

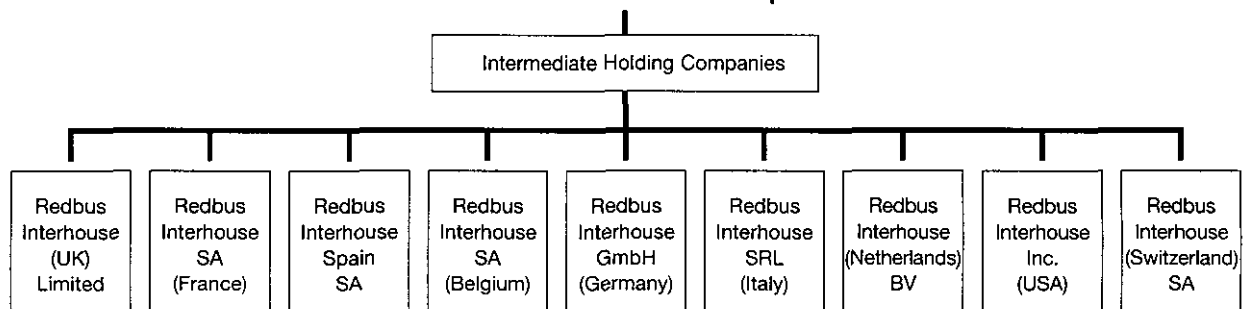
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# REDBUS INTERHOUSE plc



ANNUAL REPORT AND ACCOUNTS 2000

## REDBUS INTERHOUSE plc



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# redbus interhouse plc

REDBUS INTERHOUSE HAS CONTINUED TO EXPAND RAPIDLY, ESTABLISHING ITSELF AS ONE OF THE LEADING EUROPEAN OPERATORS IN THIS SECTOR. DEMAND IS STRONG AND FOR THE CURRENT YEAR IT IS ANTICIPATED THAT THE COMPANY WILL BECOME EBITDA POSITIVE OVERALL.

## highlights

- Turnover of £3.5m (1999 – £0.3m)
- Operating loss before goodwill write-off of £6.8m
- Goodwill write-off of £47.2m arising on reverse acquisition leaving a pre-tax loss of £53.3m
- Ten sites spread across Europe – 3 sites in operation at end of year
- First site – London 1 now profitable
- £86.1m in cash at year end
- 650,000 square feet of gross leased space planned by December, 2001
- Target of 1 million square feet by December, 2002

## **CHAIRMAN'S STATEMENT**

**I am pleased to report that the year to 31st December, 2000 was a period of success for our Company. Redbus Interhouse has continued to expand rapidly and has established itself as one of the leading European operators in the neutral internet colocation industry.**

We currently have ten sites spread across Europe of which three are operational and seven are in build-out. Our rollout programme of new sites is progressing. We are attracting strong demand from customers, securing market position and generating good revenue growth.

### **Strategy**

The Company's strategy to develop a pan-European network of neutral internet colocation facilities providing hosting and value added services remains unchanged and is delivering results. We have carefully positioned our services at the quality end of the market both as to specification and reliability of infrastructure and also to the extent and depth of back-up engineering support and service capability. Accordingly, our target customers are those to whom service level takes precedence over pricing issues.

“DEMAND FOR THE COMPANY’S SERVICES  
REMAINS STRONG. THE TAKE UP OF OPERATIONAL  
SPACE HAS BEEN GOOD AND IS EXPECTED  
TO REMAIN SO.”

**John Porter**, *Executive Chairman*

The plan to establish facilities in the leading European cities is now being rapidly implemented. A typical site offers approximately 60,000 square feet of gross leased space. As our site deployment programme has built up momentum, we have experienced some delay in new sites becoming operational. This process is being addressed and we remain confident that by the end of the current year we will have total gross leased space of approximately 650,000 square feet. This is targeted to rise to approximately 1 million square feet the following year.

From its inception the Company has offered value added services. Some of these services are already included within our colocation pricing structure and we continue to develop the resources within our technical and engineering teams to support further expansion within this area.

### **Market Demand**

We are conscious of the slow down affecting many technology markets. We remain alert to the potential impact on our business, but even so demand for the Company’s services remains strong. The take up of operational space has been good and is expected to remain so. Demand from larger customers continues at levels in excess

REDBUS INTERHOUSE HAS FORMULATED AN IMPRESSIVE EXPANSION PROGRAMME THAT WILL PROVIDE ONE OF THE LARGEST NETWORKS OF COLOCATION FACILITIES ACROSS EUROPE BY THE END OF 2002.

## **CHAIRMAN'S STATEMENT**

CONTINUED

of original expectations and with long contract periods. Accordingly, the proportion of space devoted to suites for larger customers has increased, although there is continuing demand from smaller customers. The pricing of the Company's cage, rack and shelf services has been maintained and suite pricing has remained equally firm.

### **Results**

Turnover for the year amounted to £3.5 million compared with £0.3 million in the previous period. In the year, there was an operating loss before goodwill write-off of £6.8 million. Reverse Acquisition Accounting has been adopted in respect of the presentation of the Group's accounts. The goodwill write-off for the year comprises the entire amount of goodwill of £47.2 million arising on the reverse acquisition. Including this write-off there was a loss on ordinary activities before taxation of £53.3 million.

### **Financial Strength**

The Company raised over £100 million of equity capital through issues of ordinary shares in April, 2000 and October, 2000 which has given it a major advantage over its competitors. The funds have allowed us to define a consistent rollout programme,

but we have planned review points each quarter to adapt if business circumstances alter. At 31st December, 2000 the company had cash of £86.1 million.

### **Prospects**

Redbus interhouse has progressed to plan in the year to 31st December, 2000. The fact that our first site in London is now producing profits underlines the validity of the redbus interhouse business model. Our business model is flexible allowing us to vary the pace of our rollout programme as required. We are attracting strong demand and some of our larger customers have implemented multiple site contracts. The Board's plan for the current year anticipates that the Company will become EBITDA positive overall.

### **John Porter**

*Executive Chairman*

**“OUR plan is to achieve 650,000 square feet of gross leased space by the end of 2001 and then increase that to 1 million square feet by the end of 2002.”**

**Cliff Stanford, Executive Deputy Chairman**

## **Review of Operations**

**We have made good progress in the year to 31st December, 2000 and laid the foundations for the continued rapid expansion of our facilities. During the period the primary focus has been on our rollout programme and the sales effort, but all areas of the business have undergone significant change to address our plan to accelerate growth.**

As noted in the Chairman's statement, demand for the Company's services remains strong despite changes elsewhere in the technology sector. Internet usage is growing at a very high rate and we expect that to continue, with new applications adding significant further traffic. Accordingly, we believe the requirement to house internet servers will continue to grow rapidly over the medium term and lead to continued expansion of the colocation market and demand for valued added services.

### **Operational Facilities**

London I, which has a gross leased space of 42,377 square feet, was the first operational site. The original data floor was built prior to acquisition, but the space was more than doubled during the year. An additional floor was commissioned in July, 2000 and quickly became full. Towards the end of the year some administration space was converted over to data floor and that area was also quickly sold. There are over 170 customers within this facility including suite customers who occupy



approximately 55% of the data floor area with the balance accounted for by customers for the cage, rack and shelf services. This site is now operating at a profit before tax.

The second operational site is in Paris and has a gross leased area of 59,342 square feet. It was commissioned in two phases, with the second phase completed in November, 2000. The suite space in this facility has been sold. The remaining space for cages, racks and shelves will be sold over the coming months when the facility will achieve a profit before tax.

Our third operational site is in Milan and was brought into operation in November, 2000 with gross leased space of 27,599 square feet. We are experiencing a high level of interest, particularly for suites, and expect this site to become full during the current year.

The pricing of our services remains unchanged for both the cage, rack and shelf package and the larger suites. Yet there continues to be debate in the industry regarding the medium term outlook for pricing. Supply across all sectors has so far lagged demand and we expect that to remain so for the time being. Nevertheless, our strategy has been to establish quality services aimed at customers who are

## **Review of operations**

CONTINUED

focused more on service level than price. Accordingly, we believe that pricing for our services will remain robust over the medium term.

### **Rollout Programme**

As noted in the Chairman's statement, we are aiming to have 650,000 square feet of gross leased space available by the end of the current year. Given that we currently have operational space of 129,318 square feet, 478,858 square feet in various stages of build-out, and two sites in lease negotiation with three others under consideration, we are confident that this target can be achieved. Nevertheless, we have experienced delays in commissioning the London II and Madrid sites with their opening dates now three months later than earlier expected and, consequently, the rollout of other sites has been pushed back by one quarter.

Our confidence in achieving such a substantial increase in physical space is underpinned by the fact that we invested in sufficient resource to enable such demanding targets to be met. From the outset we recognised the need to retain full control over all the important build activities, rather than sub-contract these functions as many of our competitors do. We established our own in-house team of specialists to design facilities, procure capital equipment and project manage the build-out. The build team currently comprises 21 employees, which gives us the ability to manage

priorities and adapt to customers' requirements more effectively, whilst achieving shorter build periods. Above all, this dedicated team ensures the delivery of high quality facilities.

The following tables summarises the current build programme:

<b>Facility</b>	<b>Gross leased space (square feet)</b>
Madrid	74,663
Frankfurt	75,562
London II	28,750
London III	89,588
Amsterdam	62,431
Luxembourg	87,327
Munich	60,537
	478,858

The sales effort in relation to the sites in build-out has begun with particular emphasis on customers with larger space requirements. Enquiries have been received from existing and potential customers for multi-site contracts and with the commissioning of the above sites these opportunities will be progressed. It was

**“INTERNET USAGE IS GROWING AT A VERY HIGH RATE AND WE EXPECT THAT TO CONTINUE WITH NEW APPLICATIONS ADDING SIGNIFICANT FURTHER TRAFFIC. ACCORDINGLY, WE BELIEVE THE REQUIREMENTS TO HOUSE INTERNET SERVERS WILL CONTINUE TO GROW RAPIDLY OVER THE MEDIUM TERM AND LEAD TO CONTINUED EXPANSION OF THE COLOCATION MARKET AND DEMAND FOR VALUE ADDED SERVICES”**

**Kevin Neal**, *Managing Director*

## **Review of operations**

CONTINUED

previously reported that London II had been pre-sold subject to contract. That contract will not now proceed. With high demand in the London area, the sale of the space released is expected to be achieved in line with our model.

The search for new sites continues and we are currently negotiating lease terms for sites in Prague and Istanbul. Further sites are under consideration in Copenhagen, Helsinki and Geneva and some of these should enter into the lease negotiation stage shortly.

Capital expenditure on facilities during the last year amounted to £16.3 million. In the current year this is expected to be substantially higher as we complete those sites in build-out.

### **Organisation**

In order to meet the high demands that will be placed on us over the next year as the intensity of our rollout programme accelerates, a new organisational structure has been implemented. The sales and marketing functions have been reorganised and strengthened to prepare for the current year. These teams, along with our sales function in the USA, will primarily focus on the larger multi-national customers looking for suite space. At a local level, each site will be serviced by a regional sales manager who will be responsible for targeting national customers.

A new Human Resources function has been established and the total number of personnel has been increased to 128. Over the current and following years we expect further growth in headcount across Europe. To ensure that we attract the best people we have established competitive levels of compensation as well as offering extensive training to technical and engineering personnel.

**Prospects**

In his statement, the Chairman expressed confidence in the Company's prospects, but notes that we are remaining alert to the potential impact on our business of the slow down in the technology markets. The slow down of activity is being carefully monitored, but has not impacted our business. Whilst we have experienced some delays in sites becoming operational we remain confident of meeting our site rollout targets. Fill rates at our operational sites are in line with our expectations and our model. Accordingly, I endorse the Chairman's confidence and look forward over the medium term to delivering one of the largest networks of neutral internet colocation facilities across Europe.

“ ....THE COMPANY HAS RAISED IN EXCESS OF  
£100 million THROUGH ISSUES OF ORDINARY SHARES  
IN April, 2000 AND IN OCTOBER, 2000.  
THE LARGE EQUITY BASE ESTABLISHED ALONG WITH  
GROWING REVENUE STREAMS ALSO PROVIDE THE BASIS  
FOR DEBT CAPACITY ”

*Carl Fry, Finance Director*

## **FINANCIAL REVIEW**

### **Reverse Acquisition Accounting**

As reported in the Chairman's statement, reverse acquisition accounting has been adopted in respect of the presentation of the Group's accounts and such decision was taken by the Board following a recommendation from the audit committee and the Company's auditors.

On 5th April, 2000 the Company, then named Horace Small Apparel plc, became the legal parent company of Redbus Interhouse Limited in a share-for-share transaction. Due to the relative values of the companies, the former Redbus Interhouse Limited shareholders became the majority shareholders with 69% of the enlarged share capital, prior to the placing and open offer. Further, the Company's continuing operations and executive management were those of Redbus Interhouse Limited. Accordingly, the substance of the combination was that Redbus Interhouse Limited acquired Horace Small Apparel plc in a reverse acquisition. As part of the business combination, Horace Small Apparel plc changed its name to Redbus Interhouse plc and changed its year end to 31st December.

As a consequence of applying reverse acquisition accounting, the results for the year ended 31st December, 2000 comprise the results of Redbus Interhouse Limited for its year ended 31st December, 2000 plus those of Horace Small Apparel plc from 5th April, 2000, the date of the reverse acquisition, to 31st December, 2000. The comparative figures are those of Redbus Interhouse Limited for the 17 months ended 31st December, 1999. Goodwill amounting to £47.2 million arose on the difference between the fair value of Horace Small Apparel plc's share capital, amounting to £58.7 million based on 30,747,271 ordinary shares at £1.91 per share, and the fair value of its net assets of £11.5 million at the reverse acquisition date. The goodwill has been written off in the year ended 31st December, 2000 because Horace Small Apparel plc had no continuing business and therefore the goodwill has no intrinsic value.

## **Results**

Turnover for the year amounted to £3.5 million. EBITDA was a loss of £5.7 million and there was an operating loss before goodwill write-off of £6.8 million. This loss reflects the growth nature of the Company's activities requiring facilities to be established along with their associated cost base in advance of revenue generation and the development of central activities such as the build and sales and marketing

## FINANCIAL REVIEW

CONTINUED

teams, to maximise the potential of the growth plan. The loss also includes £1.0 million in respect of share option compensation charge that is not expected to recur in the current year to the same extent. The goodwill write-off amounted to £47.2 million and there was net interest receivable of £1.7 million. The loss on ordinary activities before taxation amounted to £53.3 million. There was a small tax charge of £43,000 arising on predecessor operations in the USA. Basic earnings per share amounted to a loss of 46.8 pence and adjusted earnings per share, which is calculated prior to deducting goodwill write-off and the net exceptional credit, amounted to a loss of 5.4 pence.

### Exceptional Items

There was a net exceptional credit of £113,000 arising from the write-back of £855,000 of the provision for environmental remediation in relation to the Nashville property less a write-off of £742,000 of goodwill arising on the acquisition of the associate company, The APP Tap Limited. The partial write-back of the environmental remediation provision arose through a reassessment of the potential liability and the low level of remediation expenditure during the year. The APP Tap Limited has not yet been able to secure funding for the next phase of its development and may need to scale back its operations. Accordingly, it is considered prudent to write-off part of the goodwill and to recognise the impairment in value.



### **Accounting Policies**

The Company's accounting policies have been carefully considered in order to establish their suitability over the medium term. Revenue recognition is an area where there has been controversy within the technology sector. The vast majority of the Company's revenues relate to the provision of colocation services and are recognised in the profit and loss account evenly on a time basis according to the periods to which invoiced amounts relate. In comparison, set-up fees are small and are recognised in the profit and loss account once the service has been completed.

The Company's depreciation rate in relation to plant and equipment of 5 years is considered conservative in comparison to 8 to 10 year periods that are more prevalent in the industry. Our intention is to maintain the 5 year period in light of the potential for technological change, but review this decision from time to time to ensure it remains appropriate.

### **Financing**

As noted in the Chairman's statement the Company has raised in excess of £100 million through issues of ordinary shares in April, 2000 and in October, 2000. In addition to this, the Company already had free cash balances of £8.4 million at the date of the reverse acquisition by Redbus Interhouse Limited. Accordingly, these

## **FINANCIAL REVIEW**

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funds allowed the Company to proceed rapidly with its rollout programme. The large equity base established along with growing revenue streams also provide the basis for debt capacity.

### **Foreign Exchange**

The Company's rollout programme will result in much of its assets, liabilities, revenues and expenses becoming denominated in euros. Accordingly, as the Company's reporting currency is in sterling, the risk of translation losses arises on consolidation of the results of European operations. Further, there is also the risk of exchange losses in the Company's accounts on euro denominated short term loans to its European subsidiaries. The Company's policy is not to hedge against foreign currency exposure as it is considered that the decision to hedge can equally be a disadvantage as a benefit. Nevertheless, European operations are financed so that there is some structural hedging with the consequence that translation exposure applies only to the net assets and net income of European subsidiaries.

# DIRECTORS' REPORT

The directors have pleasure in submitting their report together with the audited accounts for the year ended 31st December, 2000.

## Principal activities

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

## Review of business

With effect from 5th April, 2000, the company, then named Horace Small Apparel plc, became the legal parent company of Redbus Interhouse Limited and its subsidiary undertakings in a share-for-share transaction. Due to the relative value of the companies, Redbus Interhouse Limited shareholders became the majority shareholders with 69% of the enlarged share capital prior to the placing and open offer. The substance of the combination was that Redbus Interhouse Limited acquired Horace Small Apparel plc in a reverse acquisition. As part of the combination, Horace Small Apparel plc changed its name to Redbus Interhouse plc and changed its year end to 31st December.

## Results and dividends

The results for the year are set out in the group profit and loss account. The loss for the financial year, after goodwill write-off of £47,231,000, amounted to £53,309,000 (1999 – £1,996,000). The directors are not recommending the payment of a dividend (1999 – £nil).

## Substantial interests

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

	No. of shares	%
Redbus Group SA*	37,909,368	25.15
Telos Environmental Services Limited**	23,496,000	15.58
CGNU plc	9,042,150	6.00
i-spire plc***	6,501,679	4.31

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

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

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

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

# DIRECTORS' REPORT

## Directors

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

John Porter ( <i>Executive Chairman</i> )	Appointed 25th January, 2000
Cliff Stanford ( <i>Executive Deputy Chairman</i> )	Appointed 5th April, 2000
Kevin Neal ( <i>Managing Director</i> )	Appointed 5th April, 2000
Carl Fry ( <i>Finance Director</i> )	Appointed 25th July, 2000
Alex Bligh	Appointed 5th April, 2000
Paul Dumond	
James Morton	
Tony Simkin	Appointed 5th April, 2000
Colin Keith	Resigned 5th April, 2000
Christopher Mills	Resigned 5th April, 2000

Colin Keith was Chairman of Horace Small Apparel plc until his resignation on 5th April, 2000, when John Porter became Chairman of the company.

In accordance with the articles of association, Cliff Stanford and Tony Simkin retire by rotation at the forthcoming annual general meeting and, each being eligible, offer themselves for re-appointment.

## Supplier payment policy

The company's policy is to pay its suppliers on the terms agreed with them. Trade creditor days for the company for the year ended 31st December, 2000 was 30 days (1999 – 30 days).

## Share capital

During the year the company issued a total of 120,012,957 ordinary shares comprising 69,000,000 shares in respect of the reverse acquisition by Redbus Interhouse Limited; 19,844,034 shares in respect of the Placing and Open Offer completed in April 2000; 30,054,845 shares in respect of the Placing and Open Offer completed in October 2000; 525,778 shares on acquisition of a 20% interest in The APP Tap Limited and 588,300 shares on exercise of share options. Further details of changes to share capital during the year are set out in note 16 to the accounts.

## Authority to purchase own shares

At the last annual general meeting shareholders granted authority for the company to purchase up to 22,608,619 of its ordinary shares for a minimum price of the nominal value of each ordinary share and a maximum price of 105% of the average of the middle market quotation of the shares for the five business days prior to the purchase. The company did not purchase any of its own shares during the period. The authority expires at the conclusion of the forthcoming annual general meeting, but shareholders' approval for a new authority over a maximum of 22,623,799 ordinary shares will be sought at the meeting.

## Auditors

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

Masters House  
107 Hammersmith Road  
London W14 0QH  
28th March, 2001



By order of the Board  
Paul G. Dumond  
Director and Company Secretary

# CORPORATE GOVERNANCE

## The Combined Code

In June, 1998 the Hampel Committee and the London Stock Exchange published the Combined Code on corporate governance (the "Combined Code"). This combined the Cadbury, Greenbury and Hampel reports into one corporate governance code.

## Statement of compliance

The company became the legal parent company of Redbus Interhouse Limited on 5th April, 2000, but the substance of the business combination was that Redbus Interhouse Limited acquired the company in a reverse acquisition. Accordingly, the period being reported on is the last accounting period of Redbus Interhouse Limited, being the year ended 31st December, 2000. Prior to 5th April, 2000, Redbus Interhouse Limited was a private company and for that reason had not implemented the provisions of the Combined Code. From 5th April, 2000, the provisions set out in Section 1 of the Combined Code have been complied with except to the extent set out below.

## Statement of application

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

## The board

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

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

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

The Combined Code requires that the non-executive directors serve for set terms and that all directors seek re-election every three years. Under the company's articles of association one third of the directors are required to seek re-appointment every year. The company believes that this approach is sufficiently in line with the requirements of the Combined Code.

## Board committees

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

# CORPORATE GOVERNANCE

## Dialogue with shareholders

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

## Internal control

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

## Derivatives and other financial instruments

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

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

## Going concern

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

## Directors' responsibilities

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

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

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

# DIRECTORS' REPORT ON REMUNERATION

## Remuneration committee

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

## Directors' remuneration

The company's policy on the remuneration of executive directors, as well as that for other senior employees, is determined by the remuneration committee and is subject to confirmation by the board. Remuneration is set at a level sufficient to attract, retain and motivate the individuals needed to run the company successfully. The remuneration of executive directors and senior employees does not include performance related elements forming a significant proportion of total remuneration that meets the requirements of provisions B.1.4 and B.1.6 of the Combined Code. However, as set out below the company has two plans for long term incentivisation that are given to executive directors and senior employees.

None of the directors who are being proposed for re-appointment at the forthcoming annual general meeting have service agreements with the company that are terminable on more than one year's notice.

Emoluments for the nine months to 31st December, 2000 were as follows:

Name of Director	Fees £000	Basic salary and other emoluments £000	9 months ended 31st December, 2000 total £000	Year ended 31st March, 2000 total £000
<i>Executive</i>				
John Porter	38	—	<b>38</b>	—
Cliff Stanford	—	—	—	—
Kevin Neal	—	158	<b>158</b>	—
Carl Fry	—	57	<b>57</b>	—
Colin Keith (resigned 5th April, 2000)	—	—	—	27
Robert Gates Jr (resigned 5th August, 1999)	—	—	—	2
Richard Vacek Jr (resigned 5th August, 1999)	—	—	—	2
<i>Non-executive</i>				
Christopher Mills (resigned 5th April, 2000)	—	—	—	20
Alex Bligh	7	—	<b>7</b>	—
Paul Dumond	7	—	<b>7</b>	7
James Morton	7	50	<b>57</b>	7
Tony Simkin	—	50	<b>50</b>	4
Aggregate emoluments	59	315	<b>374</b>	69

None of the directors received any benefits in kind during the year.

Kevin Neal was the only director to receive emoluments prior to the reverse acquisition which amounted to £25,000. Kevin Neal also received £79,000 in salary in the 17 months ended 31st December, 1999 for his services as a director of Redbus Interhouse Limited. No other directors of Redbus Interhouse Limited received emoluments during that period.

Included in the above are three amounts of £50,000 paid to each of Kevin Neal, James Morton and Tony Simkin in consideration of the special services rendered in connection with the reverse acquisition of Horace Small Apparel plc.

The above table does not include amounts payable to Redbus Management Limited in respect of the services of its directors Cliff Stanford and Tony Simkin of £38,000 and £35,000 respectively.

# DIRECTORS' REPORT ON REMUNERATION

## Company incentive schemes

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

## Unapproved executive share option scheme

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

## Directors' options

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

	Date of Grant	Note	Option Price (pence)	Options Outstanding at 31st December, 2000	Options Outstanding at 31st December, 1999	Expiry Date
Directors:						
John Porter	3rd April, 2000	(a)	110.00	100,000	–	8th March, 2010
Cliff Stanford	3rd April, 2000	(a)	110.00	100,000	–	8th March, 2010
Kevin Neal	26th May, 1999	(b)	5.79	690,000	690,000	25th May, 2004
	1st October, 1999	(b)	5.79	690,000	690,000	30th September, 2004
	3rd April, 2000	(a)	110.00	100,000	–	8th March, 2010
Carl Fry	19th September, 2000	(a)	289.00	112,941	–	19th September, 2010
Alex Bligh	26th May, 1999	(b)	5.79	3,450,000	3,450,000	25th May, 2004
	3rd April, 2000	(a)	110.00	25,000	–	8th March, 2010
Paul Dumond	15th September, 1997	(c)	12.10	15,345	–	15th September, 2004
	3rd April, 2000	(a)	110.00	50,000	–	8th March, 2010
James Morton	3rd April, 2000	(a)	110.00	250,000	–	8th March, 2010
Tony Simkin	3rd April, 2000	(a)	110.00	100,000	–	8th March, 2010
Colin Keith (Resigned 5th April, 2000)	8th May, 1998	(c)	17.10	160,000	–	8th May, 2008

(a) Options granted by the company under the Scheme that become exercisable at a rate of  $\frac{1}{36}$ th per month, commencing one year after 8th March, 2000.

(b) Options granted by Redbus Interhouse Limited that were rolled over to options over Redbus Interhouse plc shares following the reverse acquisition by Redbus Interhouse Limited in April, 2000, all currently exercisable.

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



## DIRECTORS' REPORT ON REMUNERATION

No current directors exercised options during the year.

The market price of the ordinary shares at 31st December, 2000 was 222p and the range since the reverse acquisition was 162p to 326.5p.

### Long term incentive plan

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

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

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

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

### Director's interest in the long term incentive plan

A summary of the plan appears above. The awards to directors during the year were as follows:

	Date of Grant	No of Phantom Awards at 31st December, 2000	Entry Price £	Exit Price £	Total Potential Cash Value £	Expiry Date
Director:						
Carl Fry	5th December, 2000	112,941	1.885	2.89	113,506	5th December, 2010

### Directors' share interests

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

	At 31st December, 2000	At 31st March, 2000
John Porter <sup>(1)</sup>	29,997,679	—
Cliff Stanford <sup>(2)</sup>	39,260,719	—
Paul Dumond	8,333	8,333
James Morton	33,000	70,000

#### Notes

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

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

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

# Auditors' report

## To the shareholders of Redbus Interhouse plc

We have audited the accounts on pages 25 to 44 which have been prepared under the historical cost convention and the accounting policies set out on pages 29 and 30. We have also examined the amounts disclosed relating to the emoluments, share options and incentive schemes of the directors which are part of the Directors' report on remuneration on pages 21 to 23.

## Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on page 20, the accounts in accordance with applicable United Kingdom law and accounting standards. Our responsibilities, as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, the Listing Rules of the Financial Services Authority, and our profession's ethical guidance.

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

We review whether the corporate governance statement on pages 19 and 20 reflects the company's compliance with the seven provisions of the Combined Code specified for our review by the Financial Services Authority, and we report if it does not. We are not required to consider whether the board's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

We read the other information contained in the Annual Report, including the corporate governance statement, and consider whether it is consistent with the audited accounts. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

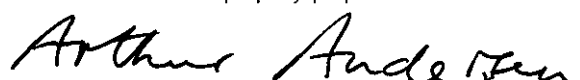
## Basis of audit opinion

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

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

## Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company and group at 31st December, 2000 and of the group's loss and cash flows for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Arthur Andersen

Chartered Accountants and Registered Auditors

London

28th March, 2001

# Group profit and loss account

FOR THE YEAR ENDED 31ST DECEMBER, 2000

	Notes	Year ended 31st December, 2000 £000	Restated 17 months ended 31st December, 1999 £000
<b>Turnover - continuing operations</b>		<b>3,475</b>	291
Cost of sales		(6,339)	(921)
<b>Gross loss</b>		<b>(2,864)</b>	(630)
Administrative expenses	2	(51,157)	(1,385)
Operating loss before goodwill write-off		(6,790)	(2,015)
Goodwill write-off	23	(47,231)	—
<b>Operating loss</b>		<b>(54,021)</b>	(2,015)
Share of associate's operating loss	2, 11	(970)	—
Interest receivable and similar income	4	1,853	51
Interest payable and similar charges	5	(128)	(32)
<b>Loss on ordinary activities before taxation</b>	6	<b>(53,266)</b>	(1,996)
Taxation on loss on ordinary activities	7	(43)	—
<b>Loss for the financial period</b>		<b>(53,309)</b>	(1,996)
<b>Loss per share:</b>			
Basic loss per share	8	(46.8)p	(2.9)p
Adjusted loss per share	8	(5.4)p	(2.9)p

Movements on reserves are set out in note 17.

# Group statement of total recognised gains and losses

FOR THE YEAR ENDED 31ST DECEMBER, 2000

	Year ended 31st December, 2000 £000	Restated 17 months ended 31st December, 1999 £000
Loss for the financial period	(53,309)	(1,996)
Currency translation differences	872	—
<b>Total recognised losses for the financial period</b>	<b>(52,437)</b>	(1,996)

In relation to the restated results for the 17 months ended 31st December, 1999, the cumulative effect of the prior year adjustment was a £238,000 reduction in the deficit on the profit and loss account reserve at 31st December, 1999.

The accompanying notes are an integral part of these accounts.


# Group balance sheet

AT 31ST DECEMBER, 2000

	Notes	At 31st December, 2000 £000	Restated At 31st December, 1999 £000
<b>Fixed assets</b>			
Tangible assets	9	22,796	6,367
Investment in associate	11	100	–
		<b>22,896</b>	<b>6,367</b>
<b>Current assets</b>			
Debtors	12	13,399	1,179
Cash at bank and in hand	13	86,144	16
		<b>99,543</b>	<b>1,195</b>
<b>Creditors:</b> amounts falling due within one year	14	<b>(7,427)</b>	<b>(4,638)</b>
<b>Net current assets/(liabilities)</b>		<b>92,116</b>	<b>(3,443)</b>
<b>Total assets less current liabilities</b>		<b>115,012</b>	<b>2,924</b>
<b>Creditors:</b> amounts falling due after more than one year	14	<b>(244)</b>	<b>(367)</b>
<b>Provisions for liabilities and charges</b>	15	<b>(2,413)</b>	<b>–</b>
<b>Net assets</b>		<b>112,355</b>	<b>2,557</b>
<b>Capital and reserves</b>			
Called up share capital	16	1,508	1,000
Capital redemption reserve	17	46	–
Share premium account	17	102,147	3,000
Other reserve	17	14,306	–
Profit and loss account	17	(5,652)	(1,443)
<b>Equity shareholders' funds</b>	18	<b>112,355</b>	<b>2,557</b>

The accounts were approved by the Board of Directors on 28th March, 2001 and signed on its behalf by:

John Porter Director



The accompanying notes are an integral part of these accounts.

# Company balance sheet

AT 31ST DECEMBER, 2000

	Notes	At 31st December, 2000 £000	At 31st March, 2000 £000
<b>Fixed assets</b>			
Investments in subsidiary undertakings	10	4,117	3,427
Investment in associate	11	100	—
		<b>4,217</b>	<b>3,427</b>
<b>Current assets</b>			
Debtors	12	40,667	62
Cash at bank and in hand		72,644	8,542
		<b>113,311</b>	<b>8,604</b>
<b>Creditors:</b> amounts falling due within one year	14	<b>(1,448)</b>	<b>(521)</b>
<b>Net current assets</b>		<b>111,863</b>	<b>8,083</b>
<b>Net assets</b>		<b>116,080</b>	<b>11,510</b>
<b>Capital and reserves</b>			
Called up share capital	16	1,508	307
Capital redemption reserve	17	46	46
Share premium account	17	102,147	147
Profit and loss account	17	12,379	11,010
<b>Equity shareholders' funds</b>		<b>116,080</b>	<b>11,510</b>

The accounts were approved by the Board of Directors on 28th March, 2001 and signed on its behalf by:

John Porter Director



The accompanying notes are an integral part of these accounts.

# Group cash flow statement

FOR THE YEAR ENDED 31ST DECEMBER, 2000

	Notes	Year ended 31st December, 2000 £000	Restated 17 months ended 31st December, 1999 £000
<b>Net cash (outflow)/inflow from operating activities</b>	19a	<b>(8,732)</b>	577
Returns on investments and servicing of finance	19b	1,725	22
Taxation	19b	(13)	–
Capital expenditure and financial investment	19b	(16,315)	(5,916)
Acquisitions and disposals	19b	9,029	–
<b>Cash outflow before financing</b>		<b>(14,306)</b>	(5,317)
Financing	19b	101,160	3,735
<b>Increase/(decrease) in cash in the period</b>	19c	<b>86,854</b>	(1,582)

The accompanying notes are an integral part of these accounts.

# NOTES TO THE ACCOUNTS

## I. Accounting policies

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

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

### Basis of consolidation

On 5th April, 2000 the Company, then named Horace Small Apparel plc, became the legal parent company of Redbus Interhouse Limited in a share-for-share transaction. Due to the relative values of the companies, the former Redbus Interhouse Limited shareholders became the majority shareholders with 69% of the enlarged share capital. Further, the Company's continuing operations and executive management were those of Redbus Interhouse Limited. Accordingly, the substance of the combination was that Redbus Interhouse Limited acquired Horace Small Apparel plc in a reverse acquisition. As part of the business combination Horace Small Apparel plc changed its name to Redbus Interhouse plc and changed its year end to 31st December.

Under the requirements of the Companies Act 1985 it would normally be necessary for the Company's consolidated accounts to follow the legal form of the business combination. In that case the pre-combination results would be those of Horace Small Apparel plc and its subsidiary undertakings, which would exclude Redbus Interhouse Limited. Redbus Interhouse Limited would then be brought into the Group from 5th April, 2000. However, this would portray the combination as an acquisition of Redbus Interhouse Limited by Horace Small Apparel plc and would, in the opinion of the directors, fail to give a true and fair view of the substance of the business combination. Accordingly, the directors have adopted reverse acquisition accounting as the basis of consolidation in order to give a true and fair view.

In invoking the true and fair override the directors note that reverse acquisition accounting is endorsed under International Accounting Standard 22 and that the Urgent Issues Task Force of the UK's Accounting Standards Board considered the subject and concluded that there are instances where it is right and proper to invoke the true and fair override in such a way.

As a consequence of applying reverse acquisition accounting, the results for the year ended 31st December, 2000 comprise the results of Redbus Interhouse Limited for its year ended 31st December, 2000 plus those of Horace Small Apparel plc from 5th April, 2000, the date of reverse acquisition, to 31st December, 2000. The comparative figures are those of Redbus Interhouse Limited for the 17 months ended 31st December, 1999. As set out in note 23, goodwill amounting to £47,231,000 arose on the difference between the fair value of Horace Small Apparel plc's share capital and the fair value of its net assets at the reverse acquisition date. The goodwill has been written off in the year ended 31st December, 2000 because Horace Small Apparel plc had no continuing business and therefore the goodwill has no intrinsic value.

The effect on the consolidated financial statements of adopting reverse acquisition accounting, rather than following the legal form, are widespread. However, the following table indicates the principal effect on the composition of the reserves.

	Reverse acquisition accounting (as disclosed) £000	Normal acquisition accounting £000	Impact of reverse acquisition accounting £000
Called up share capital	1,508	1,508	–
Capital redemption reserve	46	46	–
Share premium account	102,147	102,147	–
Merger reserve	–	111,433	(111,433)
Other reserves	14,306	–	14,306
Profit and loss account	(5,652)	8,809	(14,461)
	112,355	223,943	111,588

# NOTES TO THE ACCOUNTS

## I. ACCOUNTING POLICIES (CONTINUED)

### Turnover

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

### Goodwill

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

### Tangible fixed assets

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

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

Long leasehold property	50 years
Plant and equipment	5 years
Computer equipment	3 years
Office equipment	3 years
Motor vehicles	3 years

### Investments

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

### Leases and hire purchase contracts

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

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

### Deferred taxation

Provision is made for deferred taxation, at rates expected to be in force at the time of reversal, in respect of all material timing differences to the extent that, in the opinion of the directors, there is a reasonable probability that the liability will arise in the foreseeable future.

### Foreign currencies

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



## NOTES TO THE ACCOUNTS

### 2. EXCEPTIONAL ITEMS

	Year ended 31st December, 2000 £000	Restated 17 months ended 31st December, 1999 £000
Included in administrative expenses:		
Reduction in provision for environmental remediation costs	855	–
Included in share of associate's operating loss:		
Goodwill write-off	(742)	–
Net exceptional credit	113	–

### 3. EMPLOYEES

	Year ended 31st December, 2000	Restated 17 months ended 31st December, 1999
The monthly average number of employees was made up as follows:	Number	Number
Technical	17	7
Build team	13	1
Sales and marketing	7	2
Administration	15	2
	52	12
Staff costs, including directors' remuneration during the period comprised:	£000	£000
Salaries and wages	2,059	560
Social security costs	252	63
	2,311	623

Information in respect of directors' remuneration and share interests is contained within the directors' report on remuneration on pages 21 to 23.

## NOTES TO THE ACCOUNTS

### 4. INTEREST RECEIVABLE AND SIMILAR INCOME

	Year ended 31st December, 2000 £000	Restated 17 months ended 31st December, 1999 £000
Bank interest receivable	1,853	51

### 5. INTEREST PAYABLE AND SIMILAR CHARGES

	Year ended 31st December, 2000 £000	Restated 17 months ended 31st December, 1999 £000
Interest on bank loans and overdrafts	56	7
Interest on finance leases and hire purchase contracts	72	25
	128	32

### 6. LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION

	Year ended 31st December, 2000 £000	Restated 17 months ended 31st December, 1999 £000
This is stated after charging:		
Auditors' remuneration	48	6
Other fees paid in the UK to the auditors	62	-
Depreciation of tangible fixed assets:		
Owned	1,934	336
Held under finance leases and hire purchase contracts	145	50
Hire of office equipment under operating leases	11	-
Hire of other assets under operating leases	783	551

### 7. TAXATION ON LOSS ON ORDINARY ACTIVITIES

	Year ended 31st December, 2000 £000	Restated 17 months ended 31st December, 1999 £000
UK Corporation tax at 30%	13	-
US Federal and State tax	30	-
	43	-

# NOTES TO THE ACCOUNTS

## 8. LOSS PER SHARE

The basic loss per share is based on the loss for the financial period of £53,309,000 (1999 – £1,996,000) and on the weighted average number of ordinary shares in issue during the year of 113,937,612 (1999 – 69,000,000). The weighted average number of ordinary shares for the year ended 31st December, 2000 assumes that the 69,000,000 ordinary shares issued in relation to the reverse acquisition existed for the entire year. Horace Small Apparel plc shares have been included since 5th April, 2000 and all other shares have been included in the computation based on the weighted average number of days since issuance. The weighted average number of shares for the 17 months ended 31st December, 1999, is assumed to be equal to the 69,000,000 ordinary shares issued in relation to the reverse acquisition.

The adjusted loss per share is based on the adjusted loss for the financial period of £6,191,000 (1999 – £1,996,000), prior to the goodwill write-off of £47,231,000 and the net exceptional credit of £113,000.

## 9. TANGIBLE FIXED ASSETS

	Long leasehold property £000	Plant and equipment £000	Computer equipment £000	Office equipment £000	Motor vehicles £000	Total £000
<b>Cost</b>						
At 1st January, 2000 restated	–	6,543	45	86	79	6,753
On the reverse acquisition of Horace Small Apparel plc	5,044	–	–	–	–	5,044
Additions	–	16,173	204	172	–	16,549
Foreign exchange movement	341	–	–	–	(7)	334
At 31st December, 2000	5,385	22,716	249	258	72	28,680
<b>Depreciation</b>						
At 1st January, 2000 restated	–	341	5	9	31	386
On the reverse acquisition of Horace Small Apparel plc	3,204	–	–	–	–	3,204
Charge for the year	31	1,935	41	49	23	2,079
Foreign exchange movement	216	–	–	–	(1)	215
At 31st December, 2000	3,451	2,276	46	58	53	5,884
<b>Net book value</b>						
At 31st December, 2000	1,934	20,440	203	200	19	22,796
At 31st December, 1999 restated	–	6,202	40	77	48	6,367

At 31st December, 2000 tangible fixed assets included assets held under finance leases and hire purchase contracts with a net book value of £711,000 (1999 – £605,000) and assets in the course of construction that are not being depreciated of £4,870,000.

The long leasehold property includes land with a book value of £905,000 (1999 – £nil), which is not being depreciated as the group has an option to acquire the freehold of the property for a nominal sum at any time prior to the year 2008.

# NOTES TO THE ACCOUNTS

## 10. INVESTMENTS IN SUBSIDIARY UNDERTAKINGS

	At 31st December, 2000 £000	The company At 31st March, 2000 £000
Investments in subsidiary undertakings at cost	6,258	5,568
Provision for impairment	(2,141)	(2,141)
	<b>4,117</b>	<b>3,427</b>
The movement during the year comprised:		
Investment in subsidiary undertaking	690	–

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

Company	Nature of business	Country of incorporation	Class of shares and proportion held
Redbus Interhouse (UK) Limited	Internet services	UK	100% ordinary
Redbus Interhouse SA	Internet services	France	100% ordinary
Redbus Interhouse Spain SA	Internet services	Spain	100% ordinary
Redbus Interhouse SA	Internet services	Belgium	100% ordinary
Redbus Interhouse GmbH	Internet services	Germany	100% ordinary
Redbus Interhouse SRL	Internet services	Italy	100% ordinary
Redbus Interhouse (Switzerland) SA	Internet services	Switzerland	100% ordinary
Redbus Interhouse Inc.	Internet services	USA	100% ordinary
PLC Properties LLC	Property	USA	100% ordinary

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

## 11. INVESTMENT IN ASSOCIATE

In July, 2000 the company acquired a 20% interest in The APP Tap Limited, an internet application service provider. The consideration for the acquisition was the issue of 525,778 ordinary shares at £1.90 per share.

	The group £000	The company £000
At 1st January, 2000 (company at 1st April, 2000)	–	–
Addition	1,070	1,070
Share of post acquisition retained loss	(128)	–
Amortisation of goodwill	(100)	–
Goodwill write-off	(742)	–
Provision for impairment	–	(970)
At 31st December, 2000	100	100

As a result of The APP Tap Limited not yet being able to secure funds for the next phase of its development, it is considered prudent to write-off part of the goodwill and to recognise the impairment in value.

## NOTES TO THE ACCOUNTS

### 12. DEBTORS

	The group		The company	
	At 31st December, 2000 £000	Restated At 31st December, 1999 £000	At 31st December, 2000 £000	At 31st March, 2000 £000
Amounts falling due within one year:				
Cash held in escrow account (see note 13 below)	2,845	–	–	–
Trade debtors	2,150	113	–	–
Rental deposits	1,124	–	90	–
Amounts owed by subsidiary undertakings	–	–	35,956	14
Value added tax recoverable	1,839	–	2	8
Other debtors	244	753	19	–
Prepayments and accrued income	622	313	25	40
	8,824	1,179	36,092	62
Amounts falling due after more than one year:				
Rental deposits	4,575	–	4,575	–
	13,399	1,179	40,667	62

### 13. CASH HELD IN ESCROW ACCOUNT

Cash at bank and in hand of £86,144,000 (1999 – £16,000) does not include £2,845,000 (\$4,250,000) (1999 – £nil) held in a restricted deposit account in the U.S.A. pursuant to an escrow agreement entered into with VF Workwear, Inc. ("VF") at the time the company sold its U.S. subsidiary undertakings to VF. The amount held in escrow relates to potential environmental liabilities at a property in Nashville, U.S.A. An amount equal to \$2,750,000, less any amount spent on environmental remediation, will be released once any required remediation work has been completed in accordance with the terms of the escrow agreement. The balance will be retained for no less than 18 months to cover any third party claims.

In addition, a further cash amount of £620,000 (\$1,000,000) was invested in the company's U.S. subsidiary, PLC Properties LLC, the distribution of which is restricted. Of this amount £392,000 (\$586,000) (1999 – £nil) remains and is included in cash at bank and in hand of £86,144,000 at 31st December, 2000. Such restrictions will remain until the expiry of the escrow arrangement referred to above.

# NOTES TO THE ACCOUNTS

## 14. CREDITORS

	The group		The company	
	At 31st December, 2000 £000	Restated At 31st December, 1999 £000	At 31st December, 2000 £000	At 31st March, 2000 £000
Amounts falling due within one year:				
Bank overdrafts	–	1,598	–	–
Obligations under finance leases and hire purchase contracts	330	205	–	–
Trade creditors	3,750	1,959	271	122
Amounts owed to subsidiary undertakings	–	–	96	89
UK corporation tax	340	–	310	310
Social security and other taxes	230	27	68	–
Other creditors	165	667	–	–
Deferred income	1,430	65	–	–
Accruals	1,182	117	703	–
	<b>7,427</b>	<b>4,638</b>	<b>1,448</b>	<b>521</b>
Amounts falling due after more than one year:				
Obligations under finance leases and hire purchase contracts	244	367	–	–

## 15. PROVISIONS FOR LIABILITIES AND CHARGES

	The group		
	National Insurance on share options £000	Environmental remedial costs £000	Total £000
At 1st January, 2000	–	–	–
National insurance charge on share options	1,513	–	1,513
On reverse acquisition of Horace Small Apparel plc	–	1,724	1,724
Exceptional credit to the profit and loss account	–	(855)	(855)
Utilised in the year	–	(86)	(86)
Currency translation	–	117	117
At 31st December, 2000	1,513	900	2,413

The environmental remedial costs provision is in respect of any required remediation work on the property retained on the disposal of Horace Small Holdings to VF Workwear Inc. in the U.S.A, the extent and timing of which cannot be determined. As set out in note 13, an amount equal to £2,845,000 (\$4,250,000) (1999 – £nil) is held in a restricted deposit account in relation to potential environmental costs.

# NOTES TO THE ACCOUNTS

## 16. SHARE CAPITAL AND LONG TERM INCENTIVE AWARDS

### (a) Share capital

This comprises ordinary shares as follows:

	No. of shares	Authorised		Allotted, called up and fully paid	
		£000	No. of shares	£000	
At 31st March, 2000					
– ordinary shares of 1 pence each	50,000,000	500	30,747,271	307	
Increase in authorised share capital on 3rd April, 2000	150,000,000	1,500	–	–	
Shares issued during the period	–	–	120,012,957	1,201	
At 31st December, 2000 – ordinary shares of 1 pence each	200,000,000	2,000	150,760,228	1,508	

The share capital balance in the group balance sheet at 31st December, 1999 reflected that of Redbus Interhouse Limited prior to the reverse acquisition. This represented 1,000,000 authorised, called up and fully paid up shares of £1.00 each.

During the period the following ordinary shares were issued:

- (i) 69,000,000 shares in April, 2000 in respect of the reverse acquisition of Redbus Interhouse Limited with a nominal value of £690,000.
- (ii) 19,844,034 shares in April, 2000 in respect of a placing and open offer at £1.10 per share.
- (iii) 525,778 shares in July, 2000 at £1.90 per share in respect of the acquisition of a 20 per cent interest in The APP Tap Limited.
- (iv) 30,054,845 shares in October, 2000 in respect of a placing and open offer at £2.80 per share.
- (v) 588,300 on exercise of share options.

### (b) Options

The following options, including those detailed in the directors' report on remuneration, were outstanding at the period ends:

Dates of Grant	Note	Option Prices (pence)	Options Outstanding at 31st December, 2000	Options Outstanding at 31st December, 1999
7th June, 1995 to 8th May, 1998	(a)	12.10 to 57.29	<b>368,345</b>	–
26th May, 1999 to 7th March, 2000	(b)	5.79	<b>4,879,680</b>	4,830,000
9th March, 2000	(c)	40.00	<b>1,658,205</b>	–
5th April, 2000 to 7th December, 2000	(d)	110.00 to 289.00	<b>2,177,212</b>	–
			<b>9,083,442</b>	4,830,000

#### Notes

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

## NOTES TO THE ACCOUNTS

### 16. SHARE CAPITAL AND LONG TERM INCENTIVE AWARDS (CONTINUED)

Options to acquire 588,300 shares were exercised during the period. Options held to acquire up to 122,475 shares lapsed during the period.

The market price of the ordinary shares at 31st December, 2000 was 222p and the range since the reverse acquisition was 162p to 326.5p.

#### (c) Long term incentive awards

A summary of the company's Long Term Incentive Plan appears in the directors' report on remuneration.

The following awards, including those detailed in the directors' report on remuneration, were outstanding at the year end:

Date of Grant	No. of Phantom Awards at 31st December, 2000	Entry Price (£)	Exit Price (£)	Total Potential Cash Value (£)	Expiry Date
5th December, 2000	112,941	1.885	2.89	113,506	5th December, 2010
5th December, 2000	1,000,262	1.100	1.885	785,206	5th December, 2010

### 17. RESERVES

	Capital Redemption Reserve £000	Share Premium £000	Other Reserve £000	Profit and Loss Account £000	Total £000
<b>Group</b>					
At 1st January, 2000 as previously stated	-	3,000	-	(1,681)	1,319
Prior year adjustment	-	-	-	238	238
At 1st January, 2000 as restated	-	3,000	-	(1,443)	1,557
Reverse acquisition capital adjustment	46	(2,853)	61,537	-	58,730
Share placing on 5th April, 2000 (net of costs)	-	19,461	-	-	19,461
Issue of shares on acquisition of associate	-	995	-	-	995
Share placing on 11th October, 2000 (net of costs)	-	81,411	-	-	81,411
Issue of shares on the exercise of share options	-	133	-	-	133
Loss for the financial period	-	-	-	(53,309)	(53,309)
Transfer of goodwill to other reserve	-	-	(47,231)	47,231	-
Share option compensation charge	-	-	-	997	997
Currency translation differences	-	-	-	872	872
At 31st December, 2000	46	102,147	14,306	(5,652)	110,847

The comparative figures, which comprise the accounts of Redbus Interhouse Limited for the 17 months ended 31st December, 1999, have been restated to comply with the requirements of Financial Reporting Standard 15, Tangible fixed assets, Urgent Issues Task Force abstract 12, Lessee accounting for reverse premiums and similar incentives, and abstract 17, Employee share schemes. The cumulative effect of these adjustments was a reduction in the deficit on the profit and loss account reserve at 31st December, 1999 of £238,000.



## NOTES TO THE ACCOUNTS

### 17. RESERVES (CONTINUED)

	Capital Redemption Reserve £000	Share Premium £000	Profit and Loss Account £000	Total £000
<b>Company</b>				
At 31st March, 2000	46	147	11,010	11,203
Share placing on 5th April, 2000 (net of costs)	–	19,461	–	19,461
Issue of shares on acquisition of associate	–	995	–	995
Share placing on 11th October, 2000 (net of costs)	–	81,411	–	81,411
Issue of shares on the exercise of share options	–	133	–	133
Profit for the financial period	–	–	630	630
Currency translation differences	–	–	739	739
At 31st December, 2000	46	102,147	12,379	114,572

Of the group loss for the period, a profit of £630,000 (31st March, 2000 – £1,575,000) has been dealt with in the accounts of the company. By virtue of section 230(4) of the Companies Act 1985, the company is exempt from presenting a profit and loss account. All of the company's profit and loss account reserves are distributable.

### 18. RECONCILIATION OF MOVEMENT IN EQUITY SHAREHOLDERS' FUNDS

	Year ended 31st December, 2000 £000	The group Restated 17 months ended 31st December, 1999 £000
Loss for the financial period	(53,309)	(1,996)
Share option compensation charge	997	553
Currency translation differences	872	–
Capital adjustment for reverse acquisition accounting	58,037	–
New shares issued	103,201	4,000
Net addition to equity shareholders' funds	109,798	2,557
Opening equity shareholders' funds as previously stated	2,319	–
Prior year adjustment	238	–
Opening equity shareholders' funds as restated	2,557	–
Closing equity shareholders' funds	112,355	2,557

# NOTES TO THE ACCOUNTS

## 19. NOTES TO THE GROUP CASH FLOW STATEMENT

### a) Reconciliation of operating loss to operating cash flows

	Year ended 31st December, 2000 £000	Restated 17 months ended 31st December, 1999 £000
Operating loss	(54,021)	(2,015)
Goodwill write-off	47,231	–
Depreciation	2,079	386
Exceptional item	(855)	–
Share option compensation charge	997	553
Increase in debtors	(9,507)	(1,179)
Increase in creditors and provisions	5,344	2,832
Net cash (outflow)/inflow from operating activities	(8,732)	577

### b) Analysis of cash flows

	Year ended 31st December, 2000 £000	Restated 17 months ended 31st December, 1999 £000
Returns on investments and servicing of finance		
Interest received and similar income	1,853	51
Interest paid and similar charges	(128)	(29)
Net cash inflow	1,725	22
Taxation		
UK corporation tax paid	(13)	–
Net cash outflow	(13)	–
Capital expenditure and financial investment		
Purchase of tangible fixed assets	(16,315)	(5,916)
Net cash outflow	(16,315)	(5,916)
Acquisition and disposals		
Cash at bank and in hand acquired in reverse acquisition	9,099	–
Purchase of associate	(70)	–
Net cash inflow	9,029	–
Financing		
Receipt from issue of shares	101,511	4,000
Capital element of finance lease and hire purchase contract payments	(351)	(265)
Net cash inflow	101,160	3,735

# NOTES TO THE ACCOUNTS

## 19. NOTES TO THE GROUP CASH FLOW STATEMENT (CONTINUED)

### c) Analysis and reconciliation of net (debt)/funds

	At 1st January, 2000 £000	Cash flow £000	Non-cash changes £000	At 31st December, 2000 £000
Cash at bank and in hand	16	85,256	872	<b>86,144</b>
Bank overdrafts	(1,598)	1,598	–	–
Obligations under finance leases and hire purchase contracts	(572)	351	(353)	<b>(574)</b>
	<b>(2,154)</b>	<b>87,205</b>	<b>519</b>	<b>85,570</b>

	Year ended 31st December, 2000 £000	Restated 17 months ended 31st December, 1999 £000
Increase/(decrease) in cash in the period	<b>86,854</b>	(1,582)
Cash outflow from decrease in debt and lease financing	<b>351</b>	265
Change in net funds resulting from cash flows	<b>87,205</b>	(1,317)
New finance leases and hire purchase contracts	<b>(353)</b>	(837)
Translation difference	<b>872</b>	–
Movement in net funds/(debt) in the period	<b>87,724</b>	(2,154)
Net debt at the beginning of the period	<b>(2,154)</b>	–
Net funds/(debt) at the end of the period	<b>85,570</b>	(2,154)
Net funds/(debt) analysed as follows:		
Cash at bank and in hand	<b>86,144</b>	16
Bank overdrafts	–	(1,598)
Obligations under finance leases and hire purchase contracts	<b>(574)</b>	(572)
	<b>85,570</b>	(2,154)

# NOTES TO THE ACCOUNTS

## 20. FINANCIAL INSTRUMENTS

The Corporate Governance review on pages 19 and 20 includes an explanation of the company's policies in respect of financial instruments. The company has no financial assets other than cash at bank and in hand of £86,144,000 (1999 – £16,000) which comprise deposits placed on money market at call, 7 day and monthly rates and £2,845,000 (\$4,250,000) held in restricted deposit account (note 13).

At 31st December, 2000 the company had financial liabilities of £574,000 denominated in sterling and at a fixed interest rate relating to obligations under finance leases and hire purchase contracts. At 31st December, 1999 the company had an overdraft of £1,598,000 at a floating interest rate and obligations under finance leases and hire purchase contracts of £572,000 at a fixed interest rate. As permitted by applicable accounting standards short-term debtors and creditors have been excluded from the disclosures.

The currency profile of financial assets is as follows:

	At 31st December, 2000 £000	Group Restated At 31st December, 1999 £000
Sterling	81,658	16
US dollars	3,999	–
French francs	3,158	–
Pesetas	108	–
Other	66	–
	<b>88,989</b>	<b>16</b>

## 21. FINANCIAL AND OPERATING LEASE COMMITMENTS

Capital commitments at 31st December, 2000 which had been contracted for but not provided for in these accounts totalled £11,135,000 (1999 – £978,000).

At 31st December, 2000 the group was committed to making the following payments during the next year in respect of operating leases.

	Land and buildings At 31st December, 2000 £000	Restated At 31st December, 1999 £000
Leases which expire:		
within one year	1,351	–
within two to five years	1,415	332
after five years	1,976	512
	<b>4,742</b>	<b>844</b>

## 22. RELATED PARTY TRANSACTIONS

Cliff Stanford is a director of Redbus Group SA and of its subsidiaries Redbus Design SA, Redbus Management Limited, Redbus Executive Aviation Limited and Films2 Limited. Tony Simkin is a director of Redbus Group SA and of its subsidiaries Redbus Management Limited, Redbus Executive Aviation Limited and Films2 Limited. These companies received fees of £198,252 (1999 – £44,000) for services provided in the normal course of business, of which £100,592 (1999 – £2,938) remained outstanding at the year end.

## NOTES TO THE ACCOUNTS

### 22. RELATED PARTY TRANSACTIONS (CONTINUED)

A subsidiary company provided colocation services to Film2 Limited amounting to £43,812 (1999 – £nil), of which £6,323 (1999 – £nil) had not been received at the year end.

Kevin Neal is a director of The APP Tap Limited in which the company has a 20 per cent interest. A subsidiary company provided colocation services to The APP Tap Limited during the year to a value of £28,567 (1999 – £nil), of which £10,267 (1999 – £nil) had not been received at the year end.

Until August, 2000 Mr Bligh was a director of London Internet Exchange Limited (LINX). A subsidiary company has provided free colocation services to LINX amounting to £46,656 and LINX received fees of £170,375 from such subsidiaries in the normal course of business of which £35,250 remained outstanding at the year end.

Mr Dumond is a director of Nautilus Management Limited. Nautilus Management Limited provided accounting and company secretarial services to the company during the year amounting to £80,000 (1999 – £nil). An additional amount of £85,000 was also charged to the company by Nautilus Management Limited in respect of support services in connection with the company's share issues in April, 2000 and October, 2000. At the year end £33,000 (1999 – £nil) was unpaid.

### 23. Acquisitions

#### Reverse acquisition of Horace Small Apparel plc

On 5th April, 2000, Redbus Interhouse Limited completed the reverse acquisition of Horace Small Apparel plc. The goodwill that arose on the reverse acquisition of Horace Small Apparel plc's share capital of 30,747,271 ordinary shares at the fair value of the shares on that date of £1.91 less the fair value of Horace Small Apparel plc's net assets acquired is set out in the following table:

Book and fair value of net assets acquired	£000
Tangible fixed assets	1,840
Debtors	2,713
Cash at bank and in hand	9,099
Creditors	(432)
Provision for liabilities and charges	(1,724)
	11,496
Cost of acquisition	58,727
Goodwill	47,231

The goodwill of £47,231,000 has been written off in the year ended 31st December, 2000 because Horace Small Apparel plc had no continuing business and therefore the goodwill has no intrinsic value.

## NOTES TO THE ACCOUNTS

### 24. SEGMENTAL ANALYSIS

Net assets are split between UK £87.8 million (1999 – £2.6 million), rest of Europe £20.7 million (1999 – £nil) and U.S.A. £3.9 million (1999 – £nil).

Turnover and the results before tax relate substantially to the UK.

### 25. Group profit and loss account for the statutory reporting period

	9 months ended 31st December, 2000 £000	Year ended 31st March, 2000 £000
<b>Turnover</b> - continuing operations	<b>3,195</b>	–
Cost of sales	(5,850)	–
<b>Gross loss</b>	<b>(2,655)</b>	–
Administrative expenses	(50,754)	(619)
Operating loss before goodwill write-off	(6,178)	–
Goodwill write-off	(47,231)	–
<b>Operating loss</b>	<b>(53,409)</b>	(619)
Share of associate's operating loss	(970)	–
Interest receivable and similar charges	1,853	1,401
Interest payable and similar charges	(128)	–
<b>(Loss)/profit on ordinary activities before taxation</b>	<b>(52,654)</b>	782
Taxation on (loss)/profit on ordinary activities	(43)	(325)
<b>(Loss)/profit for the financial period</b>	<b>(52,697)</b>	457

This note represents the results of the group for the statutory accounting reference period of the nine months ended 31st December, 2000 and the comparative for the previous statutory accounts reference period.

## **CORPORATE INFORMATION**

### **REGISTERED ADDRESS**

Masters House  
107 Hammersmith Road  
London W14 0QH  
Tel: 020 7603 1515  
Fax: 020 7603 8448

### **OPERATIONAL HEADQUARTERS**

2 Harbour Exchange Square  
London E14 9GE  
Tel: 020 7001 0000  
Fax: 020 7001 0001

### **WEB SITE**

[www.interhouse.redbus.com](http://www.interhouse.redbus.com)

### **COMPANY NUMBER**

153088

### **SECRETARY**

Paul Dumond

### **AUDITORS**

Arthur Andersen  
20 Old Bailey, London EC4M 7AN

### **LEGAL ADVISORS**

Ashurst Morris Crisp  
5 Appold Street,  
London EC2A 2HA  
  
Stephoe & Johnson Rakisons  
Clements House  
14/18 Gresham Street  
London EC2V 7JE

### **REGISTRARS**

Capita IRG Plc  
Balfour House,  
390-398 High Road,  
Ilford, Essex IG1 1NQ

### **STOCKBROKERS**

Collins Stewart Limited  
21 New Street, London EC2M 4HR

### **ADR DEPOSITARY**

Bank of New York  
ADR Division  
101 Barclay Street, 22nd Floor  
New York,  
NY, 10286, USA

## DIRECTORS

### **John Porter** (Executive Chairman)

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

### **Cliff Stanford** (Executive Deputy Chairman)

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

### **Kevin Neal** (Managing Director)

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

### **Carl Fry** (Finance Director)

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



## DIRECTORS

### Alex Bligh†

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

### Paul Dumond\*†

Paul Dumond was appointed Company Secretary of Redbus Interhouse plc in 1990 and a non-executive director in 1996. Paul, a Chartered Accountant, was previously Finance Director of Aberdeen Petroleum PLC, and is Company Secretary of Danka Business Systems PLC, a world-wide provider of office imaging solutions. He also serves as non-executive director of Mid-States PLC, a distributor of auto parts, and is a director of Nautilus Management Limited, a management services company.

### James Morton\*†

James Morton was appointed a non-executive director of Redbus Interhouse plc in 1990. He is currently Investment Director at European American Securities where he advises and/or manages a number of investment funds, two of which contain listed and unlisted new economy companies in Europe and the USA. James is a non-executive director of Denison International plc and the Knox D'Arcy Trust plc, in each case serving as Chairman of the audit committee. He has 25 years experience in the financial services sector and also writes investment books for the Financial Times.

### Tony Simkin\*

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

\* Member of the Audit Committee

† Member of the Remuneration Committee

# ANNUAL GENERAL MEETING

The company's annual general meeting will be held at the Grosvenor House, Park Lane, London W1A 3AA on 28th June, 2001 at 2pm. The Notice of Meeting follows, and sets out the business to be transacted. An explanation of each of the resolutions follows below.

## ORDINARY BUSINESS

### **Resolution 1: Adoption of Accounts**

This is an ordinary resolution for the adoption of the Directors' Report and Accounts for the financial period ended 31st December, 2000.

### **Resolutions 2 and 3: Re-appointment of Directors**

The Company's Articles of Association require that, every year, a number not exceeding one third of the directors retire from office and, where appropriate, seek re-appointment. This year Cliff Stanford and Tony Simkin retire in this way and resolutions 2 and 3 are for their re-appointment.

### **Resolution 4: Re-appointment of Auditors**

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

### **Resolution 5: Allotment of Relevant Securities**

This is an ordinary resolution to renew the authority granted to the board at the annual general meeting held on 24th October, 2000 to allot relevant securities in terms of Section 80 of the Companies Act 1985, up to an aggregate nominal amount of £502,751.09 representing approximately one third of the company's share capital currently in issue.

## SPECIAL BUSINESS

### **Resolution 6: Disapplication of Pre-emption Rights**

This is a special resolution to empower the directors to disapply the statutory pre-emption rights under section 95 of the Companies Act 1985 in certain circumstances and, in particular, the directors would be empowered to issue share capital for cash, other than pro-rata to shareholders, up to an aggregate nominal value of £75,412.66 representing approximately 5% of the company's share capital currently in issue.

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

This is a special resolution to authorise the company to buy back its own shares. No purchases will be made unless the directors consider the purchases to be in the interests of shareholders generally. The proposed authority would be limited by the terms of the resolution to purchases of up to 22,623,799 ordinary shares (representing approximately 15% of the company's share capital in issue) made through The London Stock Exchange at prices not exceeding 105% of the average of the middle market quotations derived from The London Stock Exchange Daily Official List for the five business days before each purchase.

# NOTICE OF MEETING

Notice is hereby given that the annual general meeting will be held at the Grosvenor House, Park Lane, London W1A 3AA on 28th June, 2001 at 2pm.

## ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and Accounts for the period ended 31st December, 2000.
2. To re-appoint Cliff Stanford as a director.
3. To re-appoint Tony Simkin as a director.
4. To re-appoint Arthur Andersen as auditors and authorise the directors to fix their remuneration.
5. To consider and, if thought fit, to approve the following Ordinary Resolution:

That the directors be and they are hereby generally and unconditionally empowered, in place of all existing authorities under Section 80 of the Companies Act 1985, to exercise all powers of the company to allot relevant securities (within the meaning of Section 80 of the Companies Act 1985) up to an aggregate nominal amount of £502,751.09, provided that this authority shall expire on 27th June, 2006 save that the company may before such expiry make an offer or agreement which would or might require relevant securities to be allotted after such expiry and the board may allot relevant securities in pursuance of such an offer or agreement as if the authority conferred hereby had not expired.

## SPECIAL BUSINESS

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

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

(a) expire on 27th June 2006 save that the directors may allot equity securities under this authority after the expiry thereof pursuant to any offer or agreement made by the company on or before such expiry date pursuant to this authority as if such authority had not expired; and

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

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

(ii) pursuant to the terms of any stock option plan or share option scheme or other plan for employees and/or executive or non-executive directors approved by the company in General Meeting, up to an aggregate nominal value of £150,825.32; and

(iii) otherwise than pursuant to sub-paragraphs (i) and (ii), up to an aggregate nominal value not exceeding £75,412.66.

# NOTICE of MEETING

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

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

(a) the maximum aggregate number of Ordinary Shares authorised to be purchased is 22,623,799; and

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

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

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

This authority shall expire at the conclusion of the next Annual General Meeting of the company or, if earlier, 27th December 2002.

By Order of the Board

Paul Dumond  
*Director and Company Secretary*

11th April, 2001

## Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and, on a poll, to vote instead of him. A form of proxy is enclosed with this notice.
2. To be valid, the form of proxy and any power of attorney, or notarially certified copy thereof, under which it is executed, must be lodged with Capita IRG plc, Balfour House, 390/398 High Road, Ilford, Essex, IG1 1BR not later than 2pm on 26th June, 2001 or 48 hours before the time fixed for an adjourned meeting. The completion and return of the form of proxy does not preclude a member from attending the meeting and voting in person.
3. The company, pursuant to Regulation 34 of the Uncertificated Securities Regulations 1995, specifies that only those shareholders registered in the register of members of the company as at 2pm on 26th June, 2001 shall be entitled to attend or vote at this meeting in respect of the number of shares registered in their name at that time. Changes in entries on the relevant register of members after 2pm on 26th June, 2001 shall be disregarded in determining the rights of any person to attend or vote at this meeting.
4. If this meeting is adjourned to a time not more than 48 hours after the specified time applicable to the original meeting, the time referred to in the foregoing note 3 will also apply for the purpose of determining the entitlement of members to attend and vote (and for the purposes of determining the number of votes they may cast) at the adjourned meeting. If, however, the meeting is adjourned for a longer period, then to be so entitled members must be entered on the company's register of members at a time which is 48 hours before the time fixed for the adjourned meeting or, if the company gives notice of the adjourned meeting, at the time specified in that notice.

## NOTES