

No. 3928186

Leonardo Internet Limited

Annual Report and Accounts

30 June 2002



Leonardo Internet Limited

Registered no: 3928186

DIRECTORS

| | |
|----------------|----------|
| G P Hooper | Chairman |
| P Hetherington | |
| L McDermott | |
| S Tolley | |

SECRETARY

D R Sowerby

REGISTERED OFFICE

Station Road
Burton Latimer
Kettering
Northamptonshire
NN15 5JP

Telephone: 01536 383844

Facsimile: 01536 725069

ADVISERS

Auditors

Ernst & Young LLP
400 Capability Green
Luton
LU1 3LU

Bankers

Lloyds TSB Bank plc
126 Colmore Row
Birmingham
B3 3BD

Leonardo Internet Limited

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 30 June 2002.

PRINCIPAL ACTIVITIES AND REVIEW OF BUSINESS

Leonardo is primarily a web development business, providing bespoke internet based business solutions. Other competencies include design of print and database development.

RESULTS AND DIVIDENDS

The loss before tax for the year to 30 June 2002 was £71,000 (period from 14 February 2000 to 30 June 2001: £563,000). Towards the end of the year the company moved into profit as activity levels increased, a trend which has continued steadily into the current year. The directors do not recommend payment of a dividend.

SHARE CAPITAL

The present authorised and issued share capital of the company is set out in note 10.

FIXED ASSETS

Details of the movements in fixed assets are set out in note 6 to the accounts.

DIRECTORS AND THEIR INTERESTS

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

P R Hetherington

G P Hooper

L McDermott

S Tolley

At the year end Mr S Tolley held 3,170 (2001: 2,683) and Mr L McDermott held 10,500 (2001: 10,500) £1 ordinary shares in Leonardo Internet Limited. The interests of Mr G P Hooper in the shares of The Alumasc Group plc, the ultimate holding company, are disclosed in the accounts of that company. The interests of the other directors in The Alumasc Group plc are set out below:

Executive Share Option Scheme

| | <i>1 July 2001</i> | <i>Granted in year</i> | <i>30 June 2002</i> | <i>Exercise price</i> | <i>Exercise dates</i> |
|------------------|------------------------|----------------------------|-------------------------|---------------------------|---------------------------|
| P R Hetherington | - | 15,000 | 15,000 | 102.5p | October 2004-October 2011 |

Further details of The Executive Share Option Scheme can be found in the Report and Accounts of The Alumasc Group plc.

CREDITOR PAYMENT POLICY

While the company does not follow a specific code of practice, it has due regard to suppliers' payment terms and generally settles all undisputed accounts within 30 days (2001: 30 days) of the due date for payment.

EMPLOYMENT OF DISABLED PERSONS

It is the company's policy to give full and fair consideration to the employment of applicants who are disabled persons, to continue the employment of employees who become disabled persons and, as appropriate, to provide training for other positions.

DIRECTORS' REPORT

AUDITORS

A resolution to re-appoint Ernst & Young LLP as the company's auditor will be put to the members at the forthcoming Annual General Meeting.

By order of the board



D R Sowerby
Secretary

15 January 2003

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE ACCOUNTS

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 of the profit or loss of the company 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;
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company 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 to 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 hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF Leonardo Internet LIMITED

We have audited the company's financial statements for the year ended 30 June 2002 which comprise Profit and Loss Account, Balance Sheet, Cash Flow Statement and the related notes 1 to 14. These financial statements have been prepared on the basis of the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the Statement of Directors' Responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, 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 regarding directors' remuneration and transactions with the company are not disclosed.

We read the Directors' Report and consider the implications for our report if we become aware of any apparent misstatements within it.

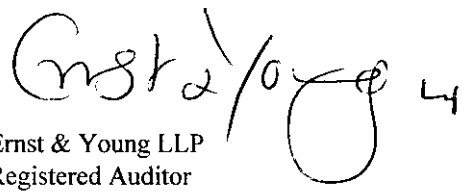
Basis of audit opinion

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

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 30 June 2002 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Ernst & Young LLP
Registered Auditor
Luton

15/1/03

Leonardo Internet Limited

PROFIT AND LOSS ACCOUNT for the year ended 30 June 2002

| | <i>Notes</i> | <i>Year to 30 June 2002 £000</i> | <i>Period to 30 June 2001 £000</i> |
|-----------------------------------------------------------------------------|--------------|------------------------------------------|--------------------------------------------|
| TURNOVER | 2 | 206 | 112 |
| Cost of sales | | 53 | 42 |
| | | <hr/> | <hr/> |
| GROSS PROFIT | | 153 | 70 |
| Selling and distribution costs | | 13 | 420 |
| Administrative expenses | | 215 | 227 |
| | | <hr/> | <hr/> |
| OPERATING LOSS | 3 | (75) | (577) |
| Bank interest receivable | | 4 | 14 |
| | | <hr/> | <hr/> |
| LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION | | (71) | (563) |
| Taxation | 5 | - | - |
| | | <hr/> | <hr/> |
| LOSS FOR THE FINANCIAL YEAR/ PERIOD ATTRIBUTABLE TO SHAREHOLDERS | 11 | (71) | (563) |
| | | <hr/> | <hr/> |

There are no recognised gains or losses in the year ended 30 June 2002 other than the loss attributable to shareholders of the company of £71,000 (2001: loss £563,000).

Leonardo Internet Limited

BALANCE SHEET at 30 June 2002

| | Notes | 2002 £000 | 2001 £000 |
|-------------------------------------------------------|-------|-------------------|-------------------|
| FIXED ASSETS | | | |
| Tangible assets | 6 | 33 | 43 |
| CURRENT ASSETS | | | |
| Debtors | 7 | 155 | 33 |
| Cash at bank and in hand | | 15 | 181 |
| | | <u>170</u> | <u>214</u> |
| CREDITORS: amounts falling due within one year | | | |
| Trade and other creditors | 8 | 41 | 24 |
| | | <u> </u> | <u> </u> |
| NET CURRENT ASSETS | | 129 | 190 |
| NET ASSETS | | <u>162</u> | <u>233</u> |
| CAPITAL AND RESERVES | | | |
| Called up share capital | 10 | 46 | 46 |
| Share premium account | 11 | 750 | 750 |
| Profit and loss account | 11 | (634) | (563) |
| EQUITY SHAREHOLDERS' FUNDS | 12 | <u>162</u> | <u>233</u> |



S Tolley
Director

15 January 2003

Leonardo Internet Limited

CASH FLOW STATEMENT for the year ended 30 June 2002

| | | Year to 30 June 2002 | Period to 30 June 2001 |
|-------------------------------------------------------------|-------|----------------------------|------------------------------|
| | Notes | £000 | £000 |
| NET CASH OUTFLOW FROM OPERATING ACTIVITIES | 13 | (166) | (571) |
| RETURNS ON INVESTMENTS AND SERVICING OF FINANCE | | | |
| Interest received | | 4 | 13 |
| CAPITAL EXPENDITURE AND FINANCIAL INVESTMENT | | | |
| Purchase of tangible fixed assets | | (6) | (57) |
| Proceeds from sale of tangible fixed assets | | 2 | - |
| NET CASH OUTFLOW BEFORE FINANCING | | (166) | (615) |
| FINANCING | | | |
| Issue of ordinary share capital | | - | 796 |
| (DECREASE)/ INCREASE IN CASH IN THE YEAR/ PERIOD | | (166) | 181 |

Leonardo Internet Limited

NOTES TO THE ACCOUNTS for the year ended 30 June 2002

1. ACCOUNTING POLICIES

Accounting convention

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

Depreciation of tangible fixed assets

The cost or valuation of tangible fixed assets is written off by equal monthly instalments over their expected useful lives as follows:

| | |
|------------------|---------------|
| Office equipment | 4 to 10 years |
|------------------|---------------|

Deferred taxation

Provision is made for deferred taxation in accordance with FRS 19. This represents a change in accounting policy and the effect of this change on previous periods is insignificant.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or a right to pay less, or to receive more, tax, with the following exceptions:

- provision is made for tax on gains arising from the revaluation (and similar fair value adjustments) of fixed assets, and gains on disposal of fixed assets that have been rolled over into replacement assets, only to the extent that, at the balance sheet date, there is a binding agreement to dispose of the assets concerned. However, no provision is made where, on the basis of all available evidence at the balance sheet date, it is more likely than not that the taxable gain will be rolled over into replacement assets and charged to tax only where the replacement assets are sold.
- deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

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

2. TURNOVER

Turnover comprises the invoice value of goods and services supplied by the company exclusive of VAT. All items in the profit and loss account relate to continuing operations.

Geographical analysis

All business operations are located in the United Kingdom where all turnover is destined for and generated.

Leonardo Internet Limited

NOTES TO THE ACCOUNTS for the year ended 30 June 2002

3. OPERATING LOSS

This is stated after charging:

| | <i>Year to 30 June 2002 £000</i> | <i>Period to 30 June 2001 £000</i> |
|--------------------------------|------------------------------------------|--------------------------------------------|
| Depreciation | 14 | 14 |
| Auditors' remuneration - audit | 1 | 1 |
| | <u> </u> | <u> </u> |

4. EMOLUMENTS OF DIRECTORS AND EMPLOYEES

Employee costs, including directors, during the year were:

| | <i>Year to 30 June 2002 £000</i> | <i>Period to 30 June 2001 £000</i> |
|-----------------------|------------------------------------------|--------------------------------------------|
| Wages and salaries | 142 | 138 |
| Social security costs | 14 | 37 |
| | <u> </u> | <u> </u> |
| | 156 | 175 |
| | <u> </u> | <u> </u> |

The average monthly number employed by the company during the year, including directors, was as follows:

| | <i>Year to 30 June 2002 Number</i> | <i>Period to 30 June 2001 Number</i> |
|---------------------|--------------------------------------------|----------------------------------------------|
| Executive and staff | 7 | 6 |
| | <u> </u> | <u> </u> |

Directors' remuneration was made up as follows:

| | <i>Year to 30 June 2002 £000</i> | <i>Period to 30 June 2001 £000</i> |
|--------------|------------------------------------------|--------------------------------------------|
| Remuneration | 59 | 239 |
| | <u> </u> | <u> </u> |

Leonardo Internet Limited

NOTES TO THE ACCOUNTS for the year ended 30 June 2002

4. EMOLUMENTS OF DIRECTORS AND EMPLOYEES (Continued)

The amounts in respect of the highest paid director are as follows:

| | <i>Year to 30 June 2002 £000</i> | <i>Period to 30 June 2001 £000</i> |
|--------------|------------------------------------------|--------------------------------------------|
| Remuneration | 59 | 200 |

5. TAXATION

| | <i>Year to 30 June 2002 £000</i> | <i>Period to 30 June 2001 £000</i> |
|--------------------------------------|------------------------------------------|--------------------------------------------|
| Tax on profit on ordinary activities | - | - |

Provision is made for deferred tax in accordance with FRS 19. This represents a change in accounting policy and the effect of this change on previous periods is insignificant.

Factors affecting current tax charge:

The tax assessed on the loss on ordinary activities for the year differs from the standard rate of corporation tax in the UK of 30% (2001: 30%) as set out below:

The tax charge is made up as follows:

| | <i>2002 £000</i> | <i>2001 £000</i> |
|--------------------------------------------------------------------|----------------------|----------------------|
| Loss on ordinary activities before tax | (71) | (563) |
| Loss on ordinary activities multiplied by the standard rate of 30% | (21) | (169) |
| Expenses not deductible for tax purposes | - | 14 |
| Depreciation in excess of capital allowances | 4 | 4 |
| Losses carried forwards | 17 | 151 |
| Total current tax | - | - |

Factors that may affect future tax charges:

The company has tax losses of £558,000 (2001: £502,000) available indefinitely for offset solely against future taxable profits in the same company. A deferred tax asset has not been recognised in respect of these losses.

Leonardo Internet Limited

NOTES TO THE ACCOUNTS for the year ended 30 June 2002

6. TANGIBLE FIXED ASSETS

| | <i>Office equipment Owned £000</i> |
|-------------------|--------------------------------------------|
| Cost: | |
| At 1 July 2001 | 57 |
| Additions | 6 |
| Disposals | (2) |
| At 30 June 2002 | <u>61</u> |
| Depreciation: | |
| At 1 July 2001 | 14 |
| Charge for period | 14 |
| At 30 June 2002 | <u>28</u> |
| Net book value: | |
| At 30 June 2002 | <u>33</u> |
| At 30 June 2001 | <u>43</u> |

7. DEBTORS

| | <i>2002 £000</i> | <i>2001 £000</i> |
|--------------------------------------|----------------------|----------------------|
| Trade debtors | 33 | 18 |
| Other debtors | 5 | 7 |
| Prepayments and accrued income | 5 | 8 |
| Amounts owed from group undertakings | 112 | - |
| | <u>155</u> | <u>33</u> |

8. TRADE AND OTHER CREDITORS

| | <i>2002 £000</i> | <i>2001 £000</i> |
|------------------------------------|----------------------|----------------------|
| Trade creditors | 17 | 16 |
| Other taxation and social security | 10 | 7 |
| Accruals | 14 | 1 |
| | <u>41</u> | <u>24</u> |

Leonardo Internet Limited

NOTES TO THE ACCOUNTS for the year ended 30 June 2002

9. DEFERRED TAXATION

The deferred tax unprovided for is as follows:

| | Not provided | Not provided |
|--------------------------------------------|-----------------|-----------------|
| | 2002 | 2001 |
| | £000 | £000 |
| Accelerated capital allowances | (8) | 1 |
| Other timing differences | (168) | - |
| Deferred tax (asset)/ liability unprovided | <u>(176)</u> | <u>1</u> |

| | Not provided £000 |
|----------------------------------------------|----------------------|
| Unprovided at start of year | 1 |
| Deferred tax credit | (177) |
| Deferred tax asset unprovided at end of year | <u>(176)</u> |

The deferred tax asset unprovided relates to tax losses carried forward. The deferred tax asset has not been provided for because the company may not have future taxable profits against which this asset would reverse.

10. CALLED UP SHARE CAPITAL

| | 2002 | 2001 |
|------------------------------------------------------------------------|-----------|-----------|
| | £000 | £000 |
| Authorised 50,000 Ordinary shares of £1 each | 50 | 50 |
| Allotted called up and fully paid 46,000 Ordinary shares of £1 each | <u>46</u> | <u>46</u> |

Leonardo Internet Limited

NOTES TO THE ACCOUNTS for the year ended 30 June 2002

11. RESERVES

| | <i>Share premium account £000</i> | <i>Profit and loss account £000</i> |
|--------------------------------------------|-------------------------------------------|---------------------------------------------|
| At 1 July 2001 | 750 | (563) |
| Retained loss for the year to 30 June 2002 | - | (71) |
| At 30 June 2002 | <u>750</u> | <u>(634)</u> |

12. RECONCILIATION OF MOVEMENT IN SHAREHOLDERS' FUNDS

| | <i>2002 £000</i> | <i>2001 £000</i> |
|------------------------------------------------------|----------------------|----------------------|
| Loss attributable to the shareholders of the company | (71) | (563) |
| Shares issued | - | 796 |
| Net (decrease)/increase in shareholders' funds | <u>(71)</u> | <u>233</u> |
| Opening shareholders' funds | 233 | - |
| Closing shareholders' funds | <u>162</u> | <u>233</u> |

13. RECONCILIATION OF OPERATING LOSS TO CASH OUTFLOW FROM OPERATING ACTIVITIES

| | <i>2002 £000</i> | <i>2001 £000</i> |
|--------------------------------------------|----------------------|----------------------|
| Operating loss | (75) | (577) |
| Depreciation | 14 | 14 |
| Increase in debtors | (122) | (32) |
| Increase in creditors | 17 | 24 |
| Net cash outflow from operating activities | <u>(166)</u> | <u>(571)</u> |

14. ULTIMATE PARENT UNDERTAKING AND CONTROLLING PARTY

The company's immediate and ultimate holding company and controlling party is The Alumasc Group plc, a company registered in England. Copies of the accounts of The Alumasc Group plc can be obtained from The Group Secretary, The Alumasc Group plc, Station Road, Burton Latimer, Kettering, Northants NN15 5JP.