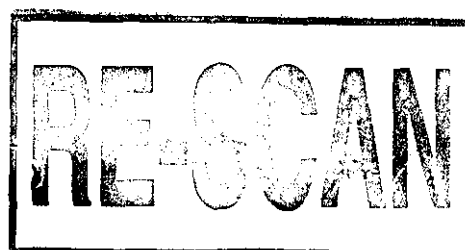


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**Report of the Directors and  
Financial Statements  
for the Year Ended 31 December 2001  
for  
1&1 Internet Limited**



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**1&1 Internet Limited**

**Company Information  
for the Year Ended 31 December 2001**

**DIRECTORS:** A Gauger  
N Mauer

**SECRETARY:** T Vollrath

**REGISTERED OFFICE:** Pegasus Court  
25-26 Herschel Street  
Slough  
Berkshire  
SL1 1PA

**REGISTERED NUMBER:** 3953678 (England and Wales)

**AUDITORS:** Fitzgerald & Law  
Registered Auditors and  
Chartered Accountants  
8 Lincoln's Inn Fields  
London  
WC2A 3BP

**1&1 Internet Limited**

**Report of the Directors  
for the Year Ended 31 December 2001**

The directors present their report with the financial statements of the company for the year ended 31 December 2001.

**PRINCIPAL ACTIVITY**

The principal activity of the company in the year under review was that of website hosting, domain name registration and provision of website development software.

**REVIEW OF BUSINESS**

The results for the year and financial position of the company are as shown in the annexed financial statements.

**DIVIDENDS**

No dividends will be distributed for the year ended 31 December 2001.

**DIRECTORS**

The directors during the year under review were:

A Gauger  
N Mauer

The directors holding office at 31 December 2001 did not hold any beneficial interest in the issued share capital of the company at 1 January 2001 or 31 December 2001.

**COMPANY'S POLICY ON PAYMENT OF CREDITORS**

The company agrees terms and conditions for its business transactions with suppliers. Payment is then made on these terms, subject to the terms and conditions being met by the supplier. Suppliers are typically paid within 30 days after receipt of invoice.

**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 of the company for that period. In preparing those financial statements, the directors are required to

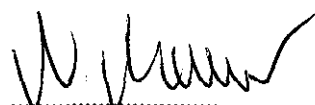
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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 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.

**AUDITORS**

The auditors, Fitzgerald & Law, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

**ON BEHALF OF THE BOARD:**



.....  
N Mauer - DIRECTOR

Dated: 8 August 2002

**1&1 Internet Limited**

**Report of the Independent Auditors to the Shareholders of  
1&1 Internet Limited**

We have audited the financial statements of 1&1 Internet Limited for the year ended 31 December 2001 on pages four to twelve. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

**Respective responsibilities of directors and auditors**

As described on page two the company's directors are responsible for the preparation of financial statements in accordance with applicable law and United Kingdom 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 Report of the Directors 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.

We read the Report of the Directors 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 the company's affairs as at 31 December 2001 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

*Fitzgerald & Law*

Fitzgerald & Law  
Registered Auditors and  
Chartered Accountants  
8 Lincoln's Inn Fields  
London  
WC2A 3BP

Dated: *8 August 2002*

**1&1 Internet Limited**

**Profit and Loss Account  
for the Year Ended 31 December 2001**

		Year Ended 31.12.01	Period 22.3.00 to 31.12.00
	Notes	£	£
<b>TURNOVER</b>		635,305	84,074
Cost of sales		<u>243,606</u>	<u>101,406</u>
<b>GROSS PROFIT/(LOSS)</b>		391,699	(17,332)
Administrative expenses		<u>1,686,060</u>	<u>966,143</u>
<b>OPERATING LOSS</b>	3	(1,294,361)	(983,475)
Interest receivable and similar income		<u>5,704</u>	<u>1,011</u>
		(1,288,657)	(982,464)
Interest payable and similar charges	4	<u>61,226</u>	<u>2</u>
<b>LOSS ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		(1,349,883)	(982,466)
Tax on loss on ordinary activities	5	<u>-</u>	<u>-</u>
<b>LOSS FOR THE FINANCIAL YEAR AFTER TAXATION</b>		(1,349,883)	(982,466)
Deficit brought forward		<u>(982,466)</u>	<u>-</u>
<b>DEFICIT CARRIED FORWARD</b>		<u>£(2,332,349)</u>	<u>£(982,466)</u>

**CONTINUING OPERATIONS**

None of the company's activities were acquired or discontinued during the current year or previous period.

**TOTAL RECOGNISED GAINS AND LOSSES**

The company has no recognised gains or losses other than the losses for the current year or previous period.

The notes form part of these financial statements

1&1 Internet Limited

Balance Sheet  
31 December 2001

		2001		2000	
	Notes	£	£	£	£
<b>FIXED ASSETS:</b>					
Tangible assets	6		56,856		1,636
<b>CURRENT ASSETS:</b>					
Debtors	7	194,757		67,179	
Cash at bank		<u>445,666</u>		<u>141,422</u>	
		640,423		208,601	
<b>CREDITORS: Amounts falling due within one year</b>	8	<u>2,979,628</u>		<u>1,142,703</u>	
<b>NET CURRENT LIABILITIES:</b>			<u>(2,339,205)</u>		<u>(934,102)</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES:</b>			<u>£(2,282,349)</u>		<u>£(932,466)</u>
<b>CAPITAL AND RESERVES:</b>					
Called up share capital	10		50,000		50,000
Profit and loss account			<u>(2,332,349)</u>		<u>(982,466)</u>
<b>SHAREHOLDERS' FUNDS:</b>	12		<u>£(2,282,349)</u>		<u>£(932,466)</u>

ON BEHALF OF THE BOARD:



N Mauer - DIRECTOR

Approved by the Board on 8 August 2002

The notes form part of these financial statements

**1&1 Internet Limited**

**Cash Flow Statement  
for the Year Ended 31 December 2001**

		Year Ended 31.12.01	Period 22.3.00 to 31.12.00
	Notes	£	£
<b>Net cash outflow from operating activities</b>	1	(1,088,817)	(677,942)
<b>Returns on investments and servicing of finance</b>	2	(55,522)	1,009
<b>Capital expenditure</b>	2	(60,158)	(1,898)
		<b>(1,204,497)</b>	<b>(678,831)</b>
<b>Financing</b>	2	1,508,741	820,253
<b>Increase in cash in the period</b>		<b>£304,244</b>	<b>£141,422</b>
<hr/>			
<b>Reconciliation of net cash flow to movement in net funds</b>	3		
<b>Increase in cash in the period</b>		<b>304,244</b>	<b>141,422</b>
Change in net funds resulting from cash flows		304,244	141,422
<b>Movement in net funds in the period</b>		<b>304,244</b>	<b>141,422</b>
<b>Net funds at 1 January</b>		<b>141,422</b>	-
<b>Net funds at 31 December</b>		<b>£445,666</b>	<b>£141,422</b>

The notes form part of these financial statements

1&1 Internet Limited

Notes to the Cash Flow Statement  
for the Year Ended 31 December 2001

1. RECONCILIATION OF OPERATING LOSS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	Year Ended 31.12.01 £	Period 22.3.00 to 31.12.00 £
Operating loss	(1,294,361)	(983,475)
Depreciation charges	4,938	262
Increase in debtors	(127,578)	(67,179)
Increase in creditors	<u>328,184</u>	<u>372,450</u>
<b>Net cash outflow from operating activities</b>	<u><b>(1,088,817)</b></u>	<u><b>(677,942)</b></u>

2. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	Year Ended 31.12.01 £	Period 22.3.00 to 31.12.00 £
<b>Returns on investments and servicing of finance</b>		
Interest received	5,704	1,011
Interest paid	<u>(61,226)</u>	<u>(2)</u>
<b>Net cash (outflow)/inflow for returns on investments and servicing of finance</b>	<u><b>(55,522)</b></u>	<u><b>1,009</b></u>
<b>Capital expenditure</b>		
Purchase of tangible fixed assets	<u>(60,158)</u>	<u>(1,898)</u>
<b>Net cash outflow for capital expenditure</b>	<u><b>(60,158)</b></u>	<u><b>(1,898)</b></u>
<b>Financing</b>		
New loan taken out in year	1,508,741	770,253
Cash receipt re share issue	<u>-</u>	<u>50,000</u>
<b>Net cash inflow from financing</b>	<u><b>1,508,741</b></u>	<u><b>820,253</b></u>

The notes form part of these financial statements



**1&1 Internet Limited**

**Notes to the Cash Flow Statement  
for the Year Ended 31 December 2001**

**3. ANALYSIS OF CHANGES IN NET FUNDS**

	At 1.1.01 £	Cash flow £	At 31.12.01 £
Net cash:			
Cash at bank	<u>141,422</u>	<u>304,244</u>	<u>445,666</u>
	<u>141,422</u>	<u>304,244</u>	<u>445,666</u>
 Total	 <u>141,422</u>	 <u>304,244</u>	 <u>445,666</u>
 <b>Analysed in Balance Sheet</b>			
Cash at bank	<u>141,422</u>		<u>445,666</u>
	<u>141,422</u>		<u>445,666</u>

The notes form part of these financial statements

# 1&1 Internet Limited

## Notes to the Financial Statements for the Year Ended 31 December 2001

### 1. ACCOUNTING POLICIES

#### Basis of preparing the financial statements

The company is a wholly owned subsidiary of 1&1 Internet AG. Its ultimate parent company is United Internet AG. The financial statements have been prepared on the going concern basis, the parent company having indicated its continuing support of the company. 1&1 Internet AG and United Internet AG are both companies incorporated in Germany. The financial statements of United Internet AG are publicly available.

#### Accounting convention

The financial statements have been prepared under the historical cost convention.

#### Turnover

Turnover represents net invoiced sales of goods, 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.

Computer equipment	- 33% on reducing balance
Fixtures and fittings	- 25% on cost

#### Deferred taxation

Provision is made at current rates for taxation deferred in respect of all material timing differences except to the extent that, in the opinion of the directors, there is reasonable probability that the liability will not arise in the foreseeable future.

#### 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.

#### Hire purchase and leasing commitments

Rentals paid under operating leases are charged to the profit and loss account as incurred.

#### Related party disclosures

The company is a wholly owned subsidiary of 1&1 Internet AG and is included in the consolidated financial statements of United Internet AG, the ultimate parent company, which are publicly available. The company has taken advantage of the exemption from disclosing related party transactions with entities that are part of the United Internet AG group under the terms of FRS8.

#### Comparatives

The year 2000 comparatives for administrative expenses have been reduced by £39,919 in relation to domain registration, internet connectivity and other services, these have been reclassified to cost of sales.

### 2. STAFF COSTS

	Year Ended	Period 22.3.00 to 31.12.01
	£	£
Wages and salaries	<u>149,342</u>	<u>38,847</u>

**1&1 Internet Limited**

**Notes to the Financial Statements  
for the Year Ended 31 December 2001**

**2. STAFF COSTS - continued**

The average monthly number of employees during the year was as follows:

	Year Ended 31.12.01	Period 22.3.00 to 31.12.00
	<u>9</u>	<u>2</u>

**3. OPERATING LOSS**

The operating loss is stated after charging:

	Year Ended 31.12.01 £	Period 22.3.00 to 31.12.00 £
Depreciation - owned assets	4,938	262
Auditors' remuneration	<u>5,000</u>	<u>1,500</u>
Directors' emoluments	<u>-</u>	<u>-</u>

**4. INTEREST PAYABLE AND SIMILAR CHARGES**

	Year Ended 31.12.01 £	Period 22.3.00 to 31.12.00 £
Bank interest	2	2
Inter-company loan interest	<u>61,224</u>	<u>-</u>
	<u>61,226</u>	<u>2</u>

**5. TAXATION**

No liability to UK corporation tax arose on ordinary activities for the year ended 31 December 2001 nor for the period ended 31 December 2000.

**Notes to the Financial Statements  
for the Year Ended 31 December 2001**

**6. TANGIBLE FIXED ASSETS**

	<u>Computer equipment</u>	<u>Fixtures and fittings</u>	<u>Totals</u>
	£	£	£
<b>COST:</b>			
At 1 January 2001	1,898	-	1,898
Additions	<u>42,572</u>	<u>17,586</u>	<u>60,158</u>
At 31 December 2001	<u>44,470</u>	<u>17,586</u>	<u>62,056</u>
<b>DEPRECIATION:</b>			
At 1 January 2001	262	-	262
Charge for year	<u>3,472</u>	<u>1,466</u>	<u>4,938</u>
At 31 December 2001	<u>3,734</u>	<u>1,466</u>	<u>5,200</u>
<b>NET BOOK VALUE:</b>			
At 31 December 2001	<u>40,736</u>	<u>16,120</u>	<u>56,856</u>
At 31 December 2000	<u>1,636</u>	<u>-</u>	<u>1,636</u>

**7. DEBTORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

	2001 £	2000 £
Trade debtors	167,035	52,428
Other debtors	-	9,357
Prepayments and accrued income	<u>27,722</u>	<u>5,394</u>
	<u>194,757</u>	<u>67,179</u>

**8. CREDITORS: AMOUNTS FALLING  
DUE WITHIN ONE YEAR**

	2001 £	2000 £
Trade creditors	6,286	84,999
Amounts due to group undertakings	2,278,994	770,253
V.A.T.	47,045	-
Social security & other taxes	6,820	17,862
Accruals & deferred income	<u>640,483</u>	<u>269,589</u>
	<u>2,979,628</u>	<u>1,142,703</u>

# 1&1 Internet Limited

## Notes to the Financial Statements for the Year Ended 31 December 2001

### 9. OBLIGATIONS UNDER LEASING AGREEMENTS

The following payments are committed to be paid within one year:

	Land and buildings operating leases	
	2001 £	2000 £
Expiring: Between one and five years	<u>54,600</u>	<u>-</u>

### 10. CALLED UP SHARE CAPITAL

Authorised:				
Number:	Class:	Nominal value:	2001 £	2000 £
100,000	Ordinary	£1	<u>100,000</u>	<u>100,000</u>
Allotted, issued and fully paid:				
Number:	Class:	Nominal value:	2001 £	2000 £
50,000	Ordinary	£1	<u>50,000</u>	<u>50,000</u>

### 11. CONTINGENT LIABILITIES

A bank guarantee has been given by Westdeutsche Landesbank Girozentrale to HSBC Bank Plc in respect of a credit card clearing facility in the sum of £850,000. The company has issued to HSBC Bank Plc a debenture which is secured by a charge over the assets of the company.

### 12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2001 £	2000 £
Loss for the financial year	(1,349,883)	(982,466)
Cash share issue	<u>-</u>	<u>50,000</u>
<b>Net reduction of shareholders' funds</b>	<b>(1,349,883)</b>	<b>(932,466)</b>
Opening shareholders' funds	<u>(932,466)</u>	<u>-</u>
<b>Closing shareholders' funds</b>	<b><u>(2,282,349)</u></b>	<b><u>(932,466)</u></b>
Equity interests	<u>(2,282,349)</u>	<u>(932,466)</u>