

1&1 UK HOLDINGS LIMITED

Report and Financial Statements

31 December 2008

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REPORT AND FINANCIAL STATEMENTS 2008

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1&1 UK HOLDINGS LIMITED

REPORT AND FINANCIAL STATEMENTS 2008

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

A M Burton
M P Hogan
N Hodson

SECRETARY

M P Hogan

REGISTERED OFFICE

Discovery House
154 Southgate Street
Gloucester
GL1 2EX

BANKERS

West LB AG
Herzogstrasse 15
40217 Düsseldorf
Postanschrift
40199 Düsseldorf

AUDITORS

Ernst & Young LLP
One Bridewell Street
Bristol
BS1 2AA

1&1 UK HOLDINGS LIMITED

DIRECTORS' REPORT

The directors present their report and the audited financial statements for the year ended 31 December 2008.

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 £13,750,000.

RESULTS AND DIVIDEND

The profit for the year, after taxation, was £13,514,743 (2007: £3,594,306). Dividends of £13,750,000 were paid (2007 : £nil)

DIRECTORS AND THEIR INTERESTS

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

O C Mauss (Resigned 27/10/09)
A M Burton (Appointed 01/07/09)
M P Hogan
N Hodson

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 2008.

As the company is a wholly owned subsidiary of a company incorporated outside the United Kingdom, in accordance with Statutory Instrument 1985/802, 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

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 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.

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.

1&1 UK HOLDINGS LIMITED

DIRECTORS' REPORT

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 directors do not consider the company to have any exposure to foreign exchange risks. The company does not trade in foreign currency derivatives.

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



30/10/09

A Burton
Director

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Annual 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). The financial statements are required by law to 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 judgments and 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; and
- 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 that 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.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT

to the members of 1&1 UK Holdings Limited

We have audited the company's financial statements for the year ended 31 December 2008 which comprise the Profit and Loss Account, the Balance Sheet and the related notes 1 to 14. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with Section 235 of the Companies Act 1985. 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 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 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

The directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and Accounting Standards (United Kingdom Generally Accepted Accounting Practice) as set out in the Statement of Directors' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view, are properly prepared in accordance with the Companies Act 1985 and that the information given in the Directors' Report is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Directors' Report 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 International Standards on Auditing (UK and Ireland) 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 judgments 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.

INDEPENDENT AUDITORS' REPORT

to the members of 1&1 UK Holdings Limited (continued)

OPINION

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2008 and of its profit for the year then ended;
- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the directors' report is consistent with the financial statements.

Ernst & Young LLP

Ernst & Young LLP
Registered Auditor
Bristol

Date: 30 October 2009

1&1 UK HOLDINGS LIMITED

PROFIT AND LOSS ACCOUNT **Year ended 31 December 2008**

	Note	2008 £	2007 £
OPERATING LOSS	2	(224,680)	(16,000)
Interest receivable		88,408	173,269
Interest payable	4	(98,985)	(1,545,795)
Dividend income		<u>13,750,000</u>	<u>5,323,520</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		13,514,743	3,934,994
Tax on profit on ordinary activities	5	<u>-</u>	<u>(340,688)</u>
PROFIT ON ORDINARY ACTIVITIES AFTER TAXATION		<u><u>13,514,743</u></u>	<u><u>3,594,306</u></u>

All activities derive from continuing operations.


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

1&1 UK HOLDINGS LIMITED**BALANCE SHEET
31 December 2008**

	Note	£	2008 £	£	2007 £
FIXED ASSETS					
Investments	7		<u>63,886,352</u>		<u>63,886,352</u>
			63,886,352		63,886,352
CURRENT ASSETS					
Debtors	8	95,463		-	
Cash at bank and in hand		<u>2</u>		<u>2</u>	
		95,465		2	
CREDITORS: amounts falling due within one year	9	<u>(417,703)</u>		<u>(86,983)</u>	
NET CURRENT LIABILITIES			<u>(322,238)</u>		<u>(86,981)</u>
TOTAL ASSETS LESS CURRENT LIABILITIES			63,564,114		63,799,371
NET ASSETS			<u>63,564,114</u>		<u>63,799,371</u>
CAPITAL AND RESERVES					
Called up share capital	10		61,000,002		61,000,002
Profit and loss account	11		<u>2,564,112</u>		<u>2,799,369</u>
EQUITY SHAREHOLDERS' FUNDS	12		<u>63,564,114</u>		<u>63,799,371</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors



30/10/09

M P Hogan

Director

1&1 UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

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 228 of the Companies Act 1985 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.

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 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.

Auditors Remuneration

Auditors remuneration is paid by another company within the group.

2. OPERATING LOSS

	2008	2007
	£	£
Operating loss is after charging:		
Legal fees	17,658	16,000
Foreign currency movements	206,503	-
Bank Charges	519	-
	<u>224,680</u>	<u>16,000</u>

3. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

There were no emoluments paid to the directors who held office during and at the end of the year, as those directors are remunerated elsewhere in the United Internet AG group.

Other than the directors who served during the period, there are no employees in the company.

1&1 UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS **Year ended 31 December 2008**

4. INTEREST PAYABLE

	2008	2007
	£	£
Interest Payable		
Interest payable to group undertakings	98,985	1,545,795
	<u>98,985</u>	<u>1,545,795</u>

5. TAX ON PROFIT ON ORDINARY ACTIVITIES

(i) Analysis of tax charge on ordinary activities

	2008	2007
	£	£
Current taxation		
UK corporation tax charge at 28.5% (30%) on the profit for the year	-	-
	<u>-</u>	<u>-</u>
Deferred taxation		
(Credit)/ charge from origination and reversal of timing differences	-	(340,688)
	<u>-</u>	<u>(340,688)</u>

(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 28.5% (2007 – 30%) to the profit before tax.

The differences are explained below:

	2008	2007
	£	£
Profit on ordinary activities before tax	13,514,743	3,934,994
	<u>13,514,743</u>	<u>3,934,994</u>
Tax charge at 28.5% (2007 – 30%) thereon:	3,851,702	1,180,498
	<u>3,851,702</u>	<u>1,180,498</u>
Income not taxable	(3,918,750)	(1,597,056)
Expenses not deductible for tax purposes	-	4,800
Group relief	67,048	411,758
	<u>67,048</u>	<u>411,758</u>
Current tax charge for the year	-	-
	<u>-</u>	<u>-</u>

1&1 UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

5. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)

(iii) Deferred tax

The movement on the deferred tax asset is as follows:

	2008	2007
	£	£
Opening balance	-	340,688
Current period credit	-	(340,688)
	<hr/>	<hr/>
Closing balance	-	-
	<hr/>	<hr/>

6. DIVIDENDS

	2008	2007
	£	£
Dividends declared and paid	13,750,000	-
	<hr/>	<hr/>

7. INVESTMENTS

Unlisted Subsidiary Undertakings 2008 £

Cost

At 1 January 2008 and at 31 December 2008

63,886,352

Investments in subsidiary undertakings comprised of a 100% ordinary shares direct holding in Fasthosts Internet Ltd, a UK incorporated company, which was acquired on 15 May 2006.

During the year 100% of the ordinary shares of Dollamore Limited were acquired by Fasthosts Internet Limited.

Details of the direct investments 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

8. DEBTORS

	2008	2007
	£	£
Accounts receivable from associated companies	88,413	-
Other assets and social security	7,050	-
	<hr/>	<hr/>
	95,463	-
	<hr/>	<hr/>

1&1 UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2008	2007
	£	£
Amounts owed to group undertakings	417,703	70,983
Accruals	-	16,000
	<u>417,703</u>	<u>86,983</u>

Amounts owed to group undertakings are to 1&1 Internet AG, the company's immediate parent.

10. CALLED UP SHARE CAPITAL

	2008	2007
	No.	No.
Authorised		
61,000,002 Ordinary shares of £1 each	61,000,002	61,000,002
	<u>61,000,002</u>	<u>61,000,002</u>
	2008	2007
	£	£
Called up, allotted and fully paid		
61,000,002 Ordinary shares of £1 each	61,000,002	61,000,002
	<u>61,000,002</u>	<u>61,000,002</u>

11. RESERVES

	Profit and loss account £
Balance at 1 January 2008	2,799,369
Profit for the year	13,514,743
Dividends paid	(13,750,000)
Balance at 31 December 2008	<u>2,564,112</u>

12. RECONCILIATION OF MOVEMENTS IN SHAREHOLDERS' FUNDS

	2008	2007
	£	£
Profit for the financial year	13,514,743	3,594,306
Dividends paid in the year (note 6)	(13,750,000)	-
Ordinary share capital issued	-	28,000,000
Net (deduction)/addition to shareholders' funds	<u>(235,257)</u>	<u>31,594,306</u>
Opening shareholders' funds	63,799,371	32,205,065
Closing shareholders' funds	<u>63,564,114</u>	<u>63,799,371</u>

13. FINANCIAL COMMITMENTS

Capital commitments

There were no capital commitments at 31 December 2008 (2007 - £Nil).

1&1 UK HOLDINGS LIMITED

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2008

14. CONTROLLING PARTY

The ultimate parent undertaking and controlling party, and the parent undertaking of the largest group of undertakings for which group financial statements are prepared, and of which 1&1 UK Holdings Limited is a member, 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 of undertakings 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.