

Plusnet Technologies Limited

**Directors' report and financial
statements**

Registered number 3279013

31 December 2000



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Directors' report

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

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.

On 1 July 2000 the company transferred certain trade and assets to a subsidiary company, Insight ASP Ltd.

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	(resigned 26 June 2000)
NS Lott	(resigned 31 January 2000)
LA Trafford	
M Gumbert	(appointed 5 July 2000)
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	-
LA Trafford	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.

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.

Directors' report *(continued)*

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

31 May 2001

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.



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Neville Street
Leeds
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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 2000 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

KPMG
Chartered Accountants
Registered Auditors

31 May 2001

Profit and loss account
for the year ended 31 December 2000

	<i>Note</i>	2000 £	1999 £
Turnover	<i>1</i>	5,965,822	4,620,235
Cost of sales		(1,492,092)	(884,803)
Gross profit		4,473,730	3,735,432
Administrative expenses		(3,128,950)	(1,822,690)
Operating profit		1,344,780	1,912,742
Interest payable and similar charges	<i>5</i>	(89,777)	(2,796)
Profit on ordinary activities before taxation	<i>2-4</i>	1,255,003	1,909,946
Tax on profit on ordinary activities	<i>6</i>	(391,306)	(576,936)
Profit for the financial year	<i>16</i>	863,697	1,333,010

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 2000

	Note	2000		1999	
		£	£	£	£
Fixed assets					
Intangible assets	7	-	-	-	-
Tangible assets	8	3,699,614		2,020,047	
Investments	9	100		-	
		<u>3,699,714</u>		<u>2,020,047</u>	
Current assets					
Stock	10	31,995		25,887	
Debtors	11	1,745,160		1,191,592	
Cash at bank and in hand		843,495		109,509	
		<u>2,620,650</u>		<u>1,326,988</u>	
Creditors: amounts falling due within one year	12	<u>(1,628,170)</u>		<u>(1,326,366)</u>	
Net current assets			992,480		622
Total assets less current liabilities			4,692,194		2,020,669
Creditors: amounts falling due after one year	13		(1,838,993)		-
Deferred income			(323,728)		(428,560)
Provisions for liabilities and charges	14		(194,083)		(120,416)
Net assets			<u>2,335,390</u>		<u>1,471,693</u>
Capital and reserves					
Called up share capital	15		100		100
Profit and loss account	16		2,335,290		1,471,593
Equity shareholders' funds	17		<u>2,335,390</u>		<u>1,471,693</u>

These financial statements were approved by the board of directors on 31 May 2001 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.

The company has taken advantage of the exemption in Financial Reporting Standard Number 8, Related Party Disclosures, in respect of transactions with group companies as consolidated financial statements are prepared by Insight Direct (GB) Limited.

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:

Internally developed software	-	20% per annum
Other computer software	-	33% per annum
Computers	-	20% per annum
Motor vehicles	-	33% 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 participates in a 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

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.

2 Profit on ordinary activities before taxation

	2000 £	1999 £
<i>Profit on ordinary activities before taxation is stated</i>		
<i>after charging</i>		
Auditors' remuneration:		
Audit	11,000	10,500
Other services	2,000	2,000
Depreciation and other amounts written off tangible fixed assets	793,620	314,040
Operating leases - hire of other assets	86,110	89,851
	<hr/>	<hr/>

3 Remuneration of directors

	2000 £	1999 £
Directors' emoluments	55,661	102,454
	<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	
	2000	1999
Sales support	58	28
Networks and development	20	8
General administration	9	10
	<u>87</u>	<u>46</u>

The aggregate payroll costs of these persons were as follows :

	2000	1999
	£	£
Wages and salaries	1,656,585	808,575
Social security costs	147,505	90,691
Other pension costs	1,440	1,070
	<u>1,805,530</u>	<u>900,336</u>

5 Interest payable and similar charges

	2000	1999
	£	£
Interest payable to group undertaking	<u>89,777</u>	<u>2,796</u>

6 Taxation

	2000	1999
	£	£
UK corporation tax 30% (1999 at 30.25%)	317,639	515,400
Deferred taxation	73,667	63,210
Adjustment relating to an earlier year	-	(1,674)
	<u>391,306</u>	<u>576,936</u>

Notes (continued)

7 Intangible assets

	Development costs £
<i>Cost</i>	
At beginning of period	-
Additions	272,594
Transfers	(272,594)
	<hr/>
At end of period	-
	<hr/>
<i>Amortisation</i>	
At beginning of period	-
Charge for period	38,831
Transfers	(38,831)
	<hr/>
At end of period	-
	<hr/>
<i>Net book value</i>	
At 31 December 2000	-
	<hr/> <hr/>
At 31 December 1999	-
	<hr/> <hr/>

Notes (continued)

8 Tangible fixed assets

	Computer equipment £	Internally developed software £	Fixtures & fittings £	Motor vehicles £	Total £
<i>Cost</i>					
At beginning of year	2,091,155	191,457	178,974	40,010	2,501,596
Additions	2,379,813	133,444	66,486	36,722	2,616,465
Transfers to group undertakings	(58,848)	-	(37,377)	(36,722)	(132,947)
Disposals	(105,989)	-	-	(40,010)	(145,999)
At end of year	4,306,131	324,901	208,083	-	4,839,115
<i>Depreciation</i>					
At beginning of year	429,266	29,468	19,480	3,335	481,549
Charge for period	699,950	34,928	12,961	6,950	754,789
Transfers to group undertakings	(4,834)	-	(3,519)	(3,061)	(11,414)
Disposals	(78,199)	-	-	(7,224)	(85,423)
At end of year	1,046,183	64,396	28,922	-	1,139,501
<i>Net book value</i>					
At 31 December 2000	3,259,948	260,505	179,161	-	3,699,614
At 31 December 1999	1,661,889	161,989	159,494	36,675	2,020,047

9 Fixed asset investments

	Shares in group undertakings £
<i>Cost</i>	
At beginning of year	-
Additions	100
At end of year	100
<i>Net book value</i>	
At 31 December 2000	100
At 31 December 1999	-

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

Notes (continued)

10 Stock

	2000 £	1999 £
Goods held for resale	31,995	25,887

11 Debtors

	2000 £	1999 £
Trade debtors	458,958	912,520
Amounts owed by group undertakings	1,096,097	-
Other debtors	2,902	3,900
Prepayments and accrued income	187,203	270,172
Director's loan (see note 20)	-	5,000
	<u>1,745,160</u>	<u>1,191,592</u>

12 Creditors: amounts falling due within one year

	2000 £	1999 £
Trade creditors	245,487	527,490
Amounts owed to group undertakings	820,187	146,332
Group relief payable to parent	-	97,689
Taxation and social security	525,651	368,919
Other creditors	6,150	14,386
Accruals and deferred income	30,695	171,550
	<u>1,628,170</u>	<u>1,326,366</u>

13 Creditors: amounts falling due after one year

	2000 £	1999 £
Amounts owed to group undertakings	1,838,993	-

Notes (continued)

14 Provisions for liabilities and charges

	£
At beginning of year	120,416
Charge for the year	73,667
At end of year	<u>194,083</u>

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

	2000		1999	
	Provided £	Unprovided £	Provided £	Unprovided £
Difference between accumulated depreciation and capital allowances	195,548	-	120,416	-
Other timing differences	(1,465)	-	-	-
	<u>194,083</u>	<u>-</u>	<u>120,416</u>	<u>-</u>

15 Called up share capital

	2000 £	1999 £
<i>Authorised</i> Equity: 75,000,000 ordinary shares of £0.0002p each (1999: 2000 ordinary shares of £1 each)	<u>150</u>	<u>2,000</u>
<i>Allotted and called up</i> Equity: 50,000,000 ordinary shares of £0.0002p each (1999: 100 ordinary shares of £1 each)	<u>100</u>	<u>100</u>

16 Reserves

	Profit and loss account £
At beginning of year	1,471,593
Retained profit for the year	863,697
At end of year	<u>2,335,290</u>

Notes (continued)

17 Reconciliation of movements in shareholders' funds

	2000 £	1999 £
Profit for the year	863,697	1,333,010
Net addition to shareholders' funds	863,697	1,333,010
Opening shareholders' funds	1,471,693	138,683
Closing shareholders' funds	2,335,390	1,471,693

18 Commitments

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

	2000 £	1999 £
Contracted	-	316,800

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

	2000		1999	
	Land and buildings £	Other	Land and buildings £	Other £
Operating leases which expire:				
Within one year	-	4,729	-	-
In the second to fifth years inclusive	-	5,043	-	7,338
Over five years	76,338	-	76,338	-
	76,338	9,772	76,338	7,338

19 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 £1,440 (1999 £1,070).

20 Related party disclosures

A loan was made to Mr Trafford, a director of the company, during 1998. The maximum liability in the year was £5,000. There is no interest due on this loan, and the loan was repaid on 31 January 2000.

21 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.