

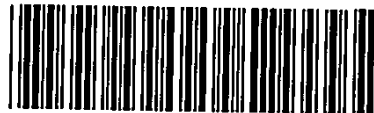
**Company Registration No. 05763397**

**1&1 UK HOLDINGS LIMITED**

**Report and Financial Statements**

**31 December 2011**

MONDAY



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**1&1 UK HOLDINGS LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2011**

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**1&1 UK HOLDINGS LIMITED**

**REPORT AND FINANCIAL STATEMENTS 2011**

**OFFICERS AND PROFESSIONAL ADVISERS**

**DIRECTORS**

O Mauss  
A Burton  
I Stephens

**SECRETARY**

A M Burton

**REGISTERED OFFICE**

Discovery House  
154 Southgate Street  
Gloucester  
GL1 2EX

**BANKERS**

West LB AG  
Herzogstrasse 15  
40217 Dusseldorf  
Postanschrift  
40199 Dusseldorf

**AUDITORS**

Ernst & Young LLP  
The Paragon  
Countership  
Bristol  
BS1 6BX

# **1&1 UK HOLDINGS LIMITED**

## **DIRECTORS' REPORT**

**Company Registration No. 05763397**

The directors present their report and the audited financial statements for the year ended 31 December 2011

### **PRINCIPAL ACTIVITY AND BUSINESS REVIEW**

The principal activity of the company is that of a holding company. During the year the company received dividends from Fasthosts Internet Ltd of £3,500,000. The company will continue to act as a holding company.

### **RESULTS AND DIVIDEND**

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

The profit for the year, after taxation, was £3,496,229 (2010: £4,968,697). Dividends of £3,500,000 were paid (2010: £5,000,000).

### **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.

### **DIRECTORS OF THE COMPANY**

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

O Mauss  
A Burton  
I Stephens

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 2011.

As the company is a wholly owned subsidiary of a company incorporated outside the United Kingdom, in accordance with Companies Act 2006/170-181, directors' interests in shares of United Internet AG are not required to be disclosed.

Directors holding office throughout the period who are also directors of other United Internet group companies are remunerated elsewhere within the group.

The parent company 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' STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS**

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the group's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

## **1&1 UK HOLDINGS LIMITED**

### **DIRECTORS' REPORT**

**Company Registration No. 05763397**

(Continued)

#### **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 competitive 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. 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. 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 U S 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 and 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

31 MAY 2012

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## **1&1 UK HOLDINGS LIMITED**

### **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 period.

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.

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## **INDEPENDENT AUDITORS' REPORT**

### **to the members of 1&1 UK Holdings Limited**

We have audited the financial statements of 1&1 UK Holdings Limited for the year ended 31 December 2011 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. 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 auditors**

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 (APB'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.

#### **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 2011 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.

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**INDEPENDENT AUDITORS' REPORT**  
**to the members of 1&1 UK Holdings Limited**

**(Continued)**

**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, or
- the directors were not entitled to prepare the financial statements and the directors' report in accordance with the small companies regime

*Ernst & Young LLP*

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

Date *1 June 2012*



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**1&1 UK HOLDINGS LIMITED****PROFIT AND LOSS ACCOUNT**  
**Year ended 31 December 2011**

	Note	2011 £	2010 £
<b>OPERATING LOSS</b>	2	(4,259)	(54,662)
Interest receivable		488	23,359
Dividend income		3,500,000	5,000,000
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		3,496,229	4,968,697
Tax on profit on ordinary activities	4	-	-
<b>PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION</b>		3,496,229	4,968,697

All activities derive from continuing operations

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

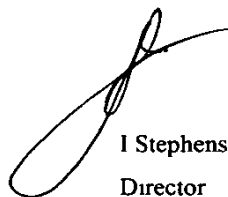
# **1&1 UK HOLDINGS LIMITED**

## **BALANCE SHEET 31 December 2011**

	Note	£	2011 £	£	2010 £
<b>FIXED ASSETS</b>					
Investments	6		63,886,352		63,886,352
			63,886,352		63,886,352
<b>CURRENT ASSETS</b>					
Debtors	7	253		160,783	
Cash at bank and in hand		137,415		-	
			137,668	160,783	
<b>CREDITORS: amounts falling due within one year</b>	8	(209,997)		(229,341)	
<b>NET CURRENT LIABILITIES</b>			(72,329)		(68,558)
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>			63,814,023		63,817,794
<b>NET ASSETS</b>			63,814,023		63,817,794
<b>CAPITAL AND RESERVES</b>					
Called up share capital	9		61,000,002		61,000,002
Profit and loss account	10		2,814,021		2,817,792
<b>EQUITY SHAREHOLDERS' FUNDS</b>	11		63,814,023		63,817,794

These financial statements were approved by the Board of Directors on 31 May 2012

Signed on behalf of the Board of Directors



I Stephens  
Director

## **1&1 UK HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2011**

#### **1. ACCOUNTING POLICIES**

##### **Basis of preparation**

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

##### **Consolidated financial statement**

The financial statements contain information about 1&1 UK Holdings Limited as an individual company and do not contain group financial statements. The company is exempt under section 400 of the Companies Act 2006 from preparing group financial statements on the basis that it is a wholly owned subsidiary of a parent group registered in Germany, for which group financial statements are prepared

##### **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

##### **Cash flow**

The company has taken advantage of the exemption from preparing a cash flow statement in accordance with FRS 1 (Revised 1996)

##### **Investments**

Fixed asset investments are shown at cost less provision for any impairment

##### **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

##### **Dividends**

Dividends are recognised when the company's right to receive payment is established

#### **2. OPERATING LOSS**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
<b>Operating loss is after charging:</b>		
Audit fees	3,336	11,304
Foreign currency movements	(187)	(675)
Bank charges	411	413
	<u>          </u>	<u>          </u>

#### **3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES**

The UK directors of the company are also directors of the subsidiary Fasthosts Internet Limited. The directors received total remuneration for the year of £424,465 (2010: £452,294), all of which was paid by the subsidiary 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 subsidiary company. Dr O Mauss was remunerated by 1&1 Internet AG. Other than the directors who served during the year, there are no employees in the company.

## **1&1 UK HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 December 2011**

#### **4. TAX ON PROFIT ON ORDINARY ACTIVITIES**

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

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Current taxation		
UK corporation tax charge at 26.5% (2010 - 28%) on the profit for the year	-	-
	-	-
Deferred taxation		
(Credit)/ charge from origination and reversal of timing differences	-	-
	-	-

##### *(ii) Factors affecting tax charge for the current year*

The tax charge for the current year is lower than that resulting from applying the standard rate of corporation tax of 26.5% (2010 - 28%) to the profit before tax

The differences are explained below

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Profit on ordinary activities before tax	3,496,229	4,968,697
Tax charge at 26.5% (2010 - 28%) thereon	926,501	1,391,235
Income not taxable	(927,500)	(1,400,000)
Group relief	999	8,765
Current tax charge for the year	-	-

#### **5. DIVIDENDS**

	<b>2011</b>	<b>2010</b>
	<b>£</b>	<b>£</b>
Dividends declared and paid	3,500,000	5,000,000

## **1&1 UK HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS** **Year ended 31 December 2011**

#### **6. INVESTMENTS**

**Unlisted  
Subsidiary  
Undertakings  
2011  
£**

**Cost**

At 1 January 2011 and at 31 December 2011

63,886,352

Direct investments in subsidiary undertakings comprises of a 100% ordinary shares in Fasthosts Internet Ltd, a UK incorporated company, which was acquired on 15 May 2006

Indirect investments, via Fasthosts Internet Limited, in which the company's subsidiary holds 20% or more of the nominal value of any class of share capital are as follows

<i>Name of company</i>	<i>Holding</i>	<i>Country of incorporation</i>	<i>Proportion of voting rights and shares held</i>	<i>Nature of business</i>
Dollamore Limited	Ordinary shares	UK	100%	Hosting services
Fasthosts Internet Inc	Shares of common stock	US	100%	Hosting services

#### **7. DEBTORS**

	<b>2011 £</b>	<b>2010 £</b>
Accounts receivable from group companies	253	160,783
	<u>253</u>	<u>160,783</u>

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

	<b>2011 £</b>	<b>2010 £</b>
Trade creditors	-	4,699
Amounts owed to group undertakings	204,952	219,008
Accruals	5,045	5,634
	<u>209,997</u>	<u>229,341</u>

#### **9. SHARE CAPITAL**

	<b>2011 £</b>	<b>2010 £</b>
<b>Authorised, called up, allotted and fully paid</b>		
61,000,002 Ordinary shares of £1 each	<u>61,000,002</u>	<u>61,000,002</u>

## **1&1 UK HOLDINGS LIMITED**

### **NOTES TO THE FINANCIAL STATEMENTS**

**Year ended 31 December 2011**

#### **10. RESERVES**

	<b>Profit and loss account £</b>
Balance at 1 January 2011	2,817,792
Profit for the year	3,496,229
Dividends paid	<u>(3,500,000)</u>
Balance at 31 December 2011	<u>2,814,021</u>

#### **11. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS**

	<b>2011 £</b>	<b>2010 £</b>
Profit for the financial year	3,496,229	4,968,697
Dividends paid in the year (note 6)	<u>(3,500,000)</u>	<u>(5,000,000)</u>
Net decrease to shareholders' funds	(3,771)	(31,303)
Opening shareholders' funds	<u>63,817,794</u>	<u>63,849,097</u>
Closing shareholders' funds	<u>63,814,023</u>	<u>63,817,794</u>

#### **12. FINANCIAL COMMITMENTS**

##### **Capital commitments**

There were no capital commitments at 31 December 2011 (2010 - £Nil)

#### **13. CONTROLLING PARTY**

The ultimate parent undertaking and controlling party of the largest group of undertakings, 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 1&1 UK Holdings 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.

#### **14. RELATED PARTY TRANSACTIONS**

The company has taken advantage of the exemption under FRS 8 "Related Party Disclosures" from disclosing transactions with any other members of the group as 100% of the voting rights of the company are controlled within the group and the ultimate parent company publishes consolidated financial statements that are publicly available.