

Company Registration No. 04529590

DOLLAMORE LIMITED

**Report and Financial Statements
31 December 2012**

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DOLLAMORE LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

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DOLLAMORE LIMITED

REPORT AND FINANCIAL STATEMENTS 2012

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

R Hoffman
A Burton
I Stephens
S Yeoman

SECRETARY

A Burton

REGISTERED OFFICE

Discovery House
154 Southgate Street
Gloucester
GL1 2EX

BANKERS

HSBC Bank Plc
The Cross
Gloucester
GL1 2AP

AUDITORS

Ernst & Young LLP
The Paragon
Counterslip
Bristol
BS1 6BX

DOLLAMORE LIMITED

DIRECTORS' REPORT

Company Registration No. 04529590

The directors present their report and the audited financial statements for the year ended 31 December 2012

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activities of the company during the year were the provision of web hosting and domain name registration services. The directors are satisfied with the results for the year and continue to be optimistic as to future trading.

The company's key financial performance indicators during the year were as follows:

	2012	2011	Change
	£'000	£'000	%
Revenue	3,007	3,330	(9.7)%
Operating Profit	1,539	1,663	(7.5)%

Revenues have declined marginally due to the weaker economic climate and competitive pressure on pricing of the services sold by the Company. Profitability has reduced marginally in line with the declining revenues and the company is taking measures to improve business performance.

GOING CONCERN

The directors have reviewed the current economic and business environment and have prepared forecasts based on various financial projections. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis on preparing the annual report and accounts.

RESULTS AND DIVIDENDS

The profit for the year, after taxation, amounted to £1,195k (2011: £1,275k). Dividends declared during the year were £1,000k, which is £500k per share (2011: £1,000k, which is £500k per share).

DIRECTORS OF THE COMPANY

The directors of the company who served during the year and subsequently are listed below:

A Burton

I Stephens

S Yeoman Appointed 22 January 2013

R Hoffman Appointed 1 February 2013

O Mauss Resigned 11 February 2013

Those directors in office at the financial year end did not hold any beneficial interest in the issued share capital of the company at 31 December 2012.

Directors holding office during the year, who were not remunerated by the company, but who are also directors of other United Internet group companies, are remunerated elsewhere within the group.

The parent company (1&1 Internet AG) has granted an indemnity to one or more of its directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the directors' report.

DIRECTORS' REPORT

Company Registration No. 04529590

(Continued)

DIRECTORS' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

The directors who were members of the board at the time of approving the directors' report are listed on page 1. Having made enquires of fellow directors and of the company's auditors, each of these directors confirms that

- to the best of each director's knowledge and belief, there is no information relevant to the preparation of their report of which the company's auditors are not aware, and
- each director has taken all the steps a director might reasonably be expected to have taken to be aware of relevant audit information and to establish that the company's auditors are aware of that information

FINANCIAL RISK MANAGEMENT

The company's operations expose it to a variety of financial and business risks that include liquidity risk, interest rate risk and foreign exchange risk. Given the size of the company, the directors have not delegated the responsibility of monitoring financial risk management to a sub-committee of the Board. The policies set by the board of directors are implemented by the company's finance department. The company's approach to the management of such risk is detailed below.

Competitive risk

The company operates in markets which are characterised by high levels of competition. The company faces competition from other web hosting, dedicated servers and domain name registration companies. There are many factors which contribute to the high levels of competition; these include customer churn, and the emergence of competitors with distinctive sources of competitive advantage.

Liquidity risk

The company maintains sufficient cash reserves to ensure it has the appropriate funds available for its operations, and for its projected organic growth. The company does not maintain an overdraft facility, as this is not considered necessary by the directors. The company would have access to longer term funding from the ultimate parent company if required.

Interest rate risk

The directors do not consider the company to have any exposure to interest rate risks, as the company does not have any external loans or debt finance on its balance sheet. The company does not trade in interest rate derivatives.

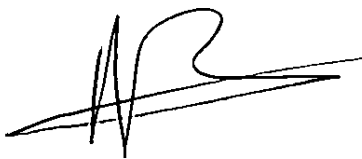
Foreign exchange risk

The company is exposed to foreign exchange risk on purchases, inter-company loans and investments that are denominated in a currency other than Sterling. The currencies giving rise to this risk are primarily US Dollars and Euros. During the current and prior year, the company did not participate in any derivative or hedging contracts and any currency movements have been taken to the profit or loss.

AUDITORS

A resolution to re-appoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On Behalf of the Board



A Burton
Director

Date 29 April 2013

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the profit or loss of the company for that year.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgments and accounting estimates that are reasonable and prudent
- state whether applicable UK 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

INDEPENDENT AUDITOR'S REPORT

We have audited the financial statements of Dollamore Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 16. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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 auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Directors' Report to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit.

Ernst & Young LLP

Jane Barwell (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP (Statutory Auditor)
Bristol

Date 1 May 2013

DOLLAMORE LIMITED**PROFIT AND LOSS ACCOUNT**
Year ended 31 December 2012

	Note	2012 £'000	2011 £'000
TURNOVER	2	3,007	3,330
Cost of sales		(855)	(936)
Gross profit		2,152	2,394
Administrative expenses		(613)	(731)
OPERATING PROFIT	3	1,539	1,663
Interest receivable	5	-	70
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		1,539	1,733
Tax on profit on ordinary activities	6	(344)	(458)
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		1,195	1,275

All activities derive from continuing operations

There are no recognised gains or losses other than the profit for the financial year. Accordingly, no statement of total recognised gains and losses is given.

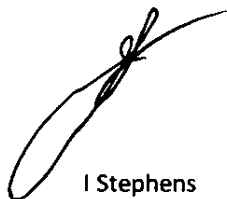
DOLLAMORE LIMITED

BALANCE SHEET 31 December 2012

	Note	2012 £'000	2011 £'000
FIXED ASSETS			
Tangible assets	8	3	11
CURRENT ASSETS			
Debtors	9	1,553	2,533
Cash at bank and in hand		<u>1,305</u>	<u>306</u>
		2,858	2,839
CREDITORS: amounts falling due within one year	10	<u>(2,316)</u>	<u>(2,500)</u>
NET CURRENT ASSETS		<u>542</u>	<u>339</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		545	350
NET ASSETS		<u>545</u>	<u>350</u>
CAPITAL AND RESERVES			
Called up share capital	11	-	-
Profit and loss account	12	<u>545</u>	<u>350</u>
EQUITY SHAREHOLDERS' FUNDS	13	<u>545</u>	<u>350</u>

These financial statements were approved by the Board of Directors on 29 April 2013

Signed on behalf of the Board of Directors



I Stephens
Director

DOLLAMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

1. ACCOUNTING POLICIES

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards

Going Concern

The directors have reviewed the current economic and business environment and have prepared forecasts based on various financial projections. After making enquiries, the directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis on preparing the annual report and accounts.

Tangible fixed assets

Depreciation of fixed assets is calculated to write off their cost less any residual value over their estimated useful lives, as follows:

Computer Equipment	33 3% per annum
Fixtures and fittings and equipment	20% per annum

Deferred taxation

Deferred tax is provided in full on timing differences that result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date at rates expected to apply when they crystallise based on current taxes and law. Timing differences arise from the inclusion of items of income and expenditure in tax computations different from those in which they are included in financial statements. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty.

Deferred income

Amounts billed in the year relating to services to be provided beyond the balance sheet date are carried forward as deferred income and released to the profit and loss account over the term of the service.

Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement in accordance with FRS 1 (Revised 1996), on the grounds that it is a wholly owned subsidiary undertaking. A cash flow statement is included in the consolidated financial statements of United Internet AG for the year ended 31 December 2012.

Pensions

The pension costs charged in the financial statements represent the contribution payable by the company during the year.

2. TURNOVER AND SEGMENTAL ANALYSIS

Turnover, which is stated net of value added tax, represents amounts invoiced to customers in respect of the principal continuing activity.

An analysis of turnover by geographical market is given below:

	2012	2011
	£'000	£'000
United Kingdom	<u>3,007</u>	<u>3,330</u>

DOLLAMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

3. OPERATING PROFIT

	2012	2011
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible, owned assets	8	8
Audit Fees	<u>26</u>	<u>21</u>

4. STAFF COSTS

The UK directors of the company are also directors of the immediate parent company. The directors received total remuneration for the year of £491k (2011: £424k), all of which was paid by the parent company. The directors do not believe that it is practicable to apportion this amount between their services as directors of the company and their services as directors of the parent company. Dr O Mauss was remunerated by 1&1 Internet AG. There are no other employees of the company other than the Directors (2011: 2).

Payroll costs are borne by parent company Fasthosts Internet Limited.

5. INTEREST PAYABLE AND RECEIVABLE

	2012	2011
	£'000	£'000
Interest receivable		
Loan interest on intercompany	<u>-</u>	<u>70</u>

6. TAX ON PROFIT ON ORDINARY ACTIVITIES

(i) *Analysis of tax charge on ordinary activities*

	2012	2011
	£'000	£'000
Current taxation		
UK corporation tax charge at 24.5% (2011: 26.5%) on the profit for the year	378	460
Adjustment in respect of prior years	<u>(33)</u>	<u>-</u>
	345	460
Deferred taxation		
Timing differences, origination and reversal	<u>(1)</u>	<u>(2)</u>
	<u>344</u>	<u>458</u>

DOLLAMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

6. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(ii) Factors affecting tax charge for the current year

The tax charge for the current year is lower (2011 higher) than that resulting from applying the standard rate of corporation tax of 24.5% (2011 26.5%) to the profit before tax

The differences are explained below

	2012 £'000	2011 £'000
Profit on ordinary activities before tax	<u>1,539</u>	<u>1,732</u>
Tax charge at 24.5% (2011 26.5%) thereon	378	459
Expenses not deductible for tax purposes	1	-
Depreciation in excess of capital allowances	1	1
Group relief	(2)	-
Adjustments in respect of previous periods	<u>(33)</u>	<u>-</u>
Current tax charge for the year	<u>345</u>	<u>460</u>

(iii) Deferred Tax

	2012 £'000	2011 £'000
Opening balance	2	-
Prior year debit	-	1
Current year debit	<u>1</u>	<u>1</u>
Closing balance	<u>3</u>	<u>2</u>

Deferred tax assets recognised in the financial statements are as follows

	2012 £'000	2011 £'000
Depreciation in excess of capital allowances	<u>3</u>	<u>2</u>

(iv) Factors that may affect future tax charges

Announcements were made during the year by the Chancellor of the Exchequer of proposed changes to corporation tax rates which will have an effect on the future tax charge of the company. Reductions in the corporation tax rate from 24% to 23% from 1 April 2012 were substantively enacted during the year. Subsequent reductions in the tax rate to 21% from 1 April 2014 and to 20% from 1 April 2015 were also announced but had not been enacted at the balance sheet date. Consequently deferred tax has been calculated at the year-end using a tax rate of 23%. The impact of the reductions in the corporation tax rate to 20% will be immaterial.

DOLLAMORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
Year ended 31 December 2012**7. DIVIDENDS**

	2012	2011
	£'000	£'000
Dividends declared and paid	<u>1,000</u>	<u>1,000</u>

8. TANGIBLE FIXED ASSETS

	Fixtures & fittings £'000	Computer equipment £'000	Total £'000
Cost			
At 1 January 2012 and 31 December 2012	<u>30</u>	<u>7</u>	<u>37</u>
Accumulated depreciation			
At 1 January 2012	21	5	26
Charge for the year	6	2	8
At 31 December 2012	<u>27</u>	<u>7</u>	<u>34</u>
Net book value			
At 31 December 2012	<u>3</u>	<u>-</u>	<u>3</u>
At 31 December 2011	<u>9</u>	<u>2</u>	<u>11</u>

9. DEBTORS

	2012	2011
	£'000	£'000
Trade debtors	24	23
Prepayments and accrued income	282	331
Deferred tax asset	3	2
Loan to parent company	<u>1,244</u>	<u>2,177</u>
	<u>1,553</u>	<u>2,533</u>

10. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2012	2011
	£'000	£'000
Trade creditors	36	20
Intercompany creditors	64	6
VAT payable	60	44
Other creditors and deferred income	1,778	1,970
Corporation tax payable	<u>378</u>	<u>460</u>
	<u>2,316</u>	<u>2,500</u>

DOLLAMORE LIMITED**NOTES TO THE FINANCIAL STATEMENTS**
Year ended 31 December 2012**11. CALLED UP SHARE CAPITAL**

	2012 £'000	2011 £'000
Called up, allotted and fully paid		
2 ordinary shares of £1 each	<u>-</u>	<u>-</u>

12. RESERVES

	Profit and loss account £'000
As at 1 January 2012	350
Profit for the year	1,195
Dividends declared and paid	<u>(1,000)</u>
As at 31 December 2012	<u>545</u>

13. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2012 £'000	2011 £'000
Profit for the financial year	1,195	1,275
Dividends paid	<u>(1,000)</u>	<u>(1,000)</u>
Net increase to shareholders' funds	195	275
Opening shareholders' funds	<u>350</u>	<u>75</u>
Closing shareholders' funds	<u>545</u>	<u>350</u>

14. FINANCIAL COMMITMENTS**Capital commitments**

There were capital commitments at 31 December 2012 of £Nil (2011 – £Nil)

Operating lease commitments

At 31 December 2012 the company was committed to making the following payments during the next year in respect of operating leases £Nil (2011 - £Nil)

DOLLAMORE LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2012

15. RELATED PARTY TRANSACTIONS

During the year the company entered into transactions, in the ordinary course of business, with other related parties. Transactions entered into, and trading balances outstanding at 31 December 2012 are as follows

	Purchases from £'000	Sales to £'000	Amounts owed to/(from) related parties £'000
1&1 Internet AG	32	-	2
1&1 Internet (Philippines) Inc	71	-	6
	<u>103</u>	<u>-</u>	<u>8</u>

Dr Mauss, who is a director of Fasthosts Internet Limited, is also a director of 1&1 Internet Applications GmbH and A1 Media LLC. Dr Mauss is not a shareholder in any of these businesses as they are all ultimately owned by United Internet AG.

The company has taken advantage of the exemption in FRS 8 not to disclose transactions with the wholly owned subsidiaries or with its immediate parent company Fasthosts Internet Limited.

16. CONTROLLING PARTY

The ultimate parent undertaking and controlling party, for which group financial statements are prepared, is United Internet AG, a company incorporated in Germany. Copies of the financial statements of United Internet AG can be obtained from United Internet AG, Elgendorfer Strasse 57, D-56410 Montabaur, Germany.

The parent undertaking of the smallest group for which group financial statements are prepared, and of which Dollamore Limited is a member is 1&1 Internet AG. Copies of the financial statements of 1&1 Internet AG are available from United Internet AG, Elgendorfer Strasse 57, D-56410 Montabaur, Germany.