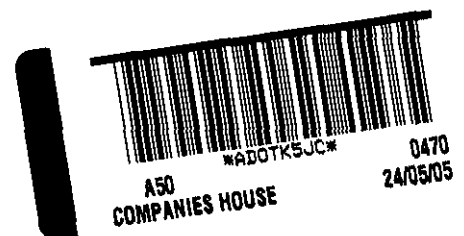


**ABBREVIATED ACCOUNTS**  
**FOR THE YEAR ENDED 31 JULY 2004**  
**FOR**  
**NAVISITE EUROPE LIMITED**



**CONTENTS OF THE ABBREVIATED ACCOUNTS**  
**For The Year Ended 31 July 2004**

	<b>Page</b>
<b>Company Information</b>	<b>1</b>
<b>Report of the Independent Auditors on the Abbreviated Accounts</b>	<b>2</b>
<b>Abbreviated Balance Sheet</b>	<b>3</b>
<b>Notes to the Abbreviated Accounts</b>	<b>4</b>

**NAVISITE EUROPE LIMITED**

**COMPANY INFORMATION**  
**For The Year Ended 31 July 2004**

**DIRECTORS:**

G Ruhan  
A Becker  
J Gavin

**SECRETARY:**

C J Bass

**REGISTERED OFFICE:**

Burgoine House  
8 Lower Teddington Road  
Kingston  
Surrey  
KT1 4ER

**REGISTERED NUMBER:**

2329182

**REPORT OF THE INDEPENDENT AUDITORS TO  
NAVISITE EUROPE LIMITED  
UNDER SECTION 247B OF THE COMPANIES ACT 1985**

We have examined the abbreviated accounts on pages three to five, together with the full financial statements of the company for the year ended 31 July 2004 prepared under Section 226 of the Companies Act 1985.

This report is made solely to the company, in accordance with Section 247B of the Companies Act 1985. Our work has been undertaken so that we might state to the company those matters we are required to state to it in a special auditors' 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, for our work, for this report, or for the opinions we have formed.

**Respective responsibilities of directors and auditors**

The directors are responsible for preparing the abbreviated accounts in accordance with Section 246 of the Companies Act 1985. It is our responsibility to form an independent opinion as to whether the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Act to the Registrar of Companies and whether the accounts to be delivered are properly prepared in accordance with those provisions and to report our opinion to you.

**Basis of opinion**

We have carried out the procedures we consider necessary to confirm, by reference to the financial statements, that the company is entitled to deliver abbreviated accounts and that the abbreviated accounts to be delivered are properly prepared. The scope of our work for the purpose of this report did not include examining or dealing with events after the date of our report on the full financial statements.

**Opinion**

In our opinion the company is entitled to deliver abbreviated accounts prepared in accordance with Sections 246(5) and (6) of the Companies Act 1985, and the abbreviated accounts on pages three to five are properly prepared in accordance with those provisions.



James & Cowper  
Registered Auditor and  
Chartered Accountants  
3 Wesley Gate  
Queens Road  
Reading  
Berkshire RG1 4AP

Date: 28<sup>th</sup> May 2005


NAVISITE EUROPE LIMITED

ABBREVIATED BALANCE SHEET  
31 July 2004

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Tangible assets	2	259,496	397,221
<b>CURRENT ASSETS</b>			
Debtors		784,400	825,936
Cash at bank and in hand		281,507	184,840
		<u>1,065,907</u>	<u>1,010,776</u>
<b>CREDITORS</b>			
Amounts falling due within one year		<u>475,193</u>	<u>774,419</u>
<b>NET CURRENT ASSETS</b>		<u>590,714</u>	<u>236,357</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>850,210</u>	<u>633,578</u>
<b>CREDITORS</b>			
Amounts falling due after more than one year		<u>4,113,148</u>	<u>3,794,402</u>
		<u>(3,262,938)</u>	<u>(3,160,824)</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	3	1,287	1,287
Share premium		124,414	124,414
Profit and loss account		<u>(3,388,639)</u>	<u>(3,286,525)</u>
<b>SHAREHOLDERS' FUNDS</b>		<u>(3,262,938)</u>	<u>(3,160,824)</u>

These abbreviated accounts have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and with the Financial Reporting Standard for Smaller Entities (effective June 2002).

ON BEHALF OF THE BOARD:

.....

G Ruhan - Director

Approved by the Board on 19/5/05.....

The notes form part of these abbreviated accounts

**NOTES TO THE ABBREVIATED ACCOUNTS**  
**For The Year Ended 31 July 2004**

**1. ACCOUNTING POLICIES**

**Basis of preparing the financial statements**

The accounts have been prepared on the going concern basis. The company is reliant on the support of group companies Navisite Inc. and Interliant UK Holdings Ltd. Navisite Inc. has confirmed to the directors that this support will be forthcoming for a period of not less than thirteen months hence and thus that the going concern basis is appropriate.

*If the going concern basis were not appropriate, then adjustments would have to be made to reduce assets to their recoverable amounts and to reclassify fixed assets as current assets.*

**Accounting convention**

The financial statements have been prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective June 2002).

**Turnover**

Turnover represents net invoiced sales of goods and services, excluding value added tax.

**Tangible fixed assets**

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life.

Improvements to property	- over period of lease
Office equipment	- 33% straight line and 20% straight line

**Deferred tax**

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date.

**Foreign currencies**

Assets and liabilities in foreign currencies are translated into sterling at the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transaction. Exchange differences are taken into account in arriving at the operating result.

**Pensions**

The company operates a defined contribution pension scheme. Contributions payable for the year are charged in the profit and loss account.

**Revenue recognition**

The company recognises the revenue for application hosting contracts over the term of the contract. Expenditure, including initial set up costs, are also expended to the profit & loss account over the contract term.

**NAVISITE EUROPE LIMITED**

**NOTES TO THE ABBREVIATED ACCOUNTS - continued**  
**For The Year Ended 31 July 2004**

**2. TANGIBLE FIXED ASSETS**

	Total £
<b>COST</b>	
At 1 August 2003	1,836,784
Additions	165,551
Disposals	(258,251)
	<hr/>
At 31 July 2004	1,744,084
	<hr/>
<b>DEPRECIATION</b>	
At 1 August 2003	1,439,564
Charge for year	277,665
Eliminated on disposal	(232,641)
	<hr/>
At 31 July 2004	1,484,588
	<hr/>
<b>NET BOOK VALUE</b>	
At 31 July 2004	259,496
	<hr/> <hr/>
At 31 July 2003	397,220
	<hr/> <hr/>

**3. CALLED UP SHARE CAPITAL**

Authorised:				
Number:	Class:	Nominal value:	2004	2003
			£	£
1,500	Ordinary Shares	£1	1,500	1,500
587	Ordinary "A" Shares	£1	587	587
			<hr/>	<hr/>
			2,087	2,087
			<hr/> <hr/>	<hr/> <hr/>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2004	2003
			£	£
1,287	Ordinary Shares	£1	1,287	1,287
			<hr/> <hr/>	<hr/> <hr/>

**4. ULTIMATE PARENT COMPANY**

The company is a wholly owned subsidiary of Interliant UK Holdings Limited, which is registered in England and Wales.

The ultimate parent company is Navisite Inc, a company incorporated in the U.S.A.