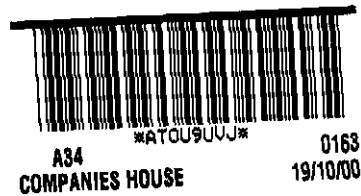


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interhouse plc



Annual Report and Accounts 2000



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Chairman's statement

In this, our first annual report since my appointment as Chairman of the company, we are pleased to report to you on the company's results for the twelve months ended 31st March 2000.

This is the period which preceded the group's acquisition of Redbus Interhouse Limited ("Interhouse") and its entry into the neutral internet colocation business. During the period, the principal assets of the group were its cash deposits, which arose from the disposal of its former operations.

The first period to be reported upon following completion of the acquisition of Interhouse is the quarter ended 30th June 2000 and this will be reported upon separately.

Results

During the twelve months to 31st March 2000, interest income on the group's cash deposits amounted to £939,000. We also recognised exchange gains of £462,000, principally through the conversion of cash balances from US dollars to pounds sterling. Expenses amounted to £450,000, excluding those associated with the company's return of capital in July 1999 and the cost of cancellation of certain share options. Exceptional expenses in the period relating to the return of capital and cancellation of options totalled £169,000.

As a result, the net profit for the period was £457,000 and the basic and adjusted earnings per share were 1.5 pence and 2.0 pence respectively. We are not recommending payment of a dividend.

Acquisition of Interhouse and Business Review

On 5th April 2000, we completed the acquisition of Interhouse. The consideration was the issue of 69,000,000 new shares in the company to the vendors. A further 19,844,034 ordinary shares were issued at £1.10 each to raise a total of approximately £20 million, net of expenses.

Since completion of the acquisition, we have been developing our business providing Neutral Internet Colocation Facilities ("NICF"). These facilities allow Internet and communications companies access to multiple data and voice networks. Our NICF solutions enable ISP's (Internet Service Providers), Internet-based businesses and communication carriers to rapidly deploy their services over leading IP (Internet Protocol) and next generation networks and protocols, such as satellite networks and WAP (Wireless Application Protocol). As a network access provider, we provide our customers with connectivity to a range of data or communications network providers so that they can choose the service that best suits their needs.

During the quarter to 30th June 2000, we concentrated our efforts in identifying, planning and developing new sites in the UK and several other European countries and we have also now opened a further data floor at our London Docklands facility. Good progress has been made in the development of the group's customer base and our recent investment in The App Tap Limited provides an increased service offering to E-commerce customers.

Further details of trading during the quarter to 30th June 2000 will be reported to you separately.

Board Changes

At the time of completion of the acquisition of Interhouse in April of this year, Cliff Stanford, Kevin Neal and Tony Simkin were appointed Deputy Chairman, Managing Director and Finance Director of the company respectively. In addition, Alex Bligh was appointed a Non-Executive Director of the company. They bring with them a wealth of experience in technology companies and I am pleased to welcome them to the board. I am also pleased that Paul Dumond and James Morton, Non-Executive Directors of the company prior to the acquisition, are continuing with the company in that capacity.

With the continued growth of the group, the board decided that it was appropriate in July 2000 to split the positions of Finance Director of Redbus Interhouse PLC and Redbus Group SA, both of which were previously held by Tony Simkin. Accordingly, Carl Fry was appointed Finance Director of Redbus Interhouse and I am pleased to welcome him to the board. Carl has considerable public company experience in both the technology and property sectors which will assist us greatly as we move forward. I would like to thank Tony Simkin who provided the financial skills to assist Redbus Interhouse from inception to quoted company, and am pleased that he will be continuing on the board as a Non-Executive Director.

At the time of completion of the acquisition of Interhouse, Colin Keith, the former Chairman, and Christopher Mills, a former Non-Executive of the company left the board. In addition, Bob Gates, Dick Vacek and Bill Eberle left the board following the successful disposal of the group's former apparel business last year. I would like to thank them all for their considerable contributions to the company over a number of years.

John Porter

Executive Chairman

Directors' report

The directors have pleasure in submitting their report together with the audited accounts for the 12 months ended 31st March 2000.

Principal Activities

During the period being reported upon the company had no operating business, having sold its former North American apparel business on 31st March 1999.

On 5th April 2000, following shareholder approval granted at an Extraordinary General Meeting held on 3rd April 2000, the company acquired Redbus Interhouse Limited. Following this acquisition, the principal operating activity of the group is providing neutral internet colocation facilities.

Further information on the acquisition and business prospects of the company is contained in the Chairman's Statement on pages 2 and 3.

Change of company name and financial year end

Following the completion of the acquisition of Redbus Interhouse Limited referred to above, and shareholder approval granted at the Extraordinary General Meeting held on 3rd April 2000, the company's name was changed from Horace Small Apparel PLC to Redbus Interhouse PLC. In addition, the company's financial year end has now been changed to 31st December to bring it into line with the year end of Redbus Interhouse Limited.

Results and Dividends

The results for the period are set out in the profit and loss account. The profit on ordinary activities after taxation and exceptional items amounted to £457,000 (1999 – loss £10,311,000). The directors are not recommending the payment of a dividend (1999 – nil).

Substantial interests

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

| Beneficial owner | No. of shares | % |
|---|---------------|-------|
| Redbus Group SA* | 39,054,000 | 32.49 |
| Telos Environmental Services Ltd.** | 29,946,000 | 24.91 |
| Foreign & Colonial Enterprise Trust plc | 5,586,828 | 4.65 |
| Schroder Institutional Recovery Fund | 3,866,666 | 3.22 |

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

**John Porter also has an interest in these shares since he is the sole owner of Telos Environmental Services Limited. The company has also been informed that i-spire corporation Ltd, a company of which John Porter is a director and shareholder, has an interest in 6,450,000 of these shares, representing 5.37% of the issued share capital of the company.

Directors' report

Directors

The directors who held office during the period, or who have since been appointed, are as follows:

| | |
|---------------------------------|-----------------------------|
| John Porter (<i>Chairman</i>) | Appointed 25th January 2000 |
| Cliff Stanford | Appointed 5th April 2000 |
| Kevin Neal | Appointed 5th April 2000 |
| Carl Fry | Appointed 25th July 2000 |
| Alex Bligh | Appointed 5th April 2000 |
| Paul Dumond | |
| James Morton | |
| Tony Simkin | Appointed 5th April 2000 |
| The Hon. William Eberle | Resigned 5th August 1999 |
| Robert Gates | Resigned 5th August 1999 |
| Colin Keith | Resigned 5th April 2000 |
| Christopher Mills | Resigned 5th April 2000 |
| Richard Vacek | Retired 5th August 1999 |

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

In accordance with the Articles of Association, Paul Dumond and James Morton retire by rotation at the forthcoming Annual General Meeting and, each being eligible, offer themselves for re-appointment. In addition, in accordance with the Articles of Association, John Porter and Carl Fry, having been appointed by the Board since the last Annual General Meeting, also retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

Supplier payment policy

It is Redbus Interhouse PLC's policy to pay its suppliers on the terms agreed with them. As the company is a holding company, it has no trade creditors and accordingly no disclosure is made of the period end creditor days.

Share capital

Details of changes to share capital during the period can be found in Note 13 to the accounts. In July 1999, the company returned a total of approximately £22.3 million to shareholders by way of capital reduction, further information on which is given in notes 13 and 14 to the accounts.

Post balance sheet event

Details of the acquisition of Redbus Interhouse Ltd are given in note 18 to the accounts.

Purchase of own shares

At the 1999 Annual General Meeting shareholders granted authority for the company to purchase up to 5,146,469 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 middle market quotations of the shares in the ten business days prior to the purchase. On 10th August 1999, the company repurchased 4,566,625 ordinary shares, approximately 13.3% of the share capital then in issue, at a price of 35 pence per share. On 16th December 1999 shareholders granted a further authority to repurchase up to 4,464,907 ordinary shares on the same terms as set out above. This authority expires at the conclusion of the forthcoming Annual General Meeting but shareholders' approval for a new authority will be sought at that 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
25th July, 2000

 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 has complied throughout the 12 month period ended 31st March, 2000 with the Provisions of the Code of Best Practice set out in section 1 of the Combined Code except to the extent disclosed below.

Statement of application

The company has applied the Principles of Good Governance set out in section 1 of the Combined Code by complying with the Code of Best Practice as reported above. Further explanation of how the Principles of Good Governance have been applied is set out below and, in connection with directors' remuneration, in the remuneration report.

Directors

The board of directors meets at regular intervals during the year (currently monthly) at which times matters which have been specifically reserved to the board are considered. Board meetings are held at other times as and when required. Directors have direct access to the company's advisers and also the company Secretary. Although there is no formal training procedure for newly-appointed directors such persons have direct access to the company's professional advisers who are able to advise on the necessary requirements for a member of the board of a listed company. Non-executive directors are not appointed for specific terms and instead retire by rotation under the company's Articles of Association. The board believes this provides sufficient flexibility.

The positions of Chairman and Chief Executive during the year to 31st March 2000 were both held by Colin Keith. During the period this was considered appropriate in view of the company not having any operations. During this period the board comprised initially of 3 executive and 4 non-executive directors, and then of one executive and 3 non-executive directors following upon the resignation of Robert Gates, Richard Vacek and William Eberle. All of the non-executive directors were considered to be independent of management and free from material conflicts of interest which could affect their judgement. The board did not recognise a senior independent director separate from the Chairman and believed this to be appropriate in view of the already strong independent representation on the board and the fact that the company did not have any operations.

Since the acquisition of Redbus Interhouse Limited, the roles of Chairman and Managing Director have been split between John Porter and Kevin Neal respectively. The board comprises 4 executive and 3 non-executive directors. All of the non-executive directors are considered to be independent of management and free from material conflicts of interest which 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.

Information, including that shown in the following section on internal financial control, is supplied to the board in a timely and appropriate fashion.

The board has remuneration and audit committees. The memberships of each of these committees are shown on pages 30 and 31. The board does not have a nominations committee as it believes that appointment of new directors should be handled by the board as a whole.

Dialogue with shareholders

The directors seek to build a mutual understanding of objectives between the company and its institutional shareholders by making regular presentations to institutional investors, meeting shareholders to discuss long-term issues and obtain feedback, communicating regularly throughout the year and issuing regular trading updates.

Corporate governance

Internal financial control

The Combined Code also requires the board to review the effectiveness of the company's internal controls including its financial operations, compliance and risk management. The board will be establishing procedures during 2000 to accord with the Internal Control Guidance for directors on the Combined Code published by the Institute of Chartered Accountants in England and Wales. In the meantime, as permitted by the London Stock Exchange, the board has decided to restrict its reporting on internal controls to a review of the effectiveness of internal financial controls. The board of directors has overall responsibility for ensuring that the group maintains a system of internal financial control to provide them with reasonable assurance regarding the reliability of financial information used within the business and for publication and that assets are safeguarded. There are inherent limitations in any system of internal financial control and accordingly even the most effective system can provide only reasonable, and not absolute, assurance with respect to the preparation of financial information and the safeguarding of assets.

The key features of the internal financial control system that operated throughout the period covered by the accounts are described under the following headings:

| | |
|---------------------------------------|--|
| Management information systems | Incorporating planning, budgeting and forecasting systems and a monthly review of actual results compared with budget and previous periods. |
| Group controls | Common accounting systems and controls throughout the group monitored on a regular on-going basis. |
| Organisation | Throughout the period there were well structured financial and administrative functions staffed by appropriately qualified personnel. |
| Monitoring procedures | These functions reported to the board of directors on a regular basis to provide assurance that their respective areas of responsibility were adequately controlled. |

Derivatives and other financial instruments

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

The board does not consider the group'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 group's liquidity risk is not considered to be significant and foreign currency exposure is considered not to be material.

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 and 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.

Corporate governance

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 the prevention and detection of fraud and other irregularities.

Remuneration report

The members of the remuneration committee are currently Alex Bligh, Paul Dumond and James Morton and during the year being reported upon were Paul Dumond, William Eberle and Christopher Mills.

As well as complying with the Provisions of the Combined Code as disclosed in the company's corporate governance statements, the board has applied the principles of governance relating to directors' remuneration as described below.

The company's policy on the remuneration of executive directors is to set this at a level sufficient to attract and retain directors needed to run the company successfully.

None of the directors who are being proposed for re-election at the forthcoming Annual General Meeting have service agreements with the group which are terminable on more than one years notice.

Full details of the emoluments of individual directors are set out in note 4 to the accounts.

The group's general policy on the granting of share options is to motivate and reward directors, management and other employees. The share options are generally issued at the discretion of either the board or the remuneration committee. There are no group performance requirements attached to the grant of the options and options generally become exercisable at the rate of $\frac{1}{36}$ th per month, one year after the date of grant. Details of the options in issue are given in note 4 to the accounts.

Auditors' report

To the shareholders of Redbus Interhouse plc

We have audited the accounts on pages 10 to 28 which have been prepared under the historical cost convention and the accounting policies set out on pages 14 and 15.

Respective responsibilities of directors and auditors

The directors are responsible for preparing the Annual Report including, as described on pages 7 and 8, 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 6 to 8 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.

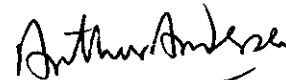
Basis of audit opinion

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 March, 2000 and of the group's profit 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

25th July, 2000

Group profit and loss account

FOR THE YEAR ENDED 31ST MARCH, 2000

| | Notes | Year ended 31st March, 2000 £000 | Eighteen months ended 31st March, 1999 £000 |
|---|-------|---|--|
| Turnover - Discontinued operations | | - | 122,747 |
| Cost of sales | | - | (91,591) |
| Gross profit | | - | 31,156 |
| Distribution costs | | - | (12,181) |
| Administrative expenses - Normal | | (450) | (15,046) |
| - Exceptional | 2 | (169) | (4,830) |
| Other operating income | | - | 312 |
| Operating loss | 2 | (619) | (589) |
| Exceptional items - Discontinued operations: | | | |
| Loss on disposal of company owned distributors | 20 | - | (8,960) |
| Gain on disposal of operations | 20 | - | 1,475 |
| | | - | (7,485) |
| Interest receivable and similar income | 5a | 1,401 | - |
| Interest payable and similar charges | 5b | - | (2,225) |
| Profit/(loss) on ordinary activities before taxation | | 782 | (10,299) |
| Taxation on profit/(loss) on ordinary activities | 6 | (325) | (12) |
| Profit/(loss) transferred to reserves | | 457 | (10,311) |
| Earnings per share: | | | |
| Basic earnings/(loss) per share | 7 | 1.5p | (30.0p) |
| Adjustment for exceptional items | | 0.5p | 35.9p |
| Adjusted earnings per share | 7 | 2.0p | 5.9p |
| Diluted earnings/(loss) per share | 7 | 1.4p | (30.0p) |
| Average exchange rate applied | £1= | \$1.612 | \$1.654 |

Movements on reserves are set out in note 14.

The accompanying notes are an integral part of these accounts.



Group balance sheet

AT 31ST MARCH, 2000

| | Notes | At 31st March, 2000 £000 | At 31st March, 1999 £000 |
|---|-------|--------------------------------|--------------------------------|
| Fixed assets | | | |
| Tangible assets | 8 | 1,840 | 1,859 |
| Current assets | | | |
| Debtors | 10 | 2,713 | 2,650 |
| Cash at bank and in hand | 11 | 9,099 | 32,637 |
| | | 11,812 | 35,287 |
| Creditors: amounts falling due within one year | 12 | (432) | (701) |
| Net current assets | | 11,380 | 34,586 |
| Total assets less current liabilities | | 13,220 | 36,445 |
| Provisions for liabilities and charges | 16a | (1,724) | (1,704) |
| Net assets | | 11,496 | 34,741 |
| Capital and reserves | | | |
| Called up share capital | 13 | 307 | 1,716 |
| Capital redemption reserve | 14 | 46 | - |
| Share premium account | 14 | 147 | 20,911 |
| Profit and loss account | 14 | 10,996 | 12,114 |
| Shareholders' funds | 15 | 11,496 | 34,741 |
| Period end exchange rate applied | £1= | \$1.595 | \$1.614 |

As approved by the Board of Directors on 25th July, 2000 and signed on its behalf by:

John Porter } Directors
Tony Simkin }

The accompanying notes are an integral part of these accounts.

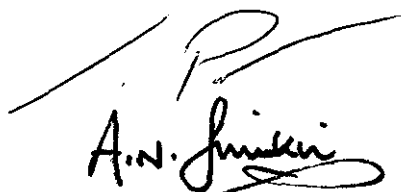
Company balance sheet

AT 31ST MARCH, 2000

| | Notes | At 31st March, 2000 £000 | At 31st March, 1999 £000 |
|---|-------|--------------------------------|--------------------------------|
| Fixed assets | | | |
| Investments | 9 | 3,427 | 3,427 |
| Current assets | | | |
| Debtors | 10 | 62 | 31 |
| Cash at bank and in hand | | 8,542 | 32,017 |
| | | 8,604 | 32,048 |
| Creditors: amounts falling due within one year | 12 | (521) | (734) |
| Net current assets | | 8,083 | 31,314 |
| Net assets | | 11,510 | 34,741 |
| Capital and reserves | | | |
| Called up share capital | 13 | 307 | 1,716 |
| Capital redemption reserve | 14 | 46 | - |
| Share premium account | 14 | 147 | 20,911 |
| Profit and loss account | 14 | 11,010 | 12,114 |
| Shareholders' funds | | 11,510 | 34,741 |

As approved by the Board of Directors on 25th July, 2000 and signed on its behalf by:

John Porter } Directors
Tony Simkin }



Group statement of total recognised gains and losses

FOR THE YEAR ENDED 31ST MARCH, 2000

| | Notes | Year ended 31st March, 2000 £000 | Eighteen months ended 31st March, 1999 £000 |
|--|-------|---|--|
| Profit/(loss) on ordinary activities after taxation | | 457 | (10,311) |
| Currency translation differences on foreign currency net investments | 14 | 39 | 4 |
| Total gains/(losses) recognised since the previous balance sheet date | | 496 | (10,307) |

The accompanying notes are an integral part of these accounts.

Group cash flow statement

FOR THE YEAR ENDED 31ST MARCH, 2000

| | Notes | Year ended 31st March, 2000 £000 | Eighteen months ended 31st March, 1999 £000 |
|--|-------|---|--|
| Net cash (outflow)/inflow from operating activities | 17a | (1,136) | 1,043 |
| Returns on investments and servicing of finance | 17b | 939 | (2,297) |
| Taxation | 17b | (30) | (27) |
| Capital expenditure and financial investment | 17b | - | (4,177) |
| Aquisitions and disposals | 17b | - | 38,347 |
| Cash (outflow)/inflow before financing | | (227) | 32,889 |
| Financing - (decrease) in funds | 17b | (23,741) | (1,138) |
| (Decrease)/increase in cash in the period | 17c | (23,968) | 31,751 |

The accompanying notes are an integral part of these accounts.

Notes to the accounts

1. Accounting policies

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

The group accounts include the accounts of the company and all of its subsidiary undertakings at any time during the financial period. The results of subsidiary undertakings and businesses acquired during the period are included from the date of acquisition. The results of subsidiary undertakings and businesses disposed of during the period are included to the date of their disposal.

By virtue of section 230(4) of the Companies Act 1985, the company is exempt from presenting a profit and loss account.

Turnover

Turnover comprises invoiced sales of fitted uniforms, corporate clothing, related accessories and equipment, excluding sales taxes. Advances on contract sales are recorded as deferred income and released to turnover only when the goods are dispatched.

The directors are of the opinion that the group operated in one unified segment, the manufacture of uniforms and the distribution of uniforms and accessories. All turnover arose in North America. Turnover by destination is not materially different from that by origin.

Tangible fixed assets

Property and equipment are stated at cost.

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

| | |
|---|---------------|
| Buildings and leasehold improvements | 3 to 25 years |
| Plant, machinery and vehicles | 3 to 10 years |
| Furniture, fixtures and fittings | 10 years |
| Freehold land and assets in the course of construction are not depreciated. | |

Provision is made in respect of any permanent impairment of fixed assets.

Leases

Assets held under finance leases are initially reported at the fair value of the asset, with an equivalent liability categorised as appropriate under creditors due within or after one year. The asset is depreciated over the shorter of the lease term and its useful economic life. Finance charges are allocated to accounting periods over the period of the lease to produce a constant rate of return on the outstanding balance. Rentals are apportioned between finance charges and reduction of the liability, and allocated to cost of sales and other operating expenses as appropriate.

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

Investments

Fixed asset investments are shown at cost less amounts written off. No provision is made for temporary fluctuations in value. Income is included in the accounts for the period in which it is receivable.

Stocks

Stocks are valued at the lower of first-in first-out cost and net realisable value. The valuation of work-in-progress and finished goods includes the cost of direct materials and labour, plus a reasonable proportion of manufacturing overheads based on normal levels of activity.

Notes to the accounts

1. Accounting policies (continued)

Set up and start up costs attributable to long term contracts

Incremental costs that are directly attributable to the set up of new facilities and systems required to service long term uniform distribution contracts are capitalised and shown under debtors. The costs are normally amortised over the term of the contract as follows:

- i) one half is amortised on a straight line basis over the first twelve months following the commencement of full shipping operations;
- ii) the balance is amortised on a straight line basis over a period not exceeding the term of the contract commencing with the first anniversary of full shipping operations; and
- iii) the balance is reviewed on an annual basis and any permanent diminution in value is charged to the profit and loss account.

Deferred taxation

Provision is made, at rates expected to be in force at the time of reversal, for taxation deferred 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 (the liability method).

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. Assets and liabilities denominated in foreign currencies at the period end are expressed in sterling at the rate of exchange ruling at that date. The results of United States subsidiary undertakings have been translated into sterling at the average rate of exchange for the period.

Currency adjustments are included in trading profits except that the difference arising on the retranslation of the group's share of the net assets of overseas subsidiary undertakings at the beginning of the period, or on acquisition if later, is treated as a movement on reserves.

Notes to the accounts

2. Operating loss

| | Year ended 31st March, 2000 £000 | Eighteen months ended 31st March, 1999 £000 |
|--|---|--|
| This is stated after charging: | | |
| Auditors' remuneration | 18 | 128 |
| Other fees paid in the UK to the auditors | 24 | 181 |
| Depreciation of tangible fixed assets: | | |
| Owned | 41 | 1,376 |
| Held under finance leases | - | 320 |
| (Profit)/loss on disposal of tangible fixed assets | - | (85) |
| Hire of plant and machinery and motor vehicles under operating leases | - | 351 |
| Payments under operating leases - premises | - | 1,367 |
| Exceptional charges - administrative expenses: | | |
| Cancellation of share options and professional charges for the return of capital to shareholders | 169 | - |
| Provision for impairment in value of long leasehold property | - | 3,126 |
| Provision for potential environmental remediation | - | 1,704 |
| | 169 | 4,830 |

3. Employees

| | Year ended 31st March, 2000 Number | Eighteen months ended 31st March, 1999 Number |
|---|---|--|
| The monthly average number of employees was made up as follows: | | |
| Production | - | 922 |
| Warehousing and distribution | - | 295 |
| Sales | - | 91 |
| Administration | 5 | 72 |
| | 5 | 1,380 |
| Staff costs, including directors' remuneration during the period comprised: | £000 | £000 |
| Salaries and wages | 69 | 26,207 |
| Social security costs | 1 | 2,737 |
| Other pension credits | - | (99) |
| Profit sharing costs | - | 427 |
| | 70 | 29,272 |

Notes to the accounts

4. Directors' remuneration and interests

Directors' remuneration

| Name of Director | Fees £000 | Basic salary and other emoluments £000 | Year ended 31st March, 2000 total £000 | Eighteen months ended 31st March, 1999 total £000 |
|--|--------------|---|---|--|
| <i>Executive</i> | | | | |
| John Porter (<i>appointed 25th January, 2000</i>) | – | – | – | – |
| Colin Keith (<i>resigned 5th April, 2000</i>) | 5 | 22 | 27 | 165 |
| Robert Gates, Jr. (<i>resigned 5th August, 1999</i>) | 2 | – | 2 | 406 |
| Richard Vacek, Jr. (<i>retired 5th August, 1999</i>) | 2 | – | 2 | 382 |
| <i>Non-executive</i> | | | | |
| Paul Dumond | 5 | 2 | 7 | 15 |
| The Hon. William Eberle (<i>resigned 5th August, 1999</i>) | 2 | 2 | 4 | 15 |
| Christopher Mills (<i>resigned 5th April, 2000</i>) | 5 | 15 | 20 | 45 |
| James Morton | 5 | 2 | 7 | 15 |
| Aggregate emoluments | 26 | 43 | 69 | 1,043 |

Notes to the accounts

4. Directors' remuneration and interests (continued)

Directors' interests

The aggregate emoluments disclosed above do not include any amounts for the value of options to subscribe for ordinary shares in the company granted to or held by the directors. Details of the options are as follows:

| | 31st March, 1999 | Exercised | Share price on date of exercise | Renounced | 31st March, 2000 | Date of grant | Exercise price* |
|-------------------------------|------------------|-----------|------------------------------------|-----------|------------------|----------------------|-----------------|
| Directors: | | | | | | | |
| Colin Keith | 409,200 | 409,200 | 86.5p | - | - | 13th July, 1993 | 3.53p |
| | 90,800 | 90,800 | 86.5p | - | - | 12th December, 1996 | 19.10p |
| | 160,000 | - | - | - | 160,000 | 8th May, 1998 | 17.10p |
| Robert Gates, Jr. | 102,300 | - | - | - | 102,300 | 30th May, 1990 | 57.29p |
| | 20,460 | 20,460 | 86.5p | - | - | 24th September, 1992 | 3.53p |
| | 25,000 | - | - | - | 25,000 | 7th June, 1995 | 41.10p |
| | 100,000 | - | - | - | 100,000 | 26th September, 1995 | 33.10p |
| | 33,000 | - | - | - | 33,000 | 13th May, 1996 | 23.10p |
| | 160,000 | 125,000 | 86.5p | - | 35,000 | 8th May, 1998 | 17.10p |
| Richard Vacek, Jr. | 102,300 | 102,300 | 296.5p | - | - | 30th May, 1990 | 57.29p |
| | 20,460 | 20,460 | 86.5p | - | - | 24th September, 1992 | 3.53p |
| | 20,000 | 20,000 | 296.5p | - | - | 7th June, 1995 | 41.10p |
| | 33,000 | 33,000 | 296.5p | - | - | 13th May, 1996 | 23.10p |
| | 70,000 | 70,000 | 86.5p | - | - | 8th May, 1998 | 17.10p |
| | 90,000 | 90,000 | 296.5p | - | - | 8th May, 1998 | 17.10p |
| Paul Dumond (UK scheme) | 15,345 | - | - | - | 15,345 | 15th September, 1997 | 12.10p |
| The Hon. William Eberle | 102,300 | - | - | 102,300 | - | 30th May, 1990 | 57.29p |
| Christopher Mills (UK scheme) | 409,200 | - | - | - | 409,200 | 15th September, 1997 | 12.10p |
| James Morton | 102,300 | - | - | 102,300 | - | 30th May, 1990 | 57.29p |

*Adjusted exercise price following the capital reduction in August 1999.

All outstanding options granted under the company's US Stock Option Plan are currently exercisable.

Options granted under the company's UK Executive Share Option Scheme may be exercised between the third and seventh anniversaries of the date of grant.

In June, 1999 William Eberle and James Morton renounced their options to acquire ordinary shares.

In aggregate the gains on exercise of share options amounted to £1.2million.

Notes to the accounts

4. Directors' remuneration and interests (continued)

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

| | Number of Ordinary Shares of 1p each (1999 – 5p each) | |
|---|---|------------------------|
| | At 31st March, 2000 | At 31st March, 1999 |
| Colin Keith (<i>resigned 5th April, 2000</i>) | 730,000 | 655,000 |
| Paul Dumond | 8,333 | – |
| Christopher Mills (<i>resigned 5th April, 2000</i>) | 348,000 | 348,000 |
| James Morton | 70,000 | 158,000 |
| John Porter (<i>appointed 25th January, 2000</i>) | – | – |

Other than as disclosed in the directors report there have been no changes in the directors' interests between the year end and the earlier of the date of their resignation if applicable, and the date of this report, except James Morton's holding increased to 93,333 ordinary shares on 5th April, 2000.

5. Interest payable and similar charges

a) Interest receivable and similar income

| | Year ended 31st March, 2000 £000 | Eighteen months ended 31st March, 1999 £000 |
|--------------------------|---|--|
| Bank interest receivable | 939 | – |
| Exchange gain | 462 | – |
| | 1,401 | – |

The exchange gain arose on the conversion of proceeds of prior period sale of the US subsidiary which were held in US dollars at 31st March, 1999 and which were converted to sterling during April 1999.

b) Interest payable and similar charges

| | Year ended 31st March, 2000 £000 | Eighteen months ended 31st March, 1999 £000 |
|---------------------------------------|---|--|
| Interest on bank loans and overdrafts | – | 2,126 |
| Interest on finance leases | – | 69 |
| Other interest | – | 30 |
| | – | 2,225 |

6. taxation on profit/loss on ordinary activities

| | Year ended 31st March, 2000 £000 | Eighteen months ended 31st March, 1999 £000 |
|---------------------------|---|--|
| UK Corporation tax at 30% | 295 | 13 |
| US Federal and State tax | 30 | (1) |
| Total tax charge | 325 | 12 |

No deferred taxation has been provided and no potential liability arises in the group or company due to the excess of the tax value of tangible assets over their book value.

Notes to the accounts

7. Earnings/loss per share

The calculation of the basic earnings/loss per share is based on the profit after tax of £457,000 (1999 – loss £10,311,000) and on the average number of ordinary shares in issue during the period of 31,549,555 (1999 – 34,303,815). The adjusted earnings per share in the year to 31st March 2000 is based on the adjusted profit after tax of £626,000 (1999 – £2,004,000) after excluding exceptional charges totalling £169,000 (1999 – £12,315,000) net of taxation. The adjusted earnings per share calculation eliminates the effect of exceptional charges to give a fairer presentation of trading performance.

The basic diluted earnings per share is based on the profit after tax of £457,000 and on 32,876,317 shares diluted through the potential conversion of share options.

8. Tangible assets

| The group | Long leasehold property £000 |
|--------------------------------------|---------------------------------|
| Cost | |
| At 31st March, 1999 | 4,985 |
| Exchange movement | 59 |
| At 31st March, 2000 | 5,044 |
| Depreciation | |
| At 31st March, 1999 | 3,126 |
| Charge for the year | 41 |
| Exchange movement | 37 |
| At 31st March, 2000 | 3,204 |
| Net book value | |
| At 31st March, 2000 | 1,840 |
| At 31st March, 1999 | 1,859 |
| Leased assets included in the above: | |
| Net book value | |
| At 31st March, 2000 | 1,840 |
| At 31st March, 1999 | 1,859 |

The long leasehold property includes land with a book value of £848,000 (1999 – £848,000), 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

9. Fixed asset investments

| | The company | |
|---|--------------------------------|--------------------------------|
| | At 31st March, 2000 £000 | At 31st March, 1999 £000 |
| Investment in subsidiary undertakings at cost | 5,568 | 5,568 |
| Provision for impairment | (2,141) | (2,141) |
| | 3,427 | 3,427 |
| Movements in the period comprise: | | |
| Disposal of investment in subsidiary undertakings | - | (38,685) |
| Decrease in loans to subsidiary undertakings | - | (4,050) |
| Exchange movement on long term loans | - | (6) |
| Investment in subsidiary undertaking | - | 3,253 |
| Provision against impairment of investment | - | (2,141) |
| | - | (41,629) |

At 31st March, 2000 the company's principal subsidiary undertaking was PLC Properties LLC, a company formed in the USA which is wholly owned by the company and whose main activity is holding property. During the prior period the company disposed of its entire interest in Horace Small Holdings Corporation of Delaware, Inc. ('Horace Small Holdings') and its subsidiary undertakings, which companies were engaged in the manufacture and distribution of fitted uniforms and related accessories.

10. Debtors

| | The group | | The company | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | At 31st March, 2000 £000 | At 31st March, 1999 £000 | At 31st March, 2000 £000 | At 31st March, 1999 £000 |
| Amounts falling due within one year: | | | | |
| Cash held in escrow account (see note 11 below) | 2,665 | 2,633 | - | - |
| Amounts owed by subsidiary undertakings | - | - | 14 | 14 |
| Value added tax recoverable | 8 | 11 | 8 | 11 |
| Prepayments and accrued income | 40 | 6 | 40 | 6 |
| | 2,713 | 2,650 | 62 | 31 |

11. Cash held in escrow account

The total cash balance of £9,099,000 (1999 - £32,637,000) does not include £2,665,000 (\$4,250,000) (1999 - £2,633,000 (\$4,250,000)) held in a restricted deposit in the United States 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.

In addition, a further cash amount of £620,000 (\$1,000,000) has been invested in the company's U.S. subsidiary, PLC Properties LLC, the distribution of which is restricted. Of this amount £441,000 (\$703,000) (1999 - £620,000 (\$1,000,000)) remains and is included in the total cash balance of £9,099,000 at 31st March 2000.

Further details of these arrangements are set out in note 16.

Notes to the accounts

12. Creditors: amounts falling due within one year

| | The group | | The company | |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
| | At 31st March, 2000 £000 | At 31st March, 1999 £000 | At 31st March, 2000 £000 | At 31st March, 1999 £000 |
| Trade creditors | 122 | – | 122 | – |
| Amounts owed to subsidiary undertakings | – | – | 89 | 33 |
| UK corporation tax | 310 | 15 | 310 | 15 |
| Accruals | – | 686 | – | 686 |
| | 432 | 701 | 521 | 734 |

13. Called up share capital

(a) Share Capital

This comprises ordinary shares as follows:

| | Authorised | | Allotted, called up and fully paid | |
|--|-------------------|------------|------------------------------------|------------|
| | No. of shares | £000 | No. of shares | £000 |
| At 31st March, 1999 – ordinary shares of 5 pence each | 50,000,000 | 2,500 | 34,332,676 | 1,716 |
| Reduction of capital from 5 pence to 1 penny per share | – | (2,000) | – | (1,373) |
| Purchase of own shares | – | – | (4,566,625) | (46) |
| Issue of shares on exercise of options | – | – | 981,220 | 10 |
| At 31st March, 2000 – ordinary shares of 1 penny each | 50,000,000 | 500 | 30,747,271 | 307 |

On 10th August, 1999 the company repurchased a total of 4,566,625 ordinary shares of 1 penny each in the company at a price of 35 pence per share for a total cost of £1,614,000.

Notes to the accounts

13. Called up share capital (continued)

(b) Options

The following options, including those detailed in note 4, granted under the UK Executive Share Option Scheme and the US Stock Option Plan, were outstanding at the period ends:

| Date of Grant | Price per fully paid share* | At 31st March, 2000 Number of ordinary shares | At 31st March, 1999 Number of ordinary shares |
|----------------------------------|--------------------------------|--|--|
| 30th May, 1990 | 57.29p | 102,300 | 557,538 |
| 26th June, 1992 | 19.17p | - | 88,491 |
| 24th September, 1992 | 3.53p | - | 40,920 |
| 13th July, 1993 | 3.53p | - | 409,200 |
| 15th August, 1994 | 17.21p | - | 35,806 |
| 7th June, 1995 | 41.10p | 25,000 | 82,500 |
| 26th September, 1995 | 33.10p | 100,000 | 100,000 |
| 18th December, 1995 | 26.10p | - | 30,000 |
| 13th May, 1996 | 23.10p | 33,000 | 224,000 |
| 12th December, 1996 | 19.10p | - | 145,800 |
| 23rd June, 1997 | 19.10p | - | 25,000 |
| 15th September, 1997 | 12.10p | - | 140,000 |
| 15th September, 1997 (UK scheme) | 12.10p | 424,545 | 424,545 |
| 4th December, 1997 | 10.60p | - | 12,500 |
| 8th May, 1998 | 17.10p | 195,000 | 800,000 |
| 15th June 1998 | 29.60p | - | 20,000 |
| | | 879,845 | 3,136,300 |

*Adjusted price following the capital reduction in August 1999.

All outstanding Options granted under the company's US Stock Option Plan are currently exercisable.

Options granted under the company's UK Executive Share Option Scheme may be exercised between the third and seventh anniversaries of the date of grant.

Options to acquire 981,220 shares were exercised during the period. Options held to acquire up to 1,070,635 shares were cancelled during the period. Options to acquire 204,600 shares were renounced during the period.

The market price of the ordinary shares at 31st March, 2000 was 267.50p and the range during the year then ended was 28.5p to 311p.

NOTES TO THE ACCOUNTS

14. RESERVES

| | Capital Redemption Reserve £000 | Share Premium £000 | Profit and Loss Account £000 | Total £000 |
|----------------------------------|--|--------------------------|---------------------------------------|---------------|
| Group | | | | |
| At 31st March, 1999 | — | 20,911 | 12,114 | 33,025 |
| Issue of shares | — | 147 | — | 147 |
| Reduction of capital | — | (20,911) | — | (20,911) |
| Purchase of own shares | 46 | — | (1,614) | (1,568) |
| Profit for the year | — | — | 457 | 457 |
| Currency translation differences | — | — | 39 | 39 |
| At 31st March, 2000 | 46 | 147 | 10,996 | 11,189 |

| | Capital Redemption Reserve £000 | Share Premium £000 | Profit and Loss Account £000 | Total £000 |
|----------------------------|--|--------------------------|---------------------------------------|---------------|
| Company | | | | |
| At 31st March, 1999 | — | 20,911 | 12,114 | 33,025 |
| Issue of shares | — | 147 | — | 147 |
| Reduction of capital | — | (20,911) | — | (20,911) |
| Purchase of own shares | 46 | — | (1,614) | (1,568) |
| Profit for the year | — | — | 510 | 510 |
| At 31st March, 2000 | 46 | 147 | 11,010 | 11,203 |

Of the group profit for the period, a profit of £510,000 (1999 – loss £10,254,000) has been dealt with in the accounts of the company. All of the company's profit and loss account reserves are distributable.

Notes to the accounts

15. Reconciliation of movement in shareholders' funds

| | Year ended 31st March, 2000 £000 | The group Eighteen months ended 31st March, 1999 £000 |
|---|---|---|
| Issue of share capital | 157 | 32 |
| Reduction of capital | (22,284) | - |
| Purchase of own shares | (1,614) | - |
| Profit/(loss) on ordinary activities after taxation | 457 | (10,311) |
| Currency translation differences | 39 | 4 |
| Goodwill on acquisitions previously written off | - | 22,436 |
| Net movement of shareholders' funds | (23,245) | 12,161 |
| Shareholders' funds at the beginning of the period | 34,741 | 22,580 |
| Shareholders' funds at the end of the period | 11,496 | 34,741 |

16. Financial commitments

(a) During the due diligence carried out in connection with the disposal of Horace Small Holdings together with its subsidiaries to VF Workwear, Inc. ('VF'), an environmental audit was conducted at the Nashville head office and manufacturing and distribution facility. This highlighted the potential existence of certain environmental conditions at this location. The future disposal of this property is subject to remediation of any such environmental conditions actually existing. Such remediation may be required by US environmental law and regulations. Arrangements were entered into at the closing of the sale with VF to determine the extent of and effect any necessary remediation.

An Escrow Agreement was entered into between VF, Horace Small Holdings and PLC Properties LLC (a specially formed new US subsidiary of the company), which required, *inter alia*, the depositing of funds totalling \$4.25 million with an agent to be held for the benefit of all parties to this agreement. These funds comprised part of the consideration payable by VF in respect of the sale of Horace Small Holdings. PLC Properties LLC gave ongoing warranties in respect of the property and the ongoing remediation process.

PLC Properties LLC has appointed specialist contractors to carry out such remediation work as may be required. Upon the satisfaction of specified undertakings contained in the Escrow Agreement, including obtaining approvals from relevant U.S. governmental regulatory authorities in relation to any necessary remediation and certain other conditions, the agent is obliged to return \$2.75 million of the escrow funds to PLC Properties LLC, less any amount spent on the remediation process. The remaining funds totalling \$1.5 million, along with interest on the escrow funds, will be retained by the agent for no less than 18 months to cover any third party claims or incidental expenses to the transfer of the property which may be incurred by any of the parties of this Escrow Agreement.

As part of the above arrangements, the company was obliged to capitalise PLC Properties LLC with at least \$1.0 million and to refrain from making any distributions or creating any incumbrances over PLC Properties LLC assets until the expiry of the escrow arrangements under this agreement.

Although the extent of any required remediation work has not yet been finally determined, a provision of £1,724,000 (\$2,750,000) (1999 - £1,704,000 (\$2,750,000)) has been retained in these accounts in respect of this work.

(b) Capital commitments at 31st March, 2000 which had been contracted for but not provided for in these accounts totalled £nil (1999 - £nil).

Notes to the accounts

17. Notes to the group cash flow statement

a) Reconciliation of operating loss to operating cash flows

| | Year ended 31st March, 2000 £000 | Eighteen months ended 31st March, 1999 £000 |
|--|---|--|
| Operating (loss) | (619) | (589) |
| Depreciation charges | 41 | 1,698 |
| Exceptional items | - | 4,830 |
| (Profit) on sale of fixed assets | - | (85) |
| (Increase) in stocks | - | (5,434) |
| (Increase)/decrease in debtors | (31) | 658 |
| (Decrease)/increase in creditors and provisions | (564) | 756 |
| Other translation adjustments | 37 | (791) |
| Net cash (outflow)/inflow from operating activities | (1,136) | 1,043 |

b) Analysis of cash flows

| | Year ended 31st March, 2000 £000 | Eighteen months ended 31st March, 1999 £000 |
|---|---|--|
| Returns on investments and servicing of finances | | |
| Interest received | 939 | 25 |
| Interest paid | - | (2,253) |
| Interest element of finance lease payments | - | (69) |
| Net cash inflow/(outflow) | 939 | (2,297) |

Taxation

| | | |
|---------------------------|-------------|-------------|
| UK corporation tax paid | - | (16) |
| Overseas tax paid | (30) | (11) |
| Net cash (outflow) | (30) | (27) |

Capital expenditure and financial investment

| | | |
|---|----------|----------------|
| Purchase of tangible fixed assets | - | (4,497) |
| Proceeds from sale of tangible fixed assets | - | 320 |
| Net cash (outflow) | - | (4,177) |

Acquisitions and disposals

| | | |
|--|----------|---------------|
| Cash inflow from exceptional items | - | 40,980 |
| Increase in debtors from exceptional items | - | (2,633) |
| Net cash inflow | - | 38,347 |

Financing

| | | |
|--|-----------------|----------------|
| Receipt from issue of shares | 157 | 32 |
| Reduction of capital | (22,284) | - |
| Purchase of own shares | (1,614) | - |
| Decrease in unsecured loan | - | (960) |
| Capital element of finance lease rental payments | - | (210) |
| Net cash (outflow) | (23,741) | (1,138) |

Notes to the accounts

17. Notes to the group cash flow statement (continued)

c) Analysis and reconciliation of net debt

| | At 31st March, 1999 £000 | Cash flow £000 | Exchange movement £000 | At 31st March, 2000 £000 |
|--|--------------------------------|----------------------|---|--|
| Net funds – cash at bank and in hand | 32,637 | (23,968) | 430 | 9,099 |
| | | | Year ended 31st March, 2000 £000 | Eighteen months ended 31st March, 1999 £000 |
| (Decrease)/increase in cash in the period | | | (23,968) | 31,751 |
| Cash outflow from decrease in debt and lease financing | | | – | 750 |
| Change in net funds resulting from cash flows | | | (23,968) | 32,501 |
| Debt and finance leases transferred with disposed subsidiaries | | | – | 14,972 |
| Translation difference | | | 430 | 30 |
| Movement in net funds in the period | | | (23,538) | 47,503 |
| Net funds/debt at beginning of period | | | 32,637 | (14,866) |
| Net funds at end of period | | | 9,099 | 32,637 |

18. Post balance sheet event

On 5th April 2000 the company acquired the whole of the issued share capital of Redbus Interhouse Limited. Redbus Interhouse is a pioneer in the emerging market for Neutral Internet Colocation Facilities in Europe, providing Internet and communications companies access to multiple data and voice networks.

The consideration for the acquisition was satisfied by the issue of 69 million consideration shares and the company raised approximately £20 million (net of expenses) by means of a placing and open offer of 19,844,034 new ordinary shares at 110 pence per share. The consideration shares represent approximately 57.4 per cent. of the issued ordinary share capital of the company as enlarged by the acquisition and the placing and open offer.

19. Financial instruments

The Corporate Governance Review on pages 6 to 8 includes an explanation of the group's policies in respect of financial instruments. The group has no financial assets other than sterling cash deposits of £9,099,000 which comprise deposits placed on money market at call, 7 day and monthly rates. As permitted by applicable accounting standards short-term debtors and creditors have been excluded from the disclosures.

Notes to the accounts

20. Disposals

| | Company owned distributors £000 | Horace Small Holdings and subsidiaries £000 | Total £000 |
|----------------------------------|--|--|----------------|
| Sale proceeds | 5,823 | 35,502 | 41,325 |
| Costs of disposal | (270) | (757) | (1,027) |
| Net cash consideration | 5,553 | 34,745 | 40,298 |
| Less: | | | |
| Net assets disposal of: | | | |
| Goodwill | 9,174 | 13,262 | 22,436 |
| Fixed assets | 423 | 7,786 | 8,209 |
| Stock | 4,908 | 24,577 | 29,485 |
| Debtors | 67 | 11,115 | 11,182 |
| Cash | – | 345 | 345 |
| Creditors | (56) | (23,815) | (23,871) |
| Finance leases | (3) | – | (3) |
| (Loss)/profit on disposal | (8,960) | 1,475 | (7,485) |

During the second calendar quarter of 1998, the group sold its company owned distributors to Skaggs Companies, Inc., one of the group's wholesale customers.

On 31st March, 1999 the group sold all of its remaining operations to VF Workwear, Inc. In the period to 31st March 1999 the operations sold had net operating cash inflow of £1,043,000, paid £2,297,000 of interest and spent £4,177,000 on capital items.

Notes to the accounts

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AND REGISTERED ADDRESS**

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Bank of New York
ADR Division
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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 Ltd he was a major shareholder in Redbus Interhouse (UK) Ltd which was acquired by the company in April 2000. John, a graduate of Stanford Business School, is also Chairman of 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 (UK) 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 (UK) Limited since October 1998. Kevin has more than 25 years experience in the technology industry and prior to joining Redbus Interhouse 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 has considerable public company experience within the technology and property sectors. He was Finance Director of Creston plc from 1995 until 2000 and was previously Finance Director from 1989 to 1994 at de Morgan Group plc. His earlier career included positions at OMI International plc and Inchcape plc.

Alex Bligh*†

Alex Bligh was appointed a non-executive Director of Redbus Interhouse PLC in April 2000 having been a Director of Redbus Interhouse (UK) 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 Ltd, 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 US. He is also an advisor to Credo, a leading edge consulting group specialising in technology transfer for internet based businesses. 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 investments books for the Financial Times.

Tony Simkin

Tony Simkin stepped down as Finance Director of Redbus Interhouse PLC in July to concentrate on his role as Finance Director of Redbus Group SA, the company's largest shareholder, a position he has held since 1998. He remains on the board as a non-executive director. Tony, a Chartered Accountant, has held senior financial and management executive posts at a number of companies. He joined Demon Internet Limited in 1996 as Finance Director and played a major part in the sale of that company to Scottish Telecom.

* Member of the Audit Committee

† Member of the Remuneration Committee

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