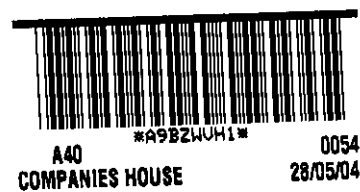


**Plusnet Technologies Limited**

**Directors' report and financial  
statements**

**Registered number 3279013**

**31 December 2003**



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## **Directors and advisers**

### **Directors**

B Smith (Resigned 8 October 2003)  
LA Trafford  
EJ Crown (Resigned 22 September 2003)  
TA Crown  
S Laybourne  
PR Moya (Appointed 22 September 2003)

### **Secretary**

A Makanji

### **Registered office**

The Technology Building  
Insight Campus  
Terry Street  
Sheffield  
S9 2BU

### **Bankers**

HSBC  
17 Church Street  
Sheffield  
S1 1HH

### **Auditors**

KPMG LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

## Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2003.

### Principal activity

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 (2002 £nil)

### Directors and directors' interests

The directors of the company at 31 December 2003, all of whom have been directors for the whole of the period unless otherwise stated, are set out on page 1.

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 No. of shares	Interest at end of year No. of shares
LA Trafford	Ordinary	2,500,000	2,500,000

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.

TA Crown, EJ Crown and S Laybourne were also directors of Insight Enterprises Inc., and their interests in the shares of group companies are disclosed in that company's financial statements.

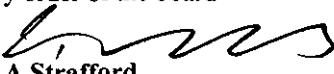
### Political and charitable contributions

The company made no political or charitable contributions during the year.

### Auditors

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

By order of the board

  
LA Trafford  
Director

Technology Building  
Insight Campus  
Terry Street  
Sheffield  
S9 2BU

23 APRIL 2004

## **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 LLP  
1 The Embankment  
Neville Street  
Leeds  
LS1 4DW

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

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

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

### **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 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 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 2003 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**KPMG LLP**

KPMG LLP  
Chartered Accountants  
Registered Auditor

23 April 2004

**Profit and loss account**  
*for the year ended 31 December 2003*

	<i>Note</i>	<b>2003</b> £	<b>2002</b> £
<b>Turnover</b>	<i>1</i>	<b>17,395,153</b>	<b>9,882,840</b>
Cost of sales		<b>(11,219,056)</b>	<b>(5,184,090)</b>
<b>Gross profit</b>		<b>6,176,097</b>	<b>4,698,750</b>
Administrative expenses		<b>(4,364,238)</b>	<b>(3,546,783)</b>
<b>Operating profit</b>	<i>2</i>	<b>1,811,859</b>	<b>1,151,967</b>
Net interest receivable/(payable)	<i>5</i>	<b>19,996</b>	<b>(32,755)</b>
<b>Profit on ordinary activities before taxation</b>	<i>2-4</i>	<b>1,831,855</b>	<b>1,119,212</b>
Tax on profit on ordinary activities	<i>6</i>	<b>(517,187)</b>	<b>(370,109)</b>
<b>Profit for the financial year</b>	<i>15, 16</i>	<b>1,314,668</b>	<b>749,103</b>

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 2003*

	Note	2003	2002
		£	£
<b>Fixed assets</b>			
Tangible assets	7	3,991,519	4,162,012
Investments	8	100	100
Intangible assets	9	52,927	102,747
		<u>4,044,546</u>	<u>4,264,859</u>
<b>Current assets</b>			
Stock	10	128,100	52,924
Debtors	11	2,515,875	2,301,834
Cash at bank and in hand		2,475,323	1,450,602
		<u>5,119,298</u>	<u>3,805,360</u>
<b>Creditors: amounts falling due within one year</b>	12	<u>(3,363,417)</u>	<u>(3,762,900)</u>
<b>Net current assets</b>		<u>1,755,881</u>	<u>42,460</u>
<b>Total assets less current liabilities</b>		<u>5,800,427</u>	<u>4,307,319</u>
<b>Deferred income</b>		<u>(584,463)</u>	<u>(406,023)</u>
<b>Net assets</b>		<u>5,215,964</u>	<u>3,901,296</u>
<b>Capital and reserves</b>			
Called up share capital	14	100	100
Profit and loss account	15	5,215,864	3,901,196
		<u>5,215,964</u>	<u>3,901,296</u>
<b>Equity shareholders' funds</b>	16	<u>5,215,964</u>	<u>3,901,296</u>

These financial statements were approved by the board of directors on 23 April 2004 and were signed on its behalf by:



**LA Strafford**  
Director



## 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.

The company is exempt by virtue of s228 of the Companies Act 1985 from the requirement to prepare group accounts. These financial statements present information about the company as an individual undertaking and not about its group.

Under Financial Reporting Standard 1 the company is exempt from the requirement to prepare a cash flow statement on the grounds that a parent undertaking includes the company in its own published consolidated financial statements.

As 95% of the company's voting rights are controlled within the group headed by Insight Enterprises Inc the company has taken advantage of the exemption contained in FRS 8 and has therefore not disclosed transactions or balances with entities which form part of the group (or investees of the group qualifying as related parties). The consolidated financial statements of Insight Enterprises Inc, within which this company is included, can be obtained from the address given in note 20.

#### *Intangible assets and amortisation*

Expenditure on research is written off against profits in the year in which it is incurred.

Development expenditure on software applications is capitalised to the extent that its recovery is reasonably assured. These costs are amortised over the period to which revenue is expected to be derived from the application, subject to a maximum period of 5 years.

#### *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:

Network development costs	-	5 years
Computer equipment	-	5 years
Motor vehicles	-	3 years
Fixtures & fittings	-	15 years

Network 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 participates in a defined contribution group personal 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.

## Notes (continued)

### 1 Accounting policies (continued)

#### *Leases*

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

#### *Taxation*

Deferred tax is recognised, without discounting, in respect of all timing differences between the treatment of certain items for taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19.

#### *Turnover*

Service subscription income is recognised over the period to which it relates. Call revenue is recognised on the accruals basis.

#### *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.

### 2 Profit on ordinary activities before taxation

	2003	2002
	£	£
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Depreciation and other amounts written off tangible fixed assets	1,686,281	1,352,600
Amortisation and other amounts written off intangible fixed assets	49,820	49,820
Operating leases – hire of other assets	76,338	76,338
	<hr/>	<hr/>

Auditors' remuneration is borne by the ultimate parent company.

### 3 Remuneration of directors

	2003	2002
	£	£
Directors' emoluments	153,582	116,489
Loan note waived	80,000	20,000
	<hr/>	<hr/>

## 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	
	2003	2002
Sales support	47	54
Networks and development	15	9
Software development	51	37
General administration	7	5
	<hr/>	<hr/>
	120	105
	<hr/>	<hr/>

The aggregate payroll costs of these persons were as follows :

	2003 £	2002 £
Wages and salaries	2,697,548	2,034,515
Social security costs	261,269	197,327
Other pension costs	17,437	16,040
	<hr/>	<hr/>
	2,976,254	2,247,882
	<hr/>	<hr/>

### 5 Net interest receivable/(payable)

	2003 £	2002 £
Interest receivable from/ (payable to) group undertakings	(29)	(36,995)
Other	20,025	4,240
	<hr/>	<hr/>
	19,996	(32,755)
	<hr/>	<hr/>

## Notes (continued)

### 6 Taxation

	2003 £	2002 £
UK corporation tax – current year	-	-
UK corporation tax – prior year	-	14,513
Group relief – current year	547,282	783,499
Group – prior year	(30,336)	(10,510)
	<hr/>	<hr/>
	516,946	787,502
<b>Deferred taxation:</b>		
Excess of depreciation over tax allowances	-	(416,945)
Other timing differences	2,425	(448)
Prior year adjustment	(2,184)	-
	<hr/>	<hr/>
	517,187	370,109
	<hr/>	<hr/>

The current tax charge for the year is higher (2002: higher) than the standard rate of corporation tax in the UK (30%, 2002: 30%). The differences are explained below.

	2003	2002
<i>Current tax reconciliation</i>		
Profit/(loss) on ordinary activities before tax	1,831,855	1,119,212
	<hr/>	<hr/>
Current tax at 30% (2002: 30%)	549,557	335,764
<i>Effects of:</i>		
Expenses not deductible for tax purposes	150	30,342
Excess of depreciation over tax allowances	-	416,945
Other timing differences	(2,425)	448
Adjustment to tax charge in respect of prior years	(30,336)	4,003
	<hr/>	<hr/>
Total current tax charge (see above)	516,946	787,502
	<hr/>	<hr/>

## Notes (continued)

### 7 Tangible fixed assets

	Computer equipment	Internal software development costs	Network development costs	Fixtures & fittings	Motor vehicles	Total
	£	£	£	£	£	£
<b>Cost</b>						
At beginning of year	5,076,688	1,760,455	672,365	325,507	49,835	7,884,850
Additions	552,274	1,005,058	255,030	17,557	-	1,829,919
Transfer to other group company	-	(423,445)	-	-	-	(423,445)
Disposals	-	-	-	-	(49,835)	(49,835)
At end of year	5,628,962	2,342,068	927,395	343,064	-	9,241,489
<b>Depreciation</b>						
At beginning of year	2,876,932	502,337	262,809	71,644	9,116	3,722,838
Transfer to other group company	-	(148,375)	-	-	-	(148,375)
Charge for period	1,013,199	481,738	165,094	24,592	1,658	1,686,281
Disposals	-	-	-	-	(10,774)	(10,774)
At end of year	3,890,131	835,700	427,903	96,236	-	5,249,970
<b>Net book value</b>						
At 31 December 2003	1,738,831	1,506,368	499,492	246,828	-	3,991,519
At 31 December 2002	2,199,756	1,258,118	409,556	253,863	40,719	4,162,012

### 8 Fixed asset investments

	Shares in group undertakings £
<b>Cost</b>	
At beginning of year	100
Additions	-
At end of year	100
<b>Net book value</b>	
At 31 December 2003	100
At 31 December 2002	100

The investment above represents 100% of the ordinary share capital of Insight ASP Limited, an application service provider, incorporated in England & Wales.

**Notes (continued)**

**9 Intangible assets**

	<b>Development costs £</b>
<i>Cost</i>	
At beginning of year	249,099
Additions	-
	<hr/>
At end of year	249,099
	<hr/>
<i>Amortisation</i>	
At beginning of year	146,352
Charge for year	49,820
	<hr/>
At end of year	196,172
	<hr/>
<b>At 31 December 2003</b>	<b>52,927</b>
	<hr/>
At 31 December 2002	102,747
	<hr/>

**10 Stock**

	<b>2003 £</b>	<b>2002 £</b>
Goods held for resale	128,100	52,924
	<hr/>	<hr/>

**11 Debtors**

	<b>2003 £</b>	<b>2002 £</b>
Trade debtors	536,747	843,498
Amounts owed by group undertakings	956,520	618,878
Other debtors	18,714	43,768
Prepayments and accrued income	775,070	486,625
Loan note	-	80,000
Deferred tax (see note 13)	228,824	229,065
	<hr/>	<hr/>
	2,515,875	2,301,834
	<hr/>	<hr/>

**12 Creditors: amounts falling due within one year**

	<b>2003 £</b>	<b>2002 £</b>
Trade creditors	1,650,023	1,917,796
Amounts owed to group undertakings	-	147,175
Corporation tax	470,552	691,098
Other taxation and social security	417,244	503,672
Other creditors	69,693	60,595
Accruals and deferred income	755,905	442,564
	<hr/>	<hr/>
	3,363,417	3,762,900
	<hr/>	<hr/>

## Notes (continued)

### 13 Provisions for liabilities and charges

(Asset)/liability	£
At beginning of year	(229,065)
Charge for the year	241
	<hr/>
<b>At end of year</b>	<b>(228,824)</b>
	<hr/>

The amounts provided for deferred taxation and the amounts not provided are set out below :

	2003		2002	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and capital allowances	(228,824)	-	(228,825)	-
Other timing differences	-	-	(240)	-
	<hr/>	<hr/>	<hr/>	<hr/>
Deferred tax asset (see note 11)	(228,824)	-	(229,065)	-
	<hr/>	<hr/>	<hr/>	<hr/>

### 14 Called up share capital

	2003 £	2002 £
<b>Authorised</b>		
Equity: 75,000,000 ordinary shares of 0.00002p each (2002: 75,000,000 ordinary shares of 0.00002p each)	150	150
	<hr/>	<hr/>
<b>Allotted and called up</b>		
Equity: 50,000,000 ordinary shares of 0.00002p each (2002: 50,000,000 ordinary shares of 0.00002p each)	100	100
	<hr/>	<hr/>

### 15 Reserves

	Profit and loss account £
At beginning of year	3,901,196
Retained profit for the year	1,314,668
	<hr/>
<b>At end of year</b>	<b>5,215,864</b>
	<hr/>

## Notes (continued)

### 16 Reconciliation of movements in shareholders' funds

	2003 £	2002 £
Profit for the year	1,314,668	749,103
Net addition to shareholders' funds	1,314,668	749,103
Opening shareholders' funds	3,901,296	3,152,193
Closing shareholders' funds	5,215,964	3,901,296

### 17 Commitments

(a) There were no capital commitments as at 31 December 2003 (2002: £nil).

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

	2003		2002	
	Land and buildings £	Other	Land and buildings £	Other
Operating leases which expire:				
Over five years	76,338	-	76,338	-

### 18 Pension scheme

The company operates a group personal pension scheme. The pension cost charge for the period represents contributions payable by the company to the fund and amounted to £17,437 (2002: £16,040).

### 19 Related party disclosures

A loan note for £100,000 was issued to Mr Stafford, a director of the company, during the year ended 31 December 2001. The loan note agreement was such that it is to be forgiven in equal instalments over a period of 5 years, commencing in 2002. During the period of the loan interest was payable on the note at 6.25% per annum.

The directors of the company have agreed to waive the entire balance outstanding effective of 31 December 2003. Therefore as at 31 December 2003 £nil remained outstanding (2002: £80,000).

### 20 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 Enterprises UK 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](http://www.insight.com).