH RULE 144A UNDER THE SECURITIES ACT TO A PERSON THAT THE HOLDER AND ANY PERSON ACTING ON ITS BEHALF REASONABLY BELIEVE IS A QUALIFIED INSTITUTIONAL BUYER WITHIN THE MEANING OF RULE 144A PURCHASING FOR ITS OWN ACCOUNT OR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, (2) IN AN OFFSHORE TRANSACTION IN ACCORDANCE WITH RULE 903 OR RULE 904 OF REGULATION S UNDER THE SECURITIES ACT OR (3) PURSUANT TO AN EXEMPTION FROM REGISTRATION UNDER THE SECURITIES ACT PROVIDED BY RULE 144 THEREUNDER (IF AVAILABLE), IN EACH CASE IN ACCORDANCE WITH ANY APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES. NO REPRESENTATION CAN BE MADE AS TO THE AVAILABILITY OF THE EXEMPTION PROVIDED BY RULE 144 UNDER THE SECURITIES ACT FOR REALES OF THESE ORDINARY SHARES. NOTWITHSTANDING ANYTHING TO THE CONTRARY IN THE FOREGOING, THESE ORDINARY SHARES MAY NOT BE DEPOSITED INTO ANY UNRESTRICTED DEPOSITARY RECEIPT FACILITY ESTABLISHED OR MAINTAINED BY A DEPOSITARY BANK.

- (4) Notwithstanding anything to the contrary in the foregoing, the New Ordinary Shares may not be deposited into any unrestricted depositary receipt facility established or maintained by a depositary bank, unless and until such time as such New Ordinary Shares are no longer "restricted securities" within the meaning of Rule 144(a)(3) under the US Securities Act.
- (5) If it is acquiring any New Ordinary Shares for the account of one or more QIBs, it represents that it has sole investment discretion with respect to each such account and this has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account.
- (6) The Company, the Registrar, Collins Stewart and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

Prospective purchasers are hereby notified that sellers of the New Ordinary Shares may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A.

Regulation S New Ordinary Shares

Each purchaser of New Ordinary Shares outside the United States pursuant to Regulation S and each subsequent purchaser of such New Ordinary Shares in resales prior to the expiration of the distribution compliance period commencing upon the date of closing of the offering of New Ordinary Shares and continuing until the end of 40 days thereafter, by accepting delivery of this document and the New Ordinary Shares, will be deemed to have represented, agreed and acknowledged that:

- (1) It is, or at the time New Ordinary Shares are purchased will be, the beneficial owner of such New Ordinary Shares and (a) it is not a U.S. person and it is located outside the United States (within the meaning of Regulation S) and (b) it is not an affiliate of the Company or a person acting on behalf of such an affiliate.
- (2) It understands that such New Ordinary Shares have not been and will not be registered under the Securities Act and that, prior to the expiration of the distribution compliance period referred to above, it will not offer, sell, pledge or otherwise transfer such New Ordinary Shares except (a) in accordance with Rule 144A under the Securities Act to a person that it and any person acting on its behalf reasonably believe is a QIB purchasing for its own account or the account of a QIB or (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S, in each case in accordance with any applicable securities laws of any state of the United States.
- (3) The Company, the Registrar, Collins Stewart and their affiliates and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

PART VI

ADDITIONAL INFORMATION

1. Responsibility

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

John Robert Porter, Clifford Martin Stanford, Kevin Terence Neal, Carl Duncan Fry, Alexander Marc Bligh, Paul George Dumond, Rupert James Philip Morton, Anthony Nicholas Simkin, all of Masters House, 107 Hammersmith Road, London W14 0QH.

2. Incorporation

- 2.1 The Company was incorporated in England and Wales as a private company limited by shares under the Companies Act 1907 on 11 February 1919 under the name of Dacia Romano Petroleum Syndicate Limited and with registered number 153088. The Company was re-registered as a public limited company under the Companies Act 1948 on 6 September 1983 as Dacia Petroleum plc. The name of the Company was changed to Horace Small Apparel PLC on 7 March 1993, and to Redbus Interhouse PLC on 5 April 2000.
- 2.2 The registered office of the Company in the United Kingdom is Masters House, 107 Hammersmith Road, London W14 0QH.

3. Principal Subsidiaries

The Company's principal subsidiary companies, which are wholly-owned, are as follows:

<i>Company</i>	<i>Issued Share Capital</i>	<i>Activities</i>	<i>Registered or Principal Office</i>
Redbus Interhouse (UK) Limited	£1,000,000	NICF	52-53 Margaret Street London W1N 7FF, UK
Redbus International S.A.	FF250,000	NICF	9 Energy Park 130-190 Avenue de Verdun 92400 Courbevoie Paris, France
PLC Properties LLC	825 units	Property Investment	350, 28th Avenue North, Nashville, Tennessee 37209, USA

4. Memorandum and Articles of Association

- 4.1 The Memorandum of Association of the Company provides that the Company's principal object is to carry on the business of a holding company. The objects of the Company are set out in full in clause 4 of the Memorandum of Association which is available for inspection at the addresses specified in paragraph 19 below.
- 4.2 The Articles of Association of the Company (the "Articles") contain *inter alia* provisions to the following effect:

(a) *Voting rights*

- (i) Shareholders shall have the right to receive notice of, to attend and to vote at all general meetings of the Company. Save as otherwise provided in the Articles, on a show of hands each holder of shares present in person and entitled to vote shall have one vote and upon a poll each such holder who is present in person or by proxy and entitled to vote shall have one vote in respect of every share held by him.

- (ii) No member shall, unless the Directors otherwise determine, be entitled to be present at or to vote at any general meeting if any call or other sum presently payable by him in respect of shares remains unpaid or if a member has been served by the Directors with a restriction notice in the manner described in paragraph (b) below.

(b) *Restrictions on Ordinary Shares*

If a member or any person appearing to be interested in shares in the Company has been duly served with a notice pursuant to section 212 of the Act and is in default in supplying to the Company the information thereby required within 14 days from the date of service of such notice the Directors may serve on such member or on any such person a notice (a "restriction notice") in respect of the shares in relation to which the default occurred ("Default Shares") and any other shares held at the date of the restriction notice directing that the member shall not, nor shall any transferee to which any of such shares are transferred other than pursuant to a permitted transfer under the Articles, be entitled to be present or to vote, either in person or by proxy, at any general meeting or class meeting of the Company. Where the Default Shares represent at least 0.25 per cent. of the issued shares of the Company of the same class the restriction notice may in addition direct, *inter alia*, that any dividend or other money which would otherwise be payable on the Default Shares shall be retained by the Company without liability to pay interest and no transfer of any of the shares held by the member shall be registered unless the member is not himself in default in supplying the information requested and the transfer is part only of the member's holding and is accompanied by a certificate given by the member in a form satisfactory to the directors to the effect that after due and careful enquiry the member is satisfied that no person in default is interested in any shares subject to the transfer or the transfer is a permitted transfer.

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

- (i) If at any time the share capital of the Company is divided into different classes of shares, the rights attached to any class of shares may, subject to the Act and any other act relating to companies (the "Statutes"), be modified, abrogated or varied either with the consent in writing of the holders of three-fourths of the issued shares of that class or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of sections 369, 370, 376 and 377 of the Act and the provisions of the Articles relating to general meetings shall apply, *mutatis mutandis*, but so that the necessary quorum at any such meeting other than an adjourned meeting shall be two persons holding or representing by proxy at least one-third in nominal value of the issued shares of the relevant class and at an adjourned meeting one person holding shares of the class or his proxy. Any holder of shares of the relevant class present in person or by proxy may demand a poll upon which every holder of shares of that class shall be entitled to one vote for every such share held by him. The rights attached to any class of shares shall, unless otherwise expressly provided by the terms of issue of such shares or by the terms upon which such shares are for the time being held, be deemed not to be modified, abrogated or varied by the creation or issue of further shares ranking *pari passu* therewith or the purchase or redemption by the Company of any of its own shares in accordance with the Statutes or the Articles.
- (ii) The Company may by ordinary resolution increase its share capital, consolidate all or any of its share capital into shares of larger amount, sub-divide all or any of its shares into shares of smaller amount and cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person.
- (iii) Subject to the provisions of the Statutes, the Company may by special resolution reduce its share capital, any capital redemption reserve and any share premium account in any way.

- (iv) Subject to the provisions of the Statutes and subject to any provisions contained in the articles of association of the Company from time to time, all unissued shares of the Company are at the disposal of the Directors.
 - (v) Subject to the provisions of the Statutes, any shares may be issued on terms that they are redeemed or liable to be redeemed at the option of the Company or the shareholders on the terms and in the manner provided for by the Articles.
 - (vi) Subject to the provisions of the Act, the Company may purchase its own shares (including any redeemable shares).
- (d) *Transfer of shares*
- (i) Subject to paragraph (d)(ii) below, the instrument of transfer of a certificated share shall be signed by or on behalf of the transferor (and, in the case of a share which is not fully paid, by or on behalf of the transferee) and the transferor shall be deemed to remain the holder of the share until the name of the transferee is entered in the register in respect thereof. All transfers of certificated shares shall be effected by instrument in writing in any usual or common form or any other form which the Directors may approve. The Directors may, in their absolute discretion and without giving any reason, refuse to register the transfer of a share which is not fully paid (whether certificated or uncertificated) provided that, where such shares are admitted to the Official List, such discretion may not be exercised in a way which the London Stock Exchange regards as preventing dealings in the shares of the relevant class or classes from taking place on an open and proper basis. The Directors may likewise refuse to register any transfer of a share (whether certificated or uncertificated) in favour of more than four persons jointly. In relation to certificated shares the Directors may decline to recognise any instrument of transfer unless it is left at the registered office of the Company, accompanied by the relevant certificate and such other evidence as the Directors may reasonably require to show the right of the transferor to make the transfer, and unless the instrument is in respect of only one class of share. The registration of transfers may be suspended by the Directors for any period (not exceeding 30 days in any year) except that, in respect of uncertificated shares, the consent of the operator of the relevant system for those shares will first be required.
 - (ii) Notwithstanding any other provision of the Articles to the contrary, any shares in the Company may be held in uncertificated form and title to shares may be transferred by means of a relevant system (in each case as defined in The Uncertificated Securities Regulations 1995) such as CREST.
- (e) *Directors*
- (i) The business of the Company shall be managed by the Directors, who may exercise all such powers of the Company subject to the provisions of the Articles and the Statutes and to such directions as may be given by the Company in general meeting by special resolution.
 - (ii) Unless and until the Company in general meeting shall otherwise determine, the number of Directors shall be not more than 12 and not less than 2. A Director shall not be required to hold any shares in the capital of the Company. A Director who is not a member shall nevertheless be entitled to receive notice of and attend and speak at all general meetings of the Company and all separate general meetings of the holders of any class of shares in the capital of the Company.
 - (iii) No Director shall be disqualified by his office from entering into any contract, arrangement, transaction or proposal with the Company either with regard to his tenure of any other office or place of profit or acting in a professional capacity for the Company or as a seller, buyer or otherwise. Subject to the provisions of the Statutes and save as therein provided, no such contract, arrangement, transaction or proposal entered into by or on behalf of the Company in which any Director or person connected with him is in any way interested, whether directly or indirectly, shall be liable to be avoided, nor shall any Director who enters into any

such contract, arrangement, transaction or proposal or who is so interested be liable to account to the Company for any profit or other benefit realised by any such contract, arrangement, transaction or proposal by reason of such Director holding that office or of the fiduciary relationship thereby established, but such Director shall declare the nature of his interest in accordance with the Statutes.

- (iv) A Director shall (in the absence of some other material interest than is indicated below) be entitled to vote (and be counted in the quorum) in respect of any resolution concerning any of the following matters, namely:
 - (A) the giving of any guarantee, security or indemnity in respect of money lent or obligations incurred by him or by any other person at the request of or for the benefit of the Company or any of its subsidiary undertakings;
 - (B) the giving of any guarantee, security or indemnity in respect of a debt or obligation of the Company or any of its subsidiary undertakings for which he himself has assumed responsibility in whole or in part under a guarantee or indemnity or by the giving of security;
 - (C) any proposal concerning an offer of securities of or by the Company or any of its subsidiary undertakings in which offer he is, or may be entitled to, participate as a holder of securities or in the underwriting or sub-underwriting of which he is to participate;
 - (D) any contract, arrangement, transaction or other proposal concerning any other body corporate in which he, or any other person connected with him (within the meaning of section 346 of the Act), is interested, directly or indirectly and whether as an officer or shareholder or otherwise howsoever, provided that he and any persons so connected with him do not hold an interest (within the meaning of sections 198-211 of the Act) in one per cent. or more of any class of the equity share capital of such body corporate or of the voting rights available to members of the relevant body corporate;
 - (E) any contract, arrangement, transaction or other proposal for the benefit of employees of the Company or any of its subsidiary undertakings which does not accord him any privilege or advantage not generally accorded to the employees to whom the scheme relates; and
 - (F) any proposal concerning any insurance which the Company is to purchase and/or maintain for the benefit of Directors or for the benefit of persons who include Directors.
- (v) If any question shall arise at any meeting as to the materiality of an interest or as to the entitlement of any Director to vote and such question is not resolved by his voluntarily agreeing to abstain from voting, such question shall be referred to the Chairman of the meeting and his ruling in relation to any Director other than himself shall be final and conclusive except in a case where the nature or extent of the interests of the Director concerned have not been fairly disclosed.
- (vi) Save as provided in the Articles, a Director shall not vote or be counted in the quorum present in respect of any contract, arrangement, transaction or any other proposal in which he has an interest which (together with any interest of any person connected with him within the meaning of section 346 of the Act) is to his knowledge a material interest otherwise than by virtue of his interests in shares or debentures or other securities of, or otherwise in or through the Company.
- (vii) The Directors shall be paid out of the funds of the Company by way of fees for their services as Directors such sums (if any) as the Directors may from time to time determine (not exceeding in the aggregate an annual sum (excluding amounts payable under any other provision of the Articles) of £250,000 or such larger amount as the Company may by ordinary resolution determine). Such remuneration shall be divided between the Directors as they shall agree or, failing agreement, equally. Such remuneration shall be deemed to accrue from day to day.

- (viii) Subject to the provisions of the Statutes, the Directors may from time to time appoint one or more of their body to the office of managing director or to hold such executive office in relation to the management of the business of the Company as they may decide for such period and on such terms as they think fit, and may revoke such appointment. The salary or remuneration of any such executive director shall, subject as provided in any contract, be such as the Directors may from time to time determine, and may either be a fixed sum of money, or may altogether or in part be governed by the business done or profits made, and may include the making of provisions for the payment to him, his widow or other dependants, of a pension on retirement from the office or employment to which he is appointed and for the participation in pension and life assurance and other benefits.
- (ix) The Directors may entrust to and confer upon a managing director or any such executive Director any of the powers and discretions exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers and discretions and may from time to time revoke, withdraw, alter or vary all or any of such powers or discretions.
- (x) Any Director who is appointed to any executive office or who serves on any committee or who devotes special attention to the business of the Company or who otherwise performs services which, in the opinion of the Directors are outside the scope of the ordinary duties of a Director, may be paid such extra remuneration by way of salary, percentage of profits or otherwise as the Directors may determine.
- (xi) The Directors may be paid all reasonable travelling, hotel and other expenses properly incurred by them in attending and returning from meetings of the Directors or any committee of the Directors or general meetings of the Company or otherwise in connection with the business of the Company.
- (xii) A Director may be or continue as or become a director or other officer, servant or member of, or otherwise interested in, any body corporate promoted by the Company or in which the Company may be interested as shareholder or otherwise, and no such Director shall be accountable to the Company for any remuneration or other benefits received or receivable by him as a director or other officer, servant or member of, or from his interest in, such other body corporate. Subject to the provisions of the Statutes, a Director may hold any other office or place of profit under the Company, except that of auditor, in conjunction with the office of Director and may act by himself or through his firm in a professional capacity for the Company, and in any such case on such terms as to remuneration and otherwise as the Directors may arrange. Such remuneration shall be in addition to any remuneration otherwise provided for by the Articles.
- (xiii) Where proposals are under consideration concerning the appointment (including fixing or varying the terms of appointment) of two or more Directors to offices or employments with the Company or any body corporate in which the Company is interested, such proposals may be divided and considered in relation to each Director separately and in such cases each of the Directors concerned (subject to the Articles) shall be entitled to vote (and be counted in the quorum) in respect of each resolution except that concerning his own appointment.
- (xiv) Section 293 of the Act (which regulates the appointment and continuation in office of directors who have attained the age of 70) shall apply to the Company.
- (xv) Each Director shall have the power at any time to appoint as an alternate Director either (1) another director or (2) any other person approved for that purpose by a resolution of the Directors, and, at any time, to terminate such appointment.

- (xvi) Each Director shall retire from office at the third annual general meeting after the general meeting at which he was last elected. Without limiting the foregoing, at each annual general meeting, one third of the Directors or, if their number is not three or a multiple of three, then the number nearest to but not exceeding one third shall retire from office. A retiring Director shall be eligible for re-election.
- (xvii) Without prejudice to the provisions of the Articles, the Directors may exercise all the powers of the Company to purchase and maintain insurance for or for the benefit of any persons who are or were at any time directors, officers, employees or auditors of the Company, or of any other body (whether or not incorporated) which is or was its parent undertaking or subsidiary undertaking or another subsidiary undertaking of any such parent undertaking (together "Group Companies") or otherwise associated with the Company or any Group Company or in which the Company or any such other Group Company has or had any interest, whether direct or indirect, or of any predecessor in business of any of the foregoing, or who are or were at any time trustees of, or directors of trustees of, any pension, superannuation or similar fund, trust or scheme or any employees' share scheme or other scheme or arrangement in which any employees of the Company or of any such other body are interested, including (without prejudice to the generality of the foregoing) insurance against any costs, charges, expenses, losses or liability suffered or incurred by such persons in respect of any act or omission in the actual or purported execution and/or discharge of their duties and/or the exercise or purported exercise of their powers and discretions and/or otherwise in relation to or in connection with their duties, powers or offices in relation to the Company or any such other body, fund, trust, scheme or arrangement.
- (xviii) The Directors may exercise all the powers of the Company to establish and maintain or procure the establishment and maintenance of contributory or non-contributory pension or superannuation funds for the benefit of the persons referred to below, to grant emoluments, pensions, allowances, donations, gratuities and bonuses to such persons and to make payments for or towards insurance on the life or lives of such persons; to establish, subsidise, subscribe to or otherwise support any institution, association, society, club, other establishment, or fund, the support of which may, in the opinion of the Company, be calculated directly or indirectly to benefit the Company or any such persons, or may be connected with any place where the Company carries on business; to institute and maintain any institution, association, society, club or other establishment or profit-sharing scheme calculated to advance the interests of the Company or such persons; to join, participate in and subsidise or assist any association of employers or employees or any trade association; and to prescribe or guarantee money for charitable or benevolent objects or for any public, general or useful object or for any exhibition; the said persons are any persons who are or were at any time in the employment or service of the Company or of any company which is a subsidiary of the Company or is allied to or associated with the Company or with any such subsidiary, or who are or were at any time directors or officers of the Company or of such other company as aforesaid, and holding or who held any salaried employment or office in the Company or such other company, and the wives, widows, families or dependants of any such persons.

(f) *Borrowing powers*

The Directors may exercise all the powers of the Company to borrow money and to mortgage or charge its undertaking, property, assets and uncalled capital, or any part thereof, and, subject to the provisions of the Statutes and the Articles, to issue debentures, debenture stock and other securities whether outright or as security for any debt, liability or obligation of the Company or of any third party.

(g) *Dividends and distributions on liquidation to shareholders*

- (i) The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors. Subject to any priority, preference or special rights, all dividends shall be declared and paid according to the amounts paid up on the shares and shall be apportioned and paid proportionately to the amounts paid up on the shares during any portion of the period in respect of which the dividend is paid.
- (ii) The Directors may pay such interim dividends as they think fit and may pay the fixed dividends payable on any shares of the Company half-yearly or otherwise on fixed dates.
- (iii) No dividend or interim dividend shall be paid otherwise than in accordance with the provisions of the Statutes.
- (iv) On a liquidation, the liquidator may, with the sanction of an extraordinary resolution of the Company and any other sanction required by the Statutes, divide amongst the members in specie or in kind the whole or any part of the assets of the Company and may, for such purpose, set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out.
- (v) The Directors may, with the sanction of an ordinary resolution of the Company in general meeting, offer the holders of Ordinary Shares the right to elect to receive new Ordinary Shares credited as fully paid instead of cash in respect of the whole or part of any dividend.
- (vi) Any dividend unclaimed for a period of 12 years after it became due for payment shall be forfeited and shall revert to the Company.

5. **Principal Establishments**

5.1 The following is a summary of the principal establishments of the Group:

<i>NICF's</i>	<i>Tenure/land rental lease term</i>	<i>Area</i>	<i>Initial rent</i>
8th & 9th Floors, 6 & 7 Harbour Exchange Square, London E14, UK	Leasehold; 25 years	22,388 sq.ft.	£225,193.5 p.a.
7th Floor, 6 & 7 Harbour Exchange Square, London E14, UK	Leasehold; 25 years	14,324 sq.ft.	£286,480 p.a.
9 Energy Park, 120-190 Boulevard de Verdun, 92400 Courbevoie, Paris, France	Leasehold; 9 years	4,035 sq.m.	FF 3,500,000 p.a.

5.2 *Nashville property arrangements*

Soil and groundwater at the Group's former office, manufacturing and distribution facility at 350 28th Avenue, Nashville, Tennessee (the "Site") has been contaminated, largely it is believed, as a result of railroad equipment maintenance operations conducted at the Site from the early part of the century to the late 1950s. The Site is currently sub-leased by PLC Properties LLC, a wholly-owned subsidiary of the Company, to Horace Small Manufacturing Company, now owned by VF Workwear, Inc. ("VF"). The lease will expire on 31 January 2001.

On the sale of Horace Small Holdings Corporation of Delaware, Inc, the Company agreed to set aside in escrow \$4.25 million of the cash consideration payable by VF until PLC Properties LLC performed all remedial action in connection with any areas of environmental concern at or arising in connection with the Site which may be required in accordance with the terms of the related escrow arrangements (the "Escrow Agreement"). Of the \$4.25 million, \$2.75 million is available to PLC Properties for its remediation costs subject to any prior claims VF may have in respect of this \$2.75 million under the Escrow Agreement, the remaining \$1.5 million being available to VF to cover third party claims and incidental expenses.

The excess risk costs section of the Escrow Agreement also provides Horace Small Holdings Corporation of Delaware, Inc. and VF, with additional comfort in respect of various other liabilities which may arise in connection with the Site, including any additional costs incurred pursuant to the lease granted by the Industrial Development Board of the Metropolitan Government of Nashville and Davidson County of the 6.39 acre part of the Site in respect of which PLC Properties LLC has granted a sublease to Horace Small Manufacturing Company.

As far as PLC Properties LLC and the Company are aware, except for the regulatory authorities being aware of the environmental contamination at the Site and for them being able to order that remediation works are carried out, no third party actions, claims or complaints exist in respect of the presence of contamination at the Site and PLC Properties LLC is in compliance with all terms and conditions of the Escrow Agreement and is progressing the environmental issues in a way which is intended successfully to conclude this matter so as to enable the release in due course of any monies which may remain in escrow, after all costs related to the remediation programme have been met, with a view to ensuring the property's eventual disposal.

Should VF seek to claim against PLC Properties in respect of any costs it may incur in remediating the site which exceed the escrow funds available to PLC Properties, VF, insofar as the \$2.75 million Escrow fund has been exhausted, also has the benefit of a Brownfields Restoration and Development Insurance Policy (purchased from Kemper Environmental Limited at the time Horace Small sold its U.S. subsidiary undertakings to VF) under which it may, in its sole discretion, claim such costs up to a maximum of \$7 million. To the extent that VF were to make such claims and recover under this insurance, this would reduce the costs which might otherwise be claimed against PLC Properties.

6. Share Capital

- 6.1 The following table shows the authorised and issued share capital of the Company as it is at the date of this document and as it will be on Admission:

<i>Existing</i>		<i>On Admission</i>	
<i>Authorised</i>	<i>Issued</i>	<i>Authorised</i>	<i>Issued</i>
£2,000,000	£1,202,193.83	£2,000,000	1,502,742.28
200,000,000	120,219,383	ordinary shares of 1p each	200,000,000 150,274,228

- 6.2 As at 18 September 1997, the authorised share capital of the Company was £2,500,000 divided into 50,000,000 ordinary shares of 5p each, of which 34,281,256 ordinary shares of 5p each were issued and fully paid.

- 6.3 Since 18 September 1997, there have been the following changes in the authorised and issued and fully paid share capital of the Company:

- (a) on 31 July 1998, under the US Stock Plan, options were exercised in respect of 51,150 ordinary shares of 5p each at a price of 62.56p;
- (b) by a special resolution passed on 1 July 1999 and effected on 30 July 1999:
 - (i) the amount standing to the credit of the Company's share premium account was cancelled and the directors were authorised and directed to appropriate the said amount for distribution to the holders of each of the fully-paid up issued ordinary shares in proportion to the number of ordinary shares held by each of them; and

(ii) the share capital of the Company was reduced from £2,500,000 divided into 50,000,000 ordinary shares of 5p each to £500,000 divided into 50,000,000 Ordinary Shares, such reduction being effected by cancelling paid up capital to the extent of 4p on each issued ordinary share of 5p and reducing the nominal value of each ordinary share whether issued or unissued from 5p to 1p and paying out the sum of 4p per share to the holders of each of the ordinary shares in the capital of the Company which were issued and fully paid up.

- (c) pursuant to a special resolution passed on 5 August 1999 authorising the Company to make market purchases of its Ordinary Shares, on 10 August 1999 the Company bought back 4,566,625 Ordinary Shares at a price of 35p per share, which shares were then cancelled.
- (d) on 9 March 2000, under the US Stock Plan, options were exercised in respect of 450,120 ordinary shares of 1p each at a price of 3.53p, 90,800 ordinary shares of 1p each at a price of 19.10p and 195,000 ordinary shares of 1p each at a price of 17.10p;
- (e) on 10 March 2000, under the US Stock Plan, options were exercised in respect of 102,300 ordinary shares of 1p each at a price of 57.29p, 20,000 ordinary shares of 1p each at a price of 41.10p, 33,000 ordinary shares of 1p each at a price of 23.10p and 90,000 ordinary shares of 1p each at a price of 17.10p;
- (f) on 3 April 2000, 88,844,034 new ordinary shares of 1p each were allotted and issued pursuant to a placing and open offer.
- (g) on 26 May 2000, under the US Stock Plan, options were exercised in respect of 102,300 ordinary shares of 1p each at a price of 57.29p;
- (h) on 3 July 2000, 525,778 ordinary shares of 1p each in the Company were allotted and issued to the App Tap Limited pursuant to an investment agreement.

6.4 As at 18 September 2000, (being the latest practicable date prior to the publication of this document), the numbers of Ordinary Shares subject to outstanding options under the Option Schemes were as follows:

US Stock Plan:

<i>Date of Grant</i>	<i>Number of Options</i>	<i>Exercise Price</i>
7 June 1995	25,000	41.1p
26 September 1995	100,000	33.1p
13 May 1996	33,000	23.1p
8 May 1998	195,000	17.1p

UK Scheme:

<i>Date of Grant</i>	<i>Number of Options</i>	<i>Exercise Price</i>
15 September 1997	424,545	12.10p

Redbus Interhouse Ltd Scheme and individual grants:

<i>Date of Grant</i>	<i>Number of Options</i>	<i>Exercise Price</i>
26 May 1999	4,140,000	5.80p
1 October 1999	690,000	5.80p
7 March 2000	49,680	5.80p
9 March 2000	1,857,480	40.00p

Executive Option Scheme:

<i>Date of Grant</i>	<i>Number of Options</i>	<i>Exercise Price</i>
7 March 2000	725,000	110.00p

All options were granted for nil consideration. All options granted under the US Stock Plan are currently exercisable. All options granted under the UK Scheme are usually exercisable between the third and seventh anniversaries of the date of grant.

Following the Acquisition holders of options granted under the Redbus Interhouse Limited Scheme and individual option grants were entitled to roll them over into options over Ordinary Shares. Options originally granted over shares in Redbus Interhouse Limited on

1 October 1999, 26 May 1999 and 7 March 2000 are currently exercisable. Options originally granted under the Redbus Interhouse Limited Scheme on 9 March 2000 generally become exercisable 1 year after the start of the employment of the person concerned at a rate of $\frac{1}{36}$ th per month and remain exercisable, subject to the rules of the Redbus Interhouse Limited Scheme, until the tenth anniversary of the date of grant. Options granted under the Executive Option Scheme generally become exercisable after the first anniversary of the date of grant at the rate of $\frac{1}{36}$ th per month and remain exercisable, subject to the rules of the Executive Option Scheme until the tenth anniversary of the date of grant.

6.5 Save as disclosed in this paragraph 6 and paragraph 7.1(a):

- (i) within the three years preceding the date of this document, no share or loan capital of the Company or (save for intra-group issues by wholly-owned subsidiaries) any of its subsidiaries has been issued or agreed to be issued or is now proposed to be issued, fully or partly paid either for cash or for a consideration other than cash; and
- (ii) no share or loan capital of the Company or any of its subsidiaries is under option or has been agreed, conditionally or unconditionally, to be put under option.

7. Directors and Other Interests

- 7.1 (a) Set out below are the interests of the Directors and persons connected with them in the issued share capital of the Company as at 18 September 2000 (being the latest practicable date prior to the publication of this document) and immediately following Admission, which are or will be required to be notified to the Company pursuant to Sections 324 or 328 of the Act or are required to be entered in the register maintained pursuant to Section 325 of the Act or which are interests of a person connected with a Director within the meaning of Section 346 of the Act which would, if the connected person were a director, be required to be disclosed pursuant to the sections of the Act detailed above and the existence of which is known to or could with reasonable diligence be ascertained by that director, all of which are or will be beneficial, are or are expected to be as shown below:

Name	Percentage of Number of Ordinary Shares as at 18 September 2000		Percentage of Number of Ordinary Shares following Admission	
	18 September 2000		following Admission	
John Porter ⁽¹⁾	29,946,000	24.91	29,946,000	19.93
Cliff Stanford ⁽²⁾	39,054,000	32.49	39,054,000	25.99
Kevin Neal	—	—	—	—
Carl Fry	—	—	—	—
Alex Bligh	—	—	—	—
Paul Dumond	8,333	0.01	8,333	0.01
James Morton ⁽³⁾	93,333	0.08	93,333	0.06
Tony Simkin	—	—	—	—

Notes

- (1) John Porter's interest in the Ordinary Shares is through Telos Environmental Services Limited, of which he is the sole owner, and i-spire Corporation Limited, a company of which he is a director and shareholder.
- (2) Cliff Stanford's interest in the Ordinary Shares is through Redbus Group S.A., 94 per cent. of the issued share capital of which is held in a discretionary trust, the principal beneficiary of which is Cliff Stanford.
- (3) The Company has received notification that James Morton intends to sell 50,000 Ordinary Shares as soon as practicable following the announcement of the Placing and Open Offer.
- (4) The above figures do not take into account any Open Offer Shares which may be taken up pursuant to the Open Offer.

Redbus Group S.A., which holds approximately 32.5 per cent. of the Company's issued Ordinary Shares as at 18 September 2000, has undertaken to the Company and Collins Stewart to ensure that the Company is able to carry on its business independently of it at all times and that all transactions and relationships between it and the Company are and will continue to be at arm's length terms and on a normal commercial basis.

No arrangements exist between the Company and the Directors, senior management or substantial shareholders restricting the disposal of any Ordinary Shares held by any such parties, save for the undertaking by Redbus Group S.A., Telos Environmental Services Limited and i-spire Corporation Limited not to dispose of any of their respective holdings of Ordinary Shares before the publication of the preliminary results for the period ending 31 December 2000 and the undertakings given by Kevin Neal and Alex Bligh referred to below.

In addition to the above, the Directors have options to subscribe for Ordinary Shares under the Option Schemes (with the exception of options granted to Kevin Neal and Alex Bligh in 1999 which are subject to separate option agreements) as follows:

	<i>Number of Ordinary Shares</i>	<i>Date of grant</i>	<i>Exercise price</i>
John Porter	100,000	07.03.2000	110.00p
Cliff Stanford	100,000	07.03.2000	110.00p
Kevin Neal	100,000	07.03.2000	110.00p
Kevin Neal	690,000	26.05.1999	5.80p
Kevin Neal	690,000	30.11.1999	5.80p
Alex Bligh	25,000	07.03.2000	110.00p
Alex Bligh	3,450,000	26.05.1999	5.80p
Paul Dumond	50,000	07.03.2000	110.00p
Paul Dumond	15,345	15.09.1997	12.10p
James Morton	250,000	07.03.2000	110.00p
Tony Simkin	100,000	07.03.2000	110.00p

Kevin Neal and Alex Bligh have undertaken that, save in certain limited circumstances, they will not dispose of any interest in any Ordinary Shares acquired pursuant to the exercise of rollover options, prior to the publication of the Company's preliminary results for the period ending 31 December 2000.

- (b) Save as disclosed in this paragraph 7.1, none of the Directors, any member of Redbus Group S.A., i-spire Corporation Limited or Telos Environmental Services Limited nor persons connected with any of them (within the meaning of Section 346 of the Act) has any interest in the share capital of the Company or any of its subsidiaries.
 - (c) Other than the Acquisition, none of the Directors has or has had any interest in any transactions which are or were unusual in their nature or conditions or significant to the business of the Group and which were effected by any member of the Group during the current or immediately preceding financial year or were effected during an earlier financial year and remain in any respect outstanding or unperformed.
 - (d) No loans or guarantees have been granted or provided by the Company or any member of the Group to or for the benefit of any of the Directors.
- 7.2 (a) In so far as is known to the Company as at 18 September 2000 (being the latest practicable date prior to the publication of this document), the following persons (excluding the Directors, whose interests have been disclosed in paragraph 7.1(a) above) have, or immediately following Admission will have, an interest (as defined in Part VI of the Act) representing three per cent, or more of the issued share capital of the Company:

<i>Name</i>	<i>Number of Ordinary Shares as at 18 September 2000</i>	<i>Percentage of issued Ordinary Shares as at 18 September 2000</i>	<i>Number of Ordinary Shares following Admission</i>	<i>Percentage of issued Ordinary Shares following Admission</i>
Redbus Group SA ⁽¹⁾	39,054,000	32.49	39,054,000	25.99
Telos Environmental Services Ltd. ⁽²⁾	23,496,000	19.54	23,496,000	15.64
i-spire Corporation Limited ⁽³⁾	6,450,000	5.37	6,450,000	4.29
CGNU plc	4,976,000	4.14	4,976,000	3.31
Foreign & Colonial Enterprise Trust plc	4,733,462	3.94	4,733,462	3.15
Schroder Institutional Recovery Fund	3,866,666	3.22	3,866,666	2.57

Notes:

(1) Cliff Stanford also has an interest in the shares held by Redbus Group SA since 94 per cent. of the issued share capital of that company is held in a discretionary trust of which he is the principal beneficiary.

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

(3) John Porter also has an interest in these shares since he is a director and shareholder of i-spire Corporation Limited.

(4) The above figures do not take into account any Open Offer Shares which may be taken up pursuant to the Open Offer.

Save as disclosed in paragraphs 7.1(a) and (b) and this paragraph 7.2(a), the Company has not received notice from and so far as the Company is aware does not know of any person who, directly or indirectly, is interested in three per cent. or more of the Company's existing issued share capital.

- (b) References in this paragraph 7 to "Ordinary Shares" include securities convertible into, rights to subscribe for, options (including traded options) in respect of and derivatives referenced to, Ordinary Shares.

8. Directors' Service and Consultancy Agreements, Terms of Appointment, Emoluments and Other Directorships

8.1 Directors' Service and Consultancy Agreements and Terms of Appointment

(a) Kevin Neal

Kevin Neal is currently employed as managing director of Redbus Interhouse. Under the terms of his service contract his remuneration is £109,000 per annum and his employment is terminable upon three months' notice by either party. The Company may at its discretion terminate the service agreement by making a payment in lieu of notice. There are no other benefits provided under the service agreement nor any provision for Kevin Neal to participate in any commission or profit-sharing arrangements. The service agreement does not provide for compensation to be payable on early termination of the agreement. The service agreement contains covenants on the part of Kevin Neal not without the prior consent of the Company for nine months following termination of employment to be concerned with any business which competes with the Company or any company within the Group for which he performed services nor for twelve months following termination of employment to solicit suppliers, customers or key employees.

(b) Carl Fry

Carl Fry is employed as the Company's Finance Director. His remuneration is £110,000 per annum, together with a £10,000 car allowance and his employment is terminable upon six months written notice by either party. Under the terms of his

engagement he is entitled to an annual bonus of up to twenty five per cent. of his annual salary based on achieving targets to be agreed. In addition he is eligible to participate in the Redbus Interhouse Executive Option Scheme. Under the terms of his arrangements he is entitled to be granted options under the Executive Option Scheme at the level of approximately three times his salary, such options to be granted soon after the date of this document.

(c) *John Porter*

John Porter is currently executive chairman of the Company. Telos Environmental Services Limited and John Porter have entered into a consultancy agreement with the Company providing for John Porter to perform the services of executive chairman. The consultancy agreement is terminable on twelve months' notice given by the Company and three months' notice given by Telos Environmental Services Limited or John Porter. Under the consultancy agreement, Telos Environmental Services Limited is entitled to a fee of £4,167 per calendar month. There are no provisions under the consultancy agreement for John Porter or Telos Environmental Services Limited to participate in any commission or profit sharing arrangements. The consultancy agreement does not provide for compensation to be payable on early termination of the agreement.

(d) *Cliff Stanford*

Cliff Stanford is currently executive deputy chairman of the Company. Redbus Management Limited and Cliff Stanford have entered into a consultancy agreement with the Company providing for Cliff Stanford to perform the services of executive deputy chairman of the Company. The consultancy agreement is terminable on twelve months' notice given by the Company and three months' notice given by Redbus Management Limited or Cliff Stanford. Under the consultancy agreement, Redbus Management Limited is entitled to a fee of £4,167 per calendar month. There are no provisions under the consultancy agreement for Cliff Stanford or Redbus Management Limited to participate in any commission or profit sharing arrangements. The consultancy agreement does not provide for compensation to be payable on early termination of the agreement.

(e) *Non-executive directors*

Alex Bligh, Paul Dumond, James Morton and Tony Simkin are all non-executive directors of the Company. Each appointment is terminable at the will of the parties. Each non-executive director is entitled to a fee at the rate of £10,000 per annum.

(f) *General*

Save as disclosed in this paragraph 8.1, there are no service agreements between any of the Directors and any member of the Group and no such service agreements are proposed.

8.2 *Emoluments*

The aggregate emoluments and benefits in kind granted to the Directors by members of the Group in respect of the year ended 31 March 2000 were approximately £88,000. The aggregate emoluments and benefits in kind payable to the Directors for the year ending 31 March 2001 are estimated to be approximately £314,000.

8.3 In addition to being directors of the Company, the Directors have held directorships of companies during the five years preceeding the date of this document as follows:

John Porter

Sabrelance Limited, Telos Environmental Services Limited, i-spire Corporation Limited, Sharpical Limited and TA Cheapflight.com.

Cliff Stanford

Redbus Management Limited, Redbus Holdings Limited, Redbus Investments Limited, Redbus CPD Limited (formerly Redbus E-Academy Limited), Redbus Branding Limited, Redbus Interhouse (UK) Limited, Redbus Workboats Limited, Redbus Executive Aviation Limited, Redbus LMDS Limited (formerly LMDS Limited), Redbus Ride Limited (formerly Linetown Limited), Redbus Serraglaze Limited, Film Group (formerly Redbus Film Group Limited), Redbus Film Distribution plc, Redbus Internet Distribution Limited (formerly Redbus Entertainment Distribution Limited), Internet Conferences Limited, Redbus Direct Limited, Redbus Investments Inc, M.A.Y sprl, Might Holdings SA, Redbus Group SA, Demon Internet Limited (resigned), Cityscape Internet Services Limited (resigned), The IP Systems Operation Limited (resigned), Locomotive Software Group Limited (resigned), Locomotive Software Developments Limited (resigned), Turnpike Limited (resigned), Turnpike 1996 Limited (resigned), Demon Limited (resigned), Cityscape Limited (resigned), Cityscape Global Media Limited (resigned), Dispatch Publishing Limited (resigned) and The London Internet Exchange Limited (resigned).

In the early 1980s Cliff formed a partnership with a limited company. The partnership carried on business as a custom software house. Due to trading difficulties, the partnership became insolvent and Cliff Stanford was declared bankrupt in 1985. At the time of its insolvency, the partnership had creditors of approximately £40,000. Cliff was discharged from bankruptcy in 1988.

Cliff Stanford was a director of Union Software Systems Limited which was dissolved on 8 December 1998. There was a deficiency to creditors of approximately £33,000.

Kevin Neal

Redbus Interhouse (UK) Limited and The App Tap Limited

Kevin Neal owned a company called Computer Sales and Software Centre Limited which sold certain computer equipment. That company was dissolved on 28 June 1994. At the time of such dissolution, there was a deficiency to creditors of approximately £60,000.

Carl Fry

Creston plc (resigned), Language for Industry Limited (resigned). Carl Fry was a director of de Morgan Group plc which went into receivership in 1994.

Alex Bligh

NOMINET UK (company limited by guarantee), i-Point Holdings PLC, Redbus Interhouse (UK) Limited, Redbus Interhouse plc, Silverscale Limited, Silverscale Associates Limited and Xara Networks Limited (resigned), London Internet Exchange (company limited by guarantee) (resigned).

Paul Dumond

Nautilus Management Ltd, Mid-States PLC, Danka Europe Ltd, NCNR Oil & Gas Ltd, Sapphire Petroleum Investments Limited and Philbeach Gardens Management Limited.

James Morton

Denison International plc, The Interhouse D'Arcy Trust plc and Shorex International Limited.

James Morton was a director of Chester Square Management Limited which was dissolved on 21 October 1997. There was no deficiency to creditors.

Tony Simkin

Redbus Management Limited, Redbus Holdings Limited, Redbus Investments Limited, Redbus CPD Limited (formerly Redbus E-Academy Limited), Redbus Branding Limited, Redbus Interhouse (UK) Limited, Redbus Workboats Limited, Redbus Films Limited,

Redbus Aviation Limited, Redbus Marine Limited, Filmgroup plc (formerly Redbus Film Group Limited), Redbus Executive Aviation Limited, Redbus Direct Limited, Redbus Investments Inc., Redbus Group SA, Redbus Serraglaize Limited, Might Holdings SA, Redbus LMDS Limited (resigned), Demon Internet Limited (resigned), Redbus Ride Limited (resigned), Redbus Film Distribution plc (resigned), Redbus Internet Distribution Limited and Films2 Limited (resigned).

Save as disclosed in this paragraph 8.3 of Part VI, none of the Directors:

- (i) has any unspent convictions in relation to indictable offences; or
- (ii) has been adjudged bankrupt or been a party to a deed of arrangement or any form of voluntary arrangement; or
- (iii) has been a director with an executive function of any company which, whilst he was such a director or within 12 months after his ceasing to be such a director, was put into compulsory liquidation or creditors voluntary liquidation or had an administrator or administrative or other receiver appointed or entered into any composition or arrangement with its creditors generally or any class of creditors; or
- (iv) has been a partner in any partnership, which, whilst he was a partner, or within 12 months after his ceasing to be a partner, was put into compulsory liquidation or had an administrator or an administrative or other receiver appointed or entered into any voluntary arrangement; or
- (v) has had an administrative or other receiver appointed in respect of any asset belonging either to him or to a partnership of which he was a partner at the time of such appointment or within the 12 months preceding such appointment; or
- (vi) has received any public criticisms by statutory or regulatory authorities (including recognised professional bodies) or has been disqualified by a court from acting as a director of a company or from acting in the management or conduct of the affairs of any company.

9. Option Schemes

9.1 *The United Uniform Services 1990 Executive Share Option Scheme and The United Uniform Services 1990 Stock Option Plan (the "1990 Option Schemes")*

The Company adopted the United Uniform Services 1990 Executive Share Option Scheme (the "UK Scheme") and The United Uniform Services 1990 Stock Option Plan (the "US Stock Plan") on 3 May 1990. The Inland Revenue has not approved the UK Scheme and the US Stock Plan is not intended to meet or comply with the requirements for an incentive stock option as set forth in Section 422A of the Internal Revenue Code of 1986.

The 1990 Option Schemes provide for options to be granted over unissued ordinary shares in the capital of the Company ("Shares"). No further options will be granted under the 1990 Option Schemes following the approval of the Executive Option Scheme by the Company in general meeting and under the 1990 Option Schemes no options may in any event be granted after 3 May 2000.

The following summary relates to the rules of the UK Scheme. The terms of the US Stock Plan are the same unless expressly indicated to the contrary.

(a) *Eligibility*

Options to acquire Shares may be granted at the discretion of the board of directors of the Company or a duly authorised committee thereof (the "Committee") to any employee (including an executive director) and (in the case of the US Stock Plan) to Directors of the Group who are performing or have been engaged to perform services of special importance.

(b) *Scheme limits*

On any date, no option may be granted under the 1990 Option Schemes if, as a result, the aggregate number of Shares issuable pursuant to options and other rights granted (1) under the 1990 Option Schemes, and (2) under all other share schemes (including savings-related

schemes) established by the Company or any associated company would exceed the lesser of 10 per cent. of the issued ordinary share capital of the Company at that time and 6,233,004 Shares subject to adjustment.

(c) *Individual limits*

No option may be granted to any individual if, as a result the aggregate number of Shares issuable pursuant to options granted under the 1990 Option Schemes would exceed 3,116,502 Shares, or such other number as shall be equivalent to 10 per cent. of the Company's issued ordinary share capital from time to time.

(d) *Exercise price*

The exercise price of an option shall be fixed by the Committee but shall not be less than the higher of: (1) the nominal value of a Share; and (2) the middle market quotation for dealings in Shares, or (in the case of the UK Scheme) (3) in any other case such sum as the Committee may in its discretion determine on the date of grant.

The exercise price and the number of Shares subject to an option may be adjusted by the Committee (with the confirmation in writing of the Company's auditors that, in their opinion, such adjustment is fair and reasonable) to take account of any capitalisation of profits or reserves or by way of rights or any consolidation or sub-division or reduction of share capital or other variation of the Company's ordinary share capital.

(e) *Exercise of options*

- (i) In respect of the UK Scheme, options may be exercised at any time between the third and seventh anniversaries of their date of grant. Options will become exercisable immediately on the death of a participant, within the twelve months following death by the participant's personal representatives, or on his ceasing to be an eligible employee by reason of injury, disability, retirement (at normal retirement age or earlier by agreement with his employer) or redundancy, the sale or transfer out of the Group of the company, business or that part of the business to which the employment relates, options will become exercisable during the period of six months commencing on the date of such cessation of employment. If a participant of the UK Scheme is dismissed from any office or employment for any reason other than dishonesty, fraud or misconduct and by virtue of such dismissal the participant shall cease to be eligible to participate in the UK Scheme such participant shall be entitled to exercise any option granted to him three years or more prior to the date of such cessation within the period of 30 days commencing on that date. Rights to exercise will also arise on a change in control or reconstruction of the Company and in the event of a voluntary winding-up.
- (ii) In respect of the US Stock Plan, options may be exercised at any time between the third and tenth anniversaries of their date of grant to the extent that the Committee may establish vesting provisions applicable to a stock option such that the option becomes exercisable in a series of cumulating portions. Options will become exercisable immediately on the death of a participant or on his ceasing to be an eligible employee by reason of disability, within the six months following such cessation, or on his ceasing to be an eligible employee by reason of retirement (at normal retirement age) within three months of such cessation. If a participant of the US Stock Plan is dismissed from any office or employment for any reason other than fraud, embezzlement, theft, perpetration of a felony, disclosure of trade secrets, or other similar acts the participant shall be entitled to exercise any option within six months of such cessation. Rights to exercise will also arise on a change in control or reconstruction of the Company, a voluntary winding-up and the dissolution or liquidation by sale of all or substantially all of the assets of the Company.

(f) *Voting, dividend, transfer and other rights*

Until options are exercised, participants have no voting or other rights in respect of the Shares covered by their options. Options are not transferable and any benefit obtained under the 1990 Option Schemes shall not be pensionable.

Shares issued pursuant to the Option Schemes shall rank *pari passu* in all respects with the Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option.

(g) *Administration and amendment*

The 1990 Option Schemes are administered by the Committee. The Committee may amend the 1990 Option Schemes by resolution provided that amendments, which adversely affect participants, may only be made with the approval of the Company in general meeting. The approval of the Company in general meeting will be required for any amendment to the advantage of participants except for minor amendments to benefit the administration of the 1990 Option Schemes and amendments to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group.

(h) *Termination*

The 1990 Option Schemes may be terminated at any time by a resolution of the Board or by the Company in general meeting and shall in any event terminate on the tenth anniversary of the date on which the 1990 Option Schemes commence. Termination shall not affect outstanding rights of participants.

9.2 *The Executive Option Scheme*

The Executive Option Scheme was adopted by the Board on 7 March 2000. The Executive Option Scheme provides for options to be granted over ordinary shares in the capital of the Company ("Shares").

Options may be granted when permitted under relevant laws and regulations.

(a) *Eligibility*

Options to acquire Shares may be granted at the discretion of the board of directors of the Company or a duly authorised committee thereof (the "Committee") (or, if applicable, the trustee of an employee trust acting on the recommendation of the Committee) to any director, office holder or employee of the Company or any subsidiary of the Company (the "Group") or any person who will in the opinion of the Board become such a director, office holder or employee.

(b) *Limits*

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

- (i) the aggregate number of Shares issued or issuable pursuant to options and other rights granted under (1) the Executive Option Scheme, and (2) any other discretionary share option scheme adopted by the Company, during the period of ten years shall not exceed 10 per cent. of the issued ordinary share capital of the Company on that date of grant. Shares which have been or may be issued in relation to rights granted under the Executive Option Scheme and any discretionary share scheme adopted by the Company, prior to the re-admission of the Company to the Official List of the London Stock Exchange following the suspension of its Shares on 14 January 2000 and any Shares the subject of options which have lapsed or been renounced, surrendered or cancelled shall be disregarded for the purposes of this limit.
- (ii) the aggregate number of Shares over which an option may be granted to an individual (1) under the Executive Option Scheme, and (2) any other discretionary share option scheme shall be determined by the Committee from time to time in their absolute discretion.

(c) *Exercise price*

The exercise price of an option shall be fixed by the Committee but shall not be less than the higher of: (1) the nominal value of a Share; and (2) if the Shares are listed on the date of grant the middle market quotation for dealings in Shares on the dealing day immediately preceding the date of grant or, if the Board so determines, the average of the middle market quotations for dealings on the three dealing days immediately preceding such date of grant.

The exercise price and the number of Shares subject to an option may be adjusted by the Committee (with the confirmation in writing of the Company's auditors that, in their opinion, such adjustment is fair and reasonable) to take account of any capitalisation of profits or reserves or by way of rights or any variation in the Company's share capital including by way of subdivision, consolidation of shares, reduction of share capital or other variation of the Company's ordinary share capital.

(d) *Additional conditions*

The Committee may grant an option subject to such objective condition or conditions as it in its discretion sees fit. Conditions attached to an option may be waived, varied or amended if an event occurs which causes the Committee to consider that the varied conditions represent a fairer measure than the original conditions, but are no more difficult to satisfy than were the original conditions when first set.

(e) *Exercise of options*

Options may normally be exercised (to the extent that they have vested either in whole or part and satisfied any performance conditions) at any time between the first and tenth anniversaries of their date of grant. An option will vest in respect of one thirty-sixth of its value each month during the period from the first to the fourth anniversary of the date of grant unless determined otherwise by the Board at the date of grant. The Committee will determine any question as to whether performance conditions have been satisfied.

Options may be exercisable in part, or at the discretion of the Committee in full, on the death of a participant at any time within nine years from the first anniversary of the date of grant, within the twelve months following death by the participant's personal representatives, or on his ceasing to be an eligible employee by reason of injury, ill-health, disability, retirement (at the age of 60 or at such other age as the participant is to retire in accordance with his terms of employment) redundancy, or on ceasing to be a director in any circumstances other than in the event of resignation options may be exercised within six months following the date of such cessation. At the discretion of the Committee, options may also become exercisable where the participant leaves for any other reason notwithstanding that any objective condition or conditions has not been satisfied. Rights to exercise will also arise on a change in control or reconstruction of the Company (subject to the exercise of "roll-over" rights described in sub-paragraph (f) below), and in the event of a voluntary winding-up.

(f) *Voting, dividend, transfer and other rights*

Until options are exercised, participants have no voting or other rights in respect of the Shares covered by their options. Benefits obtained under the Scheme shall not be pensionable.

Shares issued pursuant to the Scheme shall rank *pari passu* in all respects with the Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option.

The Company may determine on receipt of a participant's notice of exercise that such participant shall in substitution for the right to receive shares be paid a cash sum equal to the difference between the middle market quotation of a share on the day preceding the date of exercise less the exercise price per share over the number of shares so exercised.

Options are not transferable. On a change in control or subsequent reconstruction of the Company, options may, with the consent of the company acquiring control of the Company, be released in consideration for the grant of equivalent rights over the shares of the acquiring company or a company associated with it.

(g) *Administration and amendment*

The Committee will administer the Executive Option Scheme. The Committee may amend the Executive Option Scheme by resolution to the extent that any amendments that adversely affect participants may only be made with the approval of the Company in general meeting.

The approval of the Company in general meeting will be required for any amendment to the advantage of participants except for minor amendments to benefit the administration of the Executive Option Scheme and amendments to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group which, for the avoidance of doubt, shall include the adoption of an appendix to the rules of the Executive Option Scheme in relation to which approval to the Board of the Inland Revenue may be obtained.

(h) *Termination*

The Executive Option Scheme may be terminated at any time by a resolution of the board or by the Company in general meeting and shall in any event terminate on the tenth anniversary of the date on which the Executive Option Scheme commences. Termination shall not affect outstanding rights of participants.

9.3 *The Redbus Interhouse Limited Unapproved Share Option Scheme*

The Redbus Interhouse Limited Unapproved Share Option Scheme (the "Unapproved Scheme") was adopted by the board of Redbus Interhouse (UK) Limited (formerly known as Redbus Interhouse Limited) on 7 March 2000. Options over ordinary shares in the capital of Redbus Interhouse (UK) Limited were granted under the Unapproved Scheme on 9 March 2000. Following the acquisition of Redbus Interhouse (UK) Limited by the Company options over shares in Redbus Interhouse (UK) Limited were, subject to the terms of the Unapproved Scheme, rolled-over into Ordinary Shares. No further options will be granted.

In respect of subsisting options granted under the Unapproved Scheme the following conditions apply:

(a) *Exercise Price*

The exercise price and the number of Ordinary Shares subject to an option may be adjusted by the Committee (with the confirmation in writing of the Company's auditors that, in their opinion, such adjustment is fair and reasonable) to take account of any capitalisation of profits or reserves or by way of rights or any variation in the Company's share capital including by way of subdivision, consolidation of shares, reduction of share capital or other variation of the Company's ordinary share capital.

(b) *Exercise of Options*

Options will vest in respect of one thirty-sixth of its value each month during the period from the first to the fourth anniversary of the date of a participant's commencement of employment with the Group. Thereafter, options may normally be exercised (to the extent that they have vested either in whole or part) at any time during the period from the first anniversary of a participant's date of commencement of employment with the Group, but not prior to the date of grant of the option. No option may be exercised after the day immediately before the tenth anniversary of the date of grant of an option.

Options may be exercisable in part, or at the discretion of the Committee in full, on the death of a participant at any time within nine years from the first anniversary of the date of grant, within the twelve months following death by the participant's personal representatives, or on his ceasing to be an eligible employee by reason of injury, ill-health, disability, retirement (at the age of 60 or at such other age as the participant is to retire in accordance with his terms of employment) redundancy, or on ceasing to be a director in any circumstances other than in the event of resignation options may be exercised within six months following the date of such cessation. At the discretion of the Committee, options may also become exercisable where the participant leaves for any other reason. Rights to exercise will also arise on a change in control or reconstruction of the Company (subject to the exercise of "roll-over" rights described in paragraph (c) below), and in the event of a voluntary winding-up.

(c) *Voting, dividend, transfer and other rights*

Until options are exercised, participants have no voting or other rights in respect of the Ordinary Shares covered by their options. Benefits obtained under the Unapproved Scheme shall not be pensionable.

Ordinary Shares issued pursuant to the Unapproved Scheme shall rank *pari passu* in all respects with the Ordinary Shares already in issue except that they will not rank for any dividend or other distribution paid or made by reference to a record date falling prior to the date of exercise of the option.

Options are not transferable. On a change in control or subsequent reconstruction of the Company, options may, with the consent of the company acquiring control of the Company, be released in consideration for the grant of equivalent rights over shares of the acquiring company or a company associated with it.

(d) *Administration and amendment*

Following the roll-over of options over shares in Redbus Interhouse (UK) Limited to options over Ordinary Shares the Unapproved Scheme will be administered by the Company. The Committee of the Company may amend the Unapproved Scheme by resolution to the extent that any amendments that adversely affect participants may only be made with the approval of the Company in general meeting. The approval of the Company in general meeting will be required for any amendment to the advantage of participants except for minor amendments to benefit the administration of the Unapproved Scheme and amendments to obtain or maintain favourable tax, exchange control or regulatory treatment for participants or for any member of the Group.

10. The Placing Agreement

Under the Placing Agreement dated 19 September 2000, Collins Stewart has agreed, as agent for the Company, to make the Open Offer and to effect the Placing and in connection therewith:

- (a) to use its reasonable endeavours to procure subscribers for the Placing Shares; and
- (b) to the extent that Collins Stewart is not able to procure such subscription, itself to subscribe for such shares,

in each case at the Issue Price.

Certain shareholders have irrevocably undertaken to the Company and Collins Stewart not to subscribe for their respective entitlements under the Open Offer amounting in aggregate to 17,250,000 New Ordinary Shares.

The obligations of Collins Stewart under the Placing Agreement are conditional *inter alia* upon Admission taking place not later than 8.00 am on 17 October 2000 or such later date as the Company and Collins Stewart may agree (being not later than 8.00 am on 24 October 2000).

The Placing Agreement provides for the payment to Collins Stewart of the following:

- (a) a corporate finance fee of £300,000; and
- (b) a broking commission calculated at a rate of 1.5 per cent. of the Issue Price multiplied by the number of Placing Shares which are being placed firm with institutional and other investors;
- (c) a broking commission calculated at the rate of 1.0 per cent. of the Issue Price multiplied by the number of Placing Shares which are being conditionally placed subject to clawback to meet valid applications under the Open Offer;
- (d) a commission calculated at the rate of ½ per cent. of the Issue Price multiplied by the number of Placing Shares;
- (e) a commission payable to placees calculated at the rate of ¾ per cent. of the Issue Price multiplied by the number of Placing Shares, save for such shares placed firm; and
- (f) an additional commission payable to placees at the rate of ⅛ per cent. of the Issue Price per seven day period (or part thereof) commencing after 17 October 2000 multiplied by the number of Placing Shares, save for such shares placed firm.

The Placing Agreement contains certain warranties by the Company to Collins Stewart in respect of the Group and an indemnity by the Company in favour of Collins Stewart and its affiliates. The Placing Agreement may be terminated by Collins Stewart *inter alia* in the event of a material breach of the Placing Agreement by the Company (including the warranties contained therein) prior to Admission.

11. Material Contracts

11.1 The following contracts (not being contracts entered into in the ordinary course of business) have been entered into by the Redbus Interhouse Group during the two years immediately preceding the date of this document and (1) are or may be material or (2) contain a provision under which the Group has an obligation or entitlement which is material to the Group as at the date of this document:

- (i) a sale agreement dated 28 February 1999 between V.F. Workwear, Inc. (1) and the Company (2) whereby the Company disposed of its interest in Horace Small Holdings Corporation of Delaware, Inc. and its subsidiary undertakings for a cash consideration of £32.6 million, a summary of which was contained in the circular relating to the transaction dated 5 March 1999;
- (ii) an acquisition agreement dated 9 March 2000, between the Company (1), Redbus Group S.A. (2), and Telos Environmental Services Limited (3) whereby the Company acquired the entire issued share capital of Redbus Interhouse Limited for a consideration satisfied by the issue of 39,054,000 ordinary shares to Redbus Group S.A. and 29,946,000 ordinary shares to Telos Environmental Services Limited.
- (iii) a placing agreement dated 9 March 2000 between the Company (1) Redbus Group S.A. (2) Telos Environmental Services Limited (3) Collins Stewart Limited (4) and others. This agreement contains restrictions on certain shareholders from disposing of Ordinary Shares before the publication of the preliminary results of the Company for the period ending 31 December 2000. It also contained certain warranties given by the Company and an indemnity by the Company in favour of Collins Stewart and its affiliates;
- (iv) a trade mark sub-licence agreement dated 19 August 1999 between Imperial Management B.V. (the "Licensor") (1) and Redbus Interhouse Limited (2) under which the Licensor granted Redbus Interhouse Limited a licence to use the UK registered trade marks for the Redbus Interhouse name and the unregistered trade marks of the Redbus Interhouse branding throughout the world.
- (v) a trade mark licence dated 5 April 2000 between Redbus Branding Limited (the "Licensor") (1) and Redbus Interhouse (2) under which the Licensor granted Redbus Interhouse and its subsidiaries a non-exclusive licence to use various UK registered and unregistered trade marks for the Redbus Interhouse name worldwide. In return for the use of the trade marks Redbus Interhouse is obliged to pay the Licensor an annual royalty (exclusive of VAT) of £1,000;
- (vi) a management deed dated 19 August 1999 between Redbus Management Limited (1) and Redbus Interhouse Limited (2) under which Redbus Interhouse Management Limited provided marketing, public relations, accountancy, consultancy and non-executive director services to Redbus Interhouse Limited.
- (vii) a management deed dated 9 March 2000 between Redbus Management Limited (1) and Redbus Interhouse (2) under which Redbus Management Limited provides marketing, public relations, accountancy, consultancy and non-executive director services to Redbus Interhouse. In consideration of the services provided by Redbus Management Limited, Redbus Interhouse shall pay a services fee to £2,500 plus VAT per month, together with such fees for web site design, development and consultancy as may be agreed between the parties from time to time;

(viii) an investment agreement dated 23 June 2000, between the Company (1), The App Tap Limited (3) and others, whereby the Company agreed to subscribe for 123,750 B shares, equivalent to 20 per cent. of the issued share capital of App Tap for a subscription price of £1 million.

(ix) the Placing Agreement, details of which are set out in paragraph 10 of this Part VI.

12. Litigation

Save as disclosed in paragraph 5.2 above, there are no legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Redbus Interhouse Group is aware) which may have, or have had during the twelve months preceding the date of this document, a significant effect on the Group's financial position.

13. Working Capital

The Company is of the opinion that, taking into account the bank facilities available to it and the net proceeds of the Placing and Open Offer, the Group has sufficient working capital for its present requirements, that is for at least the next 12 months from the date of this document.

14. Significant Changes

14.1 There has been no significant change in the financial or trading position of the Redbus Interhouse Group since 30 June 2000, the date to which the latest interim financial statements of the Group were prepared.

15. Consents

15.1 Collins Stewart has given and not withdrawn its written consent to the issue of this document with the inclusion herein of its letter in Part II and the references thereto and to its name in the form and context in which they appear.

15.2 RSM Robson Rhodes has given and not withdrawn its written consent to the inclusion herein of their reports and the references thereto and to their name in the form and context in which they appear and accepts responsibility for their report having authorised its contents for the purposes of section 152(1)(e) of the Financial Services Act 1986.

16. Market Quotations

The following table shows the middle market quotations for Ordinary Shares as derived from the London Stock Exchange Daily Official List on the first dealing day in each of the six months immediately preceding the date of this document and on 18 September 2000 (being the latest practicable date prior to the publication of this document):

<i>Date</i>	<i>Price (pence)</i>
3 April	264
1 May	234
1 June	194.5
3 July	191
1 August	195
1 September	275.5
18 September	291.5

17. United Kingdom Taxation of Dividends

The comments below are intended only as a general guide to current tax position under United Kingdom law and Inland Revenue practice of Shareholders who are resident or ordinarily resident in the United Kingdom for tax purposes and who hold their shares as investments. A Shareholder who is in any doubt as to his tax position or who is subject to tax in a jurisdiction other than the United Kingdom should consult his professional adviser.

17.1 Capital Gains Tax

(a) *New Ordinary Shares acquired under the Open Offer*

(i) *Tax consequences of acquiring New Ordinary Shares*

For the purposes of United Kingdom tax on chargeable gains, the issue of New Ordinary Shares to Qualifying Shareholders up to and including their pro-rata entitlement under the Open Offer should be treated as a reorganisation of the share capital of the Company.

On the above basis, to the extent that a Qualifying Shareholder takes up New Ordinary Shares up to and including his/her entitlement, the New Ordinary Shares so acquired and the existing holding in respect of which they are issued will, for the purposes of tax on chargeable gains, be treated as the same asset and as having been acquired when the existing holding was acquired (other than for computing indexation allowance where relevant). The amount paid for the New Ordinary Shares will be added to allowable expenditure constituting an addition to the base cost of the enlarged holding when computing the gain on any disposal of the increased holding.

(ii) *Indexation allowance*

An indexation allowance is available for the purposes of computing gains (but not losses) arising to persons chargeable to corporation tax.

Although New Ordinary Shares are treated as acquired at the same time as a holder's existing holding of ordinary shares as described above, for the purposes of computing indexation allowance, amounts paid for New Ordinary Shares shall be regarded as incurred on the date when such amounts are paid or fall due for payment.

(iii) *Taper relief*

For capital gains tax purposes, indexation allowance has been frozen as at April 1998. Taper relief now applies for the purposes of capital gains and operates by reducing the amount of a gain realised on the disposal of assets by a percentage amount which is dependent on the period of ownership of the relevant asset. Shares acquired pursuant to the Open Offer will be treated for this purpose as having been acquired at the same time as the original holding of ordinary shares to which they relate.

(b) *New Ordinary Shares acquired pursuant to the Placing*

The issue of New Ordinary Shares under the Placing will not constitute a reorganisation of share capital for the purposes of tax on chargeable gains. Accordingly, any such New Ordinary Shares will constitute a new holding separate from any existing shareholding in the Company.

(c) *Stamp Duty and Stamp Duty Reserve Tax*

Except in relation to depository receipt arrangements or clearance services, where special rules apply, under current UK legislation relating to stamp duty and stamp duty reserve tax ("SDRT"):

- (i) the subscription for the Offer Shares under the Open Offer will be free of stamp duty and SDRT where the Offer Shares are registered in the names of the Qualifying Shareholders taking up their rights under the Open Offer.
- (ii) no liability to stamp duty or SDRT should arise on the allotment of New Ordinary Shares by the Company under the Placing where they are registered in the names of the original offerees;
- (iii) a subsequent transfer or sale of New Ordinary Shares otherwise than pursuant to the Placing will generally be subject to stamp duty on the instrument of transfer, normally at the rate of 0.5 per cent. of the amount or value of the consideration

(with duty rounded up to the nearest £5). A charge to SDRT (generally at the same rate and generally collected through CREST for shares within that system) may arise on any unconditional agreement to transfer such shares although any liability will be cancelled and any SDRT already paid will be repaid, provided that an instrument of transfer is executed and stamp duty is paid on that instrument within six years after the date on which the liability to SDRT arises. SDRT is generally payable by the purchaser except where the purchase is effected through a stockbroker or other financial intermediary, in which case such person will normally account for the SDRT and should indicate that this has been done in any contract note issued to the purchaser. Stamp duty is generally payable by the purchaser or transferee; and

(iv) special rules apply to market makers, broker dealers and certain other persons.

17.2 *Taxation of dividends*

There is no United Kingdom withholding tax on dividends. An individual Shareholder resident in the UK for tax purposes will be taxable on the total of any dividend received and the related tax credit (the "gross dividend"), which will be regarded as the top slice of the individual's income.

Following the abolition of advance corporation tax with effect from 6 April 1999 the tax credit on dividends paid by the Company is reduced to one-ninth of the dividend paid (or ten per cent. of the gross dividend). However, individuals who are not liable to tax at the higher rate will have no further liability and for higher rate taxpayers, the higher rate is 32.5 per cent. rather than 40 per cent. This means that a higher rate Shareholder receiving a dividend of £90 will be treated as having gross income of £100 (the net dividend of £90 plus a tax credit of £10) and after allowing for the tax credit of £10 will have a further £22.50 liability. The same procedure applies for UK resident trustees save that the rate applicable to trusts will be 25 per cent. (as opposed to 32.5 per cent.)

Generally, Shareholders will no longer be entitled to reclaim the tax credit attaching to any dividends paid by the Company save where their Ordinary Shares are held in a Personal Equity Plan or Individual Savings Account, when the tax credit can be reclaimed for dividends paid on or before 5 April 2004. Certain transitional relief applies to dividends received by charities.

Subject to certain exceptions for traders in securities, a Shareholder which is a company resident for tax purposes in the United Kingdom will not be chargeable to tax on dividends received from the Company.

UK pension funds are not entitled to reclaim any part of the tax credit associated with dividends paid by the Company.

Entitlement to claim repayment of any part of a tax credit for Shareholders not resident in the UK for tax purposes will depend, in general, on the existence and terms of any double tax convention between the United Kingdom and the country in which the holder is resident. Such Shareholders should note, however, that since 6 April 1999, most Shareholders who had previously been able to claim repayment of any part of the tax credit have either ceased to be able to claim such repayment or the amounts repayable are less than one per cent. of the dividend. Shareholders who are not resident in the United Kingdom should consult their own tax advisers concerning their tax liability on dividends received, whether they are entitled to claim repayment of any part of the tax credit and, if so, the procedure for so doing.

18. General

18.1 The New Ordinary Shares have a nominal value of 1p each and are being issued fully paid pursuant to the Placing and Open Offer at 280p per share, representing a premium of 279p over their nominal value.

18.2 The New Ordinary Shares are not available in whole or in part to the public in conjunction with the application for Admission.

- 18.3 The Existing Ordinary Shares are and the New Ordinary Shares will be in registered form and are capable of being held in both certificated and uncertificated form. No temporary documents of title have been or will be issued.
- 18.4 Application has been made to the UK Listing Authority for the New Ordinary Shares to be admitted to the Official List.
- 18.5 Application has been made to the London Stock Exchange for the New Ordinary Shares to be admitted to trading.
- 18.6 The total costs and expenses payable in connection with the Placing and Open Offer are estimated to amount to approximately £2.1 million (exclusive of VAT) (of which a maximum of approximately £1.8 million is to be paid to financial intermediaries). This amount is payable by the Company.
- 18.7 The Company did not offer the sub-underwriting of the Placing for tender as to the commissions payable to sub-underwriters, as the Directors do not believe that such tendering would have had a material impact upon the cost of the Placing and the Open Offer.
- 18.8 The Company's auditors for each of the three financial periods ended 31 March 2000 were Arthur Andersen, 1 Surrey Court, London, WC2R 2PS.
- 18.9 The registrars of the Company are Capita IRG Plc, Balfour House, 390/398 High Road, Ilford, Essex IG1 1NQ.

19. Documents available for inspection

Copies of the following documents will be available for inspection at the registered office of the Company at Masters House, 107 Hammersmith Road, London W14 0QH and at the offices of Ashurst Morris Crisp, Broadwalk House, 5 Appold Street, London EC2A 2HA during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted) up to and including 11 October 2000.

- (a) the memorandum and articles of association of the Company together with the proposed new articles of association of the Company;
- (b) the interim results for the three months ended 30 June 2000 set out in Part III of this document;
- (c) the Placing Agreement referred to in paragraph 10 and the material contracts referred to in paragraph 11 above;
- (d) the audited consolidated accounts of the Group for the nine months ended 30 September 1997, the eighteen months ended 31 March 1999 and the year ended 31 March 2000;
- (e) the service agreement, consultancy agreements and terms of appointment referred to in paragraph 8 above;
- (f) the letters of consent referred to in paragraph 15 above;
- (g) the irrevocable undertakings referred to under the "Placing and Open Offer" heading in Part I of this document; and
- (h) the rules of the Option Schemes.
- (i) The Phillips Group - "The Colocation Report, Towards Unified Communications Exchanges".

19 September 2000 ✓

