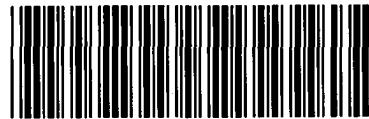


# 1&1 Internet Limited

## Report and Financial Statements

31 December 2017

WEDNESDAY



A10 \*A7817BBL\* #35  
13/06/2018  
COMPANIES HOUSE

**Directors**

M Steinberg  
E Tholomé  
S Yeoman

**Auditors**

Ernst & Young LLP  
The Paragon  
Counterslip  
BRISTOL  
BS1 6BX

**Bankers**

HSBC Bank Plc  
75-77 High Street  
SUTTON  
SM1 1DU

**Registered Office**

Discovery House  
154 Southgate Street  
GLOUCESTER  
GL1 2EX

Registered No. 3953678

## Strategic Report

The directors present their report and the audited financial statements for the year ended 31 December 2017.

### Principal activity and business review

The principal activity of the company during the year was that of website hosting, domain name registration services, provision of servers and website development software, all of which remain principally unchanged from the prior year. The directors consider that the company has succeeded in securing its position in the UK and the company remains a major player in the UK web hosting market and holds a significant percentage of the market share.

The company continues to develop its cloud technologies which are expected to deliver further growth during 2018. Wherever it makes good business sense the company will continue to develop products within the group and with third-party vendors to maximise efficiency and innovation.

In 2017 revenue increased by 6.0% due to continued marketing spend and the directors expect to maintain growth in 2018. The gross profit margin increased by 6% to 34.1%, and the profit margin before tax remained the same at 4%.

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

	2017 £000	2016 £000	Change %
Turnover	52,175	49,235	+6.0%
Gross Profit	17,802	13,846	+28.6%
Gross Margin	34.1%	28.1%	+6.0%
Operating Profit	2,103	1,906	+10.3%
Profit on Ordinary Activities Before Tax	2,087	1,959	+6.5%
Profit Margin Before Tax	4.0%	4.0%	

### Results and dividends

The profit for the year after taxation amounted to £1,682k (2016 – £1,560k). Dividends declared during the year were £28.00 per share totalling £1,400k (2016 - £800k - £16.00 per share).

### Future developments

The company is well positioned to further strengthen itself in the small business hosting market. In 2018 the company will launch further cloud technologies aimed at the professional and infrastructure as a service market via routes to market. The company's business model has financial strength and offers competitive advantage by a high level of recurring contractual revenues, high demand for the company's products and services, positive earnings and cash flows. Our product development and go to market teams are able to be flexible and adaptable to the highly competitive market conditions.

## Strategic Report (continued)

### Principal risks and uncertainties

#### Risk management

The company attaches high priority to its holistic risk management system, which goes above and beyond the statutory requirements. The company's monitoring system identifies, classifies and evaluates risks using standard procedures and defining clear responsibilities throughout the company. Management not only regard efficient and forward-looking risk management as an important tool to anticipate dangerous developments, but as an important value-adding responsibility.

#### Financial risk

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.

#### Interest rate risk

The directors do not consider the company to have any exposure to interest rate risks; the UK interest rate is likely to remain at similar levels and the directors do not consider the company to have any exposure to such risks since the company does not have any outstanding loans or debt finance.

#### Foreign exchange rate risk

Potential exposures to foreign currency exchange rate movements in all currencies in which the company trades are monitored on a daily basis by the finance department and appropriate action taken to manage net open foreign currency positions. The company does not trade in interest rate or currency derivatives.

#### Liquidity risk

The company retains sufficient cash and cash equivalents to ensure it has adequate funds available for operations. The company has access to longer term funding from its ultimate parent undertaking if required.



S Yeoman

Director

Date: 7 June 2018

## Directors' Report

### Directors

The directors who served the company during the year, and to the date of this report, were as follows:

M Steinberg (appointed 1 May 2017)  
E Tholomé (appointed 30 September 2017)  
S Yeoman  
C Bigatà (resigned 1 May 2017)  
R Hoffmann (resigned 30 September 2017)

### Going concern

After reviewing forecasts and making enquiries, including confirmation of intentions and support from the parent undertaking, the directors have a reasonable expectation that the company has adequate financial resources to continue in operation for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements.

### Directors' qualifying third party indemnity provision

The 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 during the year and are in force as at the date of approving the directors' report.

### Policy and practice 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.

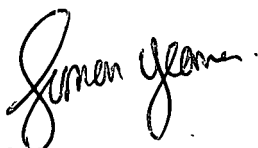
### Disclosure of information to the auditors

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 company's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

### Auditors

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

On behalf of the Board



S Yeoman

Director

Date: 7 June 2018

## Directors' responsibilities statement

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 of 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 judgements 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 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

## to the members of 1&1 Internet Limited

We have audited the financial statements of 1&1 Internet Limited for the year ended 31 December 2017 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position 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 including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2017 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.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report below. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue

### Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

# Independent auditor's report

to the members of 1&1 Internet Limited

## Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic Report and the Directors' Report have been prepared in accordance with applicable legal requirements.

## Matters on which we are required to report by exception

In the light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic Report or Directors' Report.

We have nothing to report in respect of the following matters in relation to which 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.

## Responsibilities of Directors

As explained more fully in the Directors' Responsibilities Statement set out on page 5, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

## Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.



# Independent auditor's report

to the members of 1&1 Internet Limited

## Use of our report

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.

*Ernst & Young LLP*

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

Date: *12 June 2018*

## Statement of Income and Retained Earnings

for the year ended 31 December 2017

	<i>Notes</i>	<i>2017</i> £'000	<i>2016</i> £'000
<b>Turnover</b>	2	52,175	49,235
Cost of sales		<u>(34,373)</u>	<u>(35,389)</u>
<b>Gross profit</b>		17,802	13,846
Administrative expenses		(15,819)	(12,077)
Other operating income		<u>120</u>	<u>137</u>
<b>Operating profit</b>	3	2,103	1,906
Interest receivable and similar income	6	30	53
Interest payable	6	<u>(46)</u>	<u>-</u>
<b>Profit on ordinary activities before taxation</b>		2,087	1,959
Tax	7	<u>(405)</u>	<u>(399)</u>
<b>Profit for the financial year</b>		1,682	1,560
Retained earnings as at 1 January		1,451	691
Dividends declared and paid during the year		<u>(1,400)</u>	<u>(800)</u>
Retained earnings as at 31 December		<u><u>1,733</u></u>	<u><u>1,451</u></u>

All amounts derive from continuing operations. There are no items of other comprehensive income for the current or previous financial years.

## Statement of Financial Position

at 31 December 2017

Registered No. 3953678

	<i>Notes</i>	<i>2017</i> £'000	<i>2016</i> £'000
<b>Fixed assets</b>			
Tangible assets	9	118	124
<b>Current assets</b>			
Debtors	10	8,232	5,356
Cash at bank		13,335	18,061
		21,567	23,417
<b>Creditors: amounts falling due within one year</b>	11	(15,878)	(18,545)
<b>Net current assets</b>		5,689	4,872
<b>Total assets less current liabilities</b>		5,807	4,996
<b>Creditors: amounts falling due after one year</b>	12	(4,074)	(3,545)
<b>Net Assets</b>		1,733	1,451
 <b>Capital and reserves</b>			
Called up share capital	13	50	50
Profit and loss account		1,683	1,401
<b>Shareholders' funds</b>		1,733	1,451

These financial statements were approved by the Board of Directors on 7 June 2018.

Signed on behalf of the Board of Directors



S Yeoman  
Director

## Notes to the financial statements

at 31 December 2017

### 1. Accounting policies

1&1 Internet Limited is a limited company incorporated and domiciled in the United Kingdom. The address of its registered office and principal place of business are disclosed on page 1.

#### **Basis of preparation and Statement of Compliance**

The financial statements have been prepared in accordance with Financial Reporting Standard 102 (FRS 102) with certain exemptions of the reduced framework applied as detailed below. The financial statements are prepared in sterling which is the functional currency of the company and rounded to the nearest £'000.

#### **Exemptions**

The company is exempt under section 1 of FRS 102 from the requirement to prepare a cash flow statement on the basis that it is a wholly owned subsidiary of a parent company (1&1 Internet SE) whose financial statements include the company's cash flows in its own published consolidated financial statements.

The company is a qualifying entity and has also taken advantage of the financial instrument disclosures exemption, the exemption from disclosing transactions entered into with 100% owned group companies and the exemption from disclosing key management compensation (other than directors' emoluments) under section 1.12 of FRS 102.

#### **Key estimates and judgements**

The preparation of the financial statements in conformity with generally accepted accounting principles requires the Directors to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results in the future could differ from those estimates.

#### **Depreciation and residual values**

The Directors have reviewed the asset lives and associated residual values of all fixed asset classes and have concluded that asset lives and residual values are appropriate

#### **Group financial statements**

The company is a wholly owned subsidiary of 1&1 Internet SE and is included in the group financial statements of United Internet AG, the ultimate parent undertaking, which are publicly available.

#### **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.

#### **Turnover**

Turnover represents the provision of website hosting services, domain name registration and website development software, excluding value added tax.

Customers are billed in advance and revenue is recognised pro-rata over the period of service provision, as the right to consideration is earned.

#### **Tangible fixed assets**

Tangible fixed assets are stated at cost less accumulated depreciation.

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

Plant and machinery and computer equipment	–	33% on cost
Fixtures and fittings	–	25% on cost
Leasehold improvements	–	10% on cost

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

## Notes to the financial statements

at 31 December 2017

### *Deferred taxation*

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

### *Foreign currencies*

Monetary 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. Gains and losses arising on retranslation of monetary assets and liabilities are included in the income statement.

### *Leasing commitments*

Rentals payable under operating leases are charged in the profit and loss account on a straight line basis over the lease term.

### *Pensions*

The company operates a defined contribution pension scheme. Contributions are charged to the profit and loss account as they become payable in accordance with the rules of the scheme.

## 2. Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to customers in respect of the principal, continuing activity, but matched to the period the service is active and paid for. All turnover is derived from the United Kingdom.

## 3. Operating profit

This is stated after charging:

	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>
Auditor's remuneration:		
Audit Fees	31	37
Tax Advice	4	2
Depreciation of owned fixed assets	42	36
Operating lease rentals – land and buildings	70	96
Net loss on foreign exchange translations	60	189

## Notes to the financial statements

at 31 December 2017

### 4. Directors' remuneration

The directors' remuneration is borne by subsidiaries of the ultimate parent undertaking, United Internet AG as follows:

Directors C Bigatà, R Hoffman, M Steinberg and E Tholomé are remunerated by 1&1 Internet SE;

Director S Yeoman is remunerated by Fasthosts Internet Limited.

The directors' service to the company does not occupy a significant amount of their time. As such, the directors do not consider that they have received any remuneration for their incidental services to the company for the years ended 31 December 2017 and 31 December 2016.

### 5. Staff costs

	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>
Wages and salaries	1,438	1,270
Social security costs	123	111
Other pension costs	24	15
	<u>1,585</u>	<u>1,396</u>

All transactions are accounted for as equity settled transactions. All employees are in Customer Service.

The average monthly number of employees during the year was 64 (2016: 49).

### 6. Interest payable and receivable

	<i>2017</i>	<i>2016</i>
	<i>£'000</i>	<i>£'000</i>
<b>Interest receivable</b>		
Group interest receivable	22	45
Bank deposit interest	8	8
	<u>30</u>	<u>53</u>
<b>Interest payable</b>		
Group interest payable	<u>46</u>	<u>-</u>

## Notes to the financial statements

at 31 December 2017

### 7. Tax

(a) Tax on profits on ordinary activities

The tax charge is made up as follows:

	2017	2016
	£'000	£'000
<b>Current tax:</b>		
UK corporation tax on the profits for the year	412	377
Adjustments in respect of prior periods	-	10
Total current tax (note 7(b))	<u>412</u>	<u>387</u>
<b>Deferred tax: (note 7(c))</b>	(7)	12
Tax for the year	<u><u>405</u></u>	<u><u>399</u></u>

(b) Factors affecting total tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 19.25% (2016 – 20%). The differences are explained below:

	2017	2016
	£'000	£'000
Profit on ordinary activities before tax	<u>2,087</u>	<u>1,959</u>
Profits on ordinary activities multiplied by standard rate of corporation tax in the UK of 19.25% (2016 – 20%)	402	392
<i>Effects of:</i>		
Fixed asset differences	2	-
Other timing differences	-	(2)
Tax rate changes	1	(1)
Prior year tax refund	-	-
Adjustments in respect of prior periods	-	10
Total tax (note 7(a))	<u><u>405</u></u>	<u><u>399</u></u>

## Notes to the financial statements

at 31 December 2017

### 7. Tax (continued)

#### (c) Deferred tax

The deferred tax included in the balance sheet is as follows:

	2017 £'000	2016 £'000
Included in debtors (note 10)	13	6
Movement in the year:		
At the beginning of the year	6	19
Profit and loss account movement arising during the year	7	(1)
Adjustment in respect of prior years	-	(12)
At the end of the year	<u>13</u>	<u>6</u>
Deferred tax is analysed as follows:		
Accelerated capital allowances	6	5
Other timing differences	7	1
	<u>13</u>	<u>6</u>

#### (d) Factors that may affect future tax charges

Reductions in the main rate of corporation tax from 19% to 17% from 1 April 2020 have been substantively enacted at the year end date. Consequently, deferred tax has been calculated at the year end using a tax rate of 17%.

### 8. Dividends

	2017 £'000	2016 £'000
Dividends declared and paid	<u>1,400</u>	<u>800</u>



## Notes to the financial statements

at 31 December 2017

### 9. Tangible fixed assets

	<i>Leasehold improvements</i> £'000	<i>Plant and machinery</i> £'000	<i>Fixtures and fittings</i> £'000	<i>Total</i> £'000
Cost:				
At 1 January 2017	28	120	52	200
Additions	-	24	12	36
Disposals	-	-	-	-
At 31 December 2017	<u>28</u>	<u>144</u>	<u>64</u>	<u>236</u>
Accumulated depreciation:				
At 1 January 2017	9	49	18	76
Charge for the year	6	31	5	42
Disposals	-	-	-	-
At 31 December 2017	<u>15</u>	<u>80</u>	<u>23</u>	<u>118</u>
Net book value:				
At 31 December 2017	<u>13</u>	<u>64</u>	<u>41</u>	<u>118</u>
At 1 January 2017	<u>19</u>	<u>71</u>	<u>34</u>	<u>124</u>

### 10. Debtors

	<i>2017</i> £'000	<i>2016</i> £'000
Trade debtors	2,181	2,363
Amounts owed by group undertakings	5,952	2,939
Deferred tax asset (note 7(c))	13	6
Prepayments and accrued income	86	48
	<u>8,232</u>	<u>5,356</u>

### 11. Creditors: amounts falling due within one year

	<i>2017</i> £'000	<i>2016</i> £'000
Trade creditors	523	102
Amounts owed to group undertakings	1,211	5,494
Corporation tax	203	181
Social security costs and other taxes	2,076	1,515
Accruals and deferred income	11,865	14,798
	<u>15,878</u>	<u>22,090</u>

## Notes to the financial statements

at 31 December 2017

### 12. Creditors: amounts falling due after one year

	2017	2016
	£'000	£'000
Deferred income	4,074	3,545

### 13. Share capital and reserves

<i>Allotted, called up and fully paid</i>	<i>No. '000</i>	2017	<i>No. '000</i>	2016
		£'000		£'000
Ordinary shares of £1 each	50	50	50	50

### 14. Pensions

The company operates a defined contribution pension scheme. Contributions payable for the year are charged to the income statement. The outstanding contributions at the year end were £nil (2016 – £nil).

### 15. Operating lease commitments

At 31 December 2017 the company was committed to making the following payments in respect of operating leases:

	<i>Land and buildings</i>	
	2017	2016
	£'000	£'000
Due within one year	70	70
Due between two and five years	175	245
Due beyond five years	-	-

Lease payments of £70k (2016: £70k) were recognised as an expense during the year.

### 16. Ultimate parent undertaking and controlling party

The ultimate parent undertaking and controlling party is United Internet AG, a company incorporated in Germany. The immediate parent undertaking for which group financial statements are prepared is 1&1 Internet SE, which is a subsidiary undertaking of United Internet AG, the ultimate parent, which is the largest group into which the company is consolidated.

1&1 Internet SE is incorporated in Germany. A copy of the financial statements of the parent can be obtained from Elgendorfer Strasse 57, 56410 Montabaur, Germany.