**Plusnet Technologies Limited**

# Directors' report and financial statements

Registered number 3279013

31 December 1999

# Contents

# Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

## Principal activities

The principal activity is the provision of internet access services in the UK.

## Business review

The profit and loss account for the year is set out on page 5.

## Proposed dividend

The directors do not recommend the payment of a dividend.

## Directors and directors' interests

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

PM Cusack
NS Lott
LA Strafford
EJ Crown
TA Crown
S Laybourne

The directors who held office at the end of the financial year had the following interests in the ordinary shares of the company according to the register of directors' interests:

| | Class of share or debenture | Interest at start of year | Interest at end of year |
|---|---|---|---|
| NS Lott | Ordinary | 10 | 10 |
| L Strafford | Ordinary | 5 | 5 |

None of the other directors who held office at the end of the financial year had any disclosable interest in the shares of the company.

## Directors' report *(continued)*

### Political and charitable contributions

The company made no political contributions during the period. Charitable contributions amounted to £500.

### Year 2000

Risk analysis had been undertaken to establish the impact on all our activities and to address the key risks in advance of critical dates to avoid disruption in the underlying business activities.

Following the critical date transition to 1 January 2000, no failures to business critical systems have been identified. There has been no indication from third parties with whom the company engages, that they have been adversely affected by the Year 2000 problem, which may impact on our ability to operate.

The Directors, however, continue to recognise that there still remain critical dates which may lead to failures. In response to this possibility resource continues to be dedicated to the problem until the potential remaining for Year 2000 problems to arise is significantly mitigated.

### Economic and Monetary Union

The single European currency, the Euro, was introduced on 1 January 1999. Its effect will be widespread and not confined to those eleven countries in the "first phase". Action is being taken to ensure that systems can handle the new currency and that, from an operational point of view, we take advantage of the opportunities that this presents. The associated costs are not expected to be material.

### Auditors

In accordance with Section 384 of the Companies Act 1985, a resolution for the re-appointment of KPMG as auditors of the company is to be proposed at the forthcoming Annual General Meeting.

By order of the board

**LA Strafford**
*Director*

Internet House
8 Furnival Road
Victoria Quays
Sheffield
S4 7YA

## Statement of directors' responsibilities

Company law requires the directors to prepare financial statements 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 for that period. In preparing those financial statements, 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 financial statements;
- prepare the financial statements 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 financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

KPMG
The Fountain Precinct
1 Balm Green
Sheffield
S1 3AF

## Report of the auditors to the members of Plusnet Technologies Limited

We have audited the financial statements on pages 5 to 14.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the directors' report and, as described on page 3, the financial statements 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 and by our profession's ethical guidance.

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. 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 is not disclosed.

**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 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 the company's affairs as at 31 December 1999 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG

**KPMG**
*Chartered Accountants*
*Registered Auditors*

21 July 2000

## Profit and loss account
***for the year ended 31 December 1999***

| | Note | 1999 | 1998 |
|---|---|---|---|
| | | **£** | £ |
| **Turnover** | | **4,620,235** | 2,171,091 |
| Cost of sales | | **(884,803)** | (592,948) |
| **Gross profit** | | **3,735,432** | 1,578,143 |
| Administrative expenses | | **(1,825,486)** | (1,243,412) |
| **Operating profit** | | **1,909,946** | 334,731 |
| **Profit on ordinary activities before taxation** | *2* | **1,909,946** | 334,731 |
| Tax on profit on ordinary activities | *5* | **(576,936)** | (91,832) |
| **Profit for the financial year** | | **1,333,010** | 242,899 |

All recognised gains and losses have passed through the profit and loss account.

The results for the year all derive from continuing operations.

# Balance sheet

*at 31 December 1999*

| | Note | 1999 | | 1998 | |
|---|---|---|---|---|---|
| | | £ | £ | £ | £ |
| **Fixed assets** | | | | | |
| Tangible assets | 6 | | **2,020,047** | | 719,110 |
| **Current assets** | | | | | |
| Stock | 7 | **25,887** | | 7,770 | |
| Debtors | 8 | **1,191,592** | | 280,604 | |
| Cash at bank and in hand | | **109,509** | | 259,479 | |
| | | **1,326,988** | | 547,853 | |
| **Creditors:** amounts falling due within one year | 9 | **(1,326,366)** | | (634,462) | |
| **Net current assets/(liabilities)** | | | **622** | | (86,609) |
| **Total assets less current liabilities** | | | **2,020,669** | | 632,501 |
| **Deferred income** | | | **(428,560)** | | (436,612) |
| **Provisions for liabilities and charges** | 10 | | **(120,416)** | | (57,206) |
| **Net assets** | | | **1,471,693** | | 138,683 |
| **Capital and reserves** | | | | | |
| Called up share capital | 11 | | **100** | | 100 |
| Profit and loss account | | | **1,471,593** | | 138,583 |
| **Equity shareholders' funds** | 12 | | **1,471,693** | | 138,683 |

These financial statements were approved by the board of directors on 14/7/2000 and were signed on its behalf by:

**LA Strafford**
*Director*

## Cash flow statement

*for the year ended 31 December 1999*

| | Note | 1999 £ | 1998 £ |
|---|---|---|---|
| **Reconciliation of operating profit to net cash flow from operating activities** | | | |
| Operating profit | | 1,909,946 | 334,731 |
| Depreciation charges | | 314,040 | 116,769 |
| Loss on sale of fixed assets | | - | 2,227 |
| (Increase) in stocks | | (18,117) | (520) |
| (Increase) in debtors | | (910,988) | (215,403) |
| Increase in creditors | | 404,330 | 193,570 |
| (Decrease)/Increase in deferred income | | (8,052) | 304,333 |
| **Net cash inflow from operating activities** | | 1,691,159 | 735,707 |
| **Cash flow statement** | | | |
| **Cash flow from operating activities** | | 1,691,159 | 735,707 |
| **Taxation** | | (226,152) | - |
| **Capital expenditure** | *15* | (1,614,977) | (524,752) |
| **(Decrease)/increase in cash in the period** | | (149,970) | 210,955 |
| **Reconciliation of net cash flow to movement in net funds** | | | |
| **(Decrease)/increase in cash in the period** | | (149,970) | 210,955 |
| **Movement in net funds in the period** | | (149,970) | 210,955 |
| **Net funds at the start of the period** | | 259,479 | 48,524 |
| **Net funds at the end of the period** | *16* | 109,509 | 259,479 |

# Notes

*(forming part of the financial statements)*

## 1 Accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements.

***Basis of preparation***

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

***Tangible fixed assets and depreciation***

Depreciation is provided to write off the cost less the estimated residual value of tangible fixed assets by equal instalments over their estimated useful economic lives as follows:

| | | |
|---|---|---|
| Internally developed software | - | 33% per annum |
| Other computer software | - | 33% per annum |
| Computers | - | 20% per annum |
| Fixtures & fittings | - | 6.7% per annum |

Software development costs are capitalised as a tangible fixed asset to the extent that expenditure is directly attributable to bringing computer equipment into working condition for its intended use within the business. This expenditure is treated as part of the cost of the related hardware rather than as a separate intangible asset.

***Post-retirement benefits***

The company operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The amount charged against profits represents the contributions payable to the scheme in respect of the accounting period.

***Leases***

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

***Taxation***

The charge for taxation is based on the profit for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes. Provision is made for deferred tax only to the extent that it is probable that an actual liability will crystallise.

***Turnover***

Turnover represents the amounts (excluding value added tax) derived from the provision of goods and services to customers.

***Deferred income***

Deferred income represents that portion of subscription fees taken out by customers but relating to a future period.

***Stocks***

Stocks are stated at the lower of cost and net realisable value.

# Notes *(continued)*

## 1 Accounting policies *(continued)*

***Research and development expenditure***

All expenditure on research and development other than that of internally developed software (see above) is written off against profits in the year in which it is incurred.

## 2 Profit on ordinary activities before taxation

| | 1999 £ | 1998 £ |
|---|---|---|
| ***Profit on ordinary activities before taxation is stated*** | | |
| *after charging* | | |
| Auditors' remuneration: | | |
| Audit | **10,500** | 7,500 |
| Other services - fees paid to the auditor and its associates | **2,000** | 1,500 |
| Depreciation and other amounts written off tangible fixed assets | **314,040** | 116,769 |
| Hire of other assets - operating leases | **89,851** | 79,650 |

## 3 Remuneration of directors

| | 1999 £ | 1998 £ |
|---|---|---|
| Directors' emoluments | **102,454** | 78,571 |

# Notes *(continued)*

## 4 Staff numbers and costs

The average number of persons employed by the company (including directors) during the year, analysed by category, was as follows:

| | Number of employees | |
|---|---|---|
| | **1999** | 1998 |
| Administration | **67** | 46 |

The aggregate payroll costs of these persons were as follows :

| | **1999** | 1998 |
|---|---|---|
| | **£** | £ |
| Wages and salaries | **801,419** | 535,458 |
| Social security costs | **90,691** | 43,108 |
| Other pension costs | **8,226** | 2,530 |
| | **900,336** | 581,096 |

## 5 Taxation

| | **1999** | 1998 |
|---|---|---|
| | **£** | £ |
| UK Corporation tax 30.25% *(1998: at 31%)* | **515,400** | 34,626 |
| Deferred taxation | **63,210** | 57,206 |
| Adjustment relating to an earlier year | **(1,674)** | - |
| | **576,936** | 91,832 |

# Notes *(continued)*

## 11 Called up share capital

| | 1999 £ | 1998 £ |
|---|---|---|
| ***Authorised*** | | |
| Equity: Ordinary shares of £1 each | **2,000** | 2,000 |
| ***Allotted and called up*** | | |
| Equity: Ordinary shares of £1 each | **100** | 100 |

## 12 Reconciliation of movements in shareholders' funds

| | 1999 £ | 1998 £ |
|---|---|---|
| Profit for the year | **1,333,010** | 242,899 |
| Net addition to shareholders' funds | **1,333,010** | 242,899 |
| Opening shareholders' funds | **138,683** | (104,216) |
| Closing shareholders' funds | **1,471,693** | 138,683 |

## 13 Commitments

(a) Capital commitments at the end of the financial year for which no provision has been made are as follows:

| | 1999 £ | 1998 £ |
|---|---|---|
| Contracted | **316,800** | - |

(b) Annual commitments under non-cancellable operating leases are as follows:

| | **1999** | | 1998 | |
|---|---|---|---|---|
| | **Land and buildings £** | **Other** | Land and buildings £ | Other £ |
| Operating leases which expire: | | | | |
| In the second to fifth years inclusive | - | **7,338** | - | 9,004 |
| Over five years | **76,338** | - | 76,338 | - |
| | **76,338** | **7,388** | 76,338 | 9,004 |

## Notes *(continued)*

### 14 Pension scheme

The company operates a defined contribution pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £1,070 *(1998: £2,530)*

### 15 Analysis of cash flows

| | **1999** | 1998 |
|---|---|---|
| | **£000** | £000 |
| **Capital expenditure** | | |
| Purchase of tangible fixed assets | **1,614,977** | 524,752 |

### 16 Analysis of net funds

| | At beginning of year | Cash flow | At end of year |
|---|---|---|---|
| | £000 | £000 | £000 |
| Cash at bank | 259,479 | (149,970) | 109,509 |

### 17 Related party disclosures

A loan was made to Mr Strafford, a director of the company, during the prior year. The maximum liability in the year and the balance at the end of the year was £5,000. There is no interest due on this loan, and the loan was repaid on 31 January 2000.

During the year the company purchased computer equipment to the value of £245,994 *(1998 : £163,119)* from Insight Direct (UK) Limited, a fellow subsidiary of Insight Enterprise Inc. At 31 December 1999, £146,332 *(1998: £191,619)* was outstanding. All transactions with Insight UK Limited were conducted on an arm's length basis.

### 18 Ultimate parent company and parent undertaking of larger group

The parent undertaking and controlling party is Insight Enterprises Inc.

The largest group in which the results of the company are consolidated is that headed by Insight Enterprises Inc, incorporated in the USA. The smallest group in which they are consolidated is that headed by Insight Direct (GB) Limited, incorporated in England and Wales. The consolidated accounts of Insight Enterprises Inc., are available to the public and may be obtained from Insight Enterprises Inc., Investor Relations, 1305 West Auto Drive, Tempe, Arizona, 85284 USA or alternatively from the web-site at www.insight.com.