

Company Registration No. 03953678

1&1 IONOS LIMITED

Report and Financial Statements

31 December 2019

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REPORT AND FINANCIAL STATEMENTS 2019

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1&1 IONOS LIMITED

REPORT AND FINANCIAL STATEMENTS 2019

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

M Steinberg
A Weiss
H Kettler (Appointed 1 March 2019)
C F Steffens (Appointed 15 May 2019)
S Yeoman (Resigned 15 May 2019)

REGISTERED OFFICE

Discovery House
154 Southgate Street
GLOUCESTER
GL1 2EX

BANKERS

HSBC Bank Plc.
75 – 77 High Street
SUTTON
SM1 1DU

AUDITORS

Ernst & Young LLP
The Paragon
Counterslip
BRISTOL
BS1 6BX

STRATEGIC REPORT**Company Registration 03953678**

The directors present their report and the audited financial statements for the year ended 31 December 2019.

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, further enhancing the functionality of existing products as well as launching new Bare Metal Cloud and Enterprise Cloud services catering to SMB and Enterprise customers, which are expected to deliver further growth during 2020. 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 2019 revenue increased by 6.7% due to continued marketing spend and the directors expect to maintain growth in 2020. The gross profit margin increased by 7.8% to 37.1%, and the profit margin before tax remained the same at 4%.

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

	2019	2018	Change
	£'000	£'000	%
Turnover	59,916	56,142	+6.7%
Gross Profit	22,230	16,463	+35.0%
Gross Margin	37.1%	29.3%	+7.8%
Operating Profit	2,404	2,218	+8.4%
Profit on Ordinary Activities Before Tax	2,396	2,245	+6.7%
Profit Margin Before Tax	4.0%	4.0%	

Turnover growth as well as financial performance during the year under review has come principally from organic growth and shows an increase over the prior year.

RESULTS AND DIVIDENDS

The profit for the year after taxation amounted to £1,935k (2018: £1,807k). Dividends declared during the year were £40.00 per share totalling £1,490k (2018: £2,000k - £40.00 per share).

FUTURE DEVELOPMENTS

The company is well positioned to further strengthen itself in the small business hosting market, building on the rebranding to 1&1 IONOS launched in 2018 and increased marketing investment in 2019. In addition the company extends its segment coverage to enterprise customers, launching an Enterprise Cloud Business in the UK and ramping up dedicated sales force and data centre capacity.

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. Its product development and go-to-market teams are able to be flexible and adaptable to the highly competitive market.

STRATEGIC REPORT

Company Registration 03953678

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.

"Covid-19" and associated risks

The ongoing spread of the Covid-19 disease might impact the business of the company two-fold: (1) health of the employees might be impacted at a greater than normal scale with negative effects on business performance. (2) The shut-down of usual economic activity might impact the ability of the customers to pay invoices and consequently might increase bad debt ratios. The directors review the situation constantly in order to take appropriate measures against any negative impact.

SECTION 172 COMPANIES ACT STATEMENT

The company has a focus on customers, employees, the community and its shareholders to help contribute to a long-term sustainable future for all its stakeholders.

Customers

The company engages with its customers directly through various touch points including customer care, external events and individual contact. Its performance is measured through satisfaction surveys (e.g. Net Promoter Score) and monitors third party and social media review sites.

As a direct result of this feedback the company implemented a series of customer satisfaction improvements; for example it implemented a new email Spam management tool/process on all web mail services. As a result of these improvement measures the company was able to deliver sustained improvements and meet all of its 2019 Net Promoter Score targets.

STRATEGIC REPORT

Company Registration 03953678

Employees

The company completed the majority of its Employee Engagement with an in-person approach through various touch-points including corporate events, town halls and employee engagement events. It monitors progress by utilising Employee Net Promoter Score (ENPS). The outcome showed improvements in ENPS compared to the previous review period, but the overall 2019 results were disappointing to the directors who agreed a change of approach to 'people' topics, and committed to focus on alternative approaches to Employee Engagement.

Community

The company engages with the community predominantly through online mechanisms such as social media and blog. It is committed to supporting the community on topics that are important to them; for example as a datacentre provider the company is often asked about the energy consumed in its datacentres and office space. The directors continue to ensure that all energy is from 100% renewable sources and only work with renewable suppliers. All datacentres are ISO50001 energy management certified and an environmental management system based on ISO14001 is used for the fibre optic network.

Throughout all of its facilities the company has implemented a complete waste management and recycling solution.

The company is part of the United Internet group which is committed to supporting UNICEF projects. Economic success secures the future for the company and its employees, and via United Internet it is able to help where aid is desperately needed.

Shareholders

1&1 IONOS Ltd is a wholly owned subsidiary of 1&1 IONOS SE, which is majority owned by United Internet AG and is part of their Business Applications sector. The company engages with representatives from the parent company on a regular basis to discuss the business, its performance and also to understand what issues are important to them. As a result of this dialogue the directors are able to keep key shareholders up to date with latest business developments, and ensure the company's strategy and plans remain aligned with wider Group objectives.

Business Conduct

Our company-wide values, our management guidelines and our code of conduct form the basis for our daily work. Beside this our risk management ensures that these values are maintained. In order to ensure ethical behaviour in accordance with the given laws across the group, the management board of United Internet AG set up a compliance management system.

On Behalf of the Board



C F Steffens
Director

Date: 22. Oct. 2020

DIRECTORS' REPORT

Company Registration 03953678

DIRECTORS

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

M Steinberg
A Weiss
H Kettler (Appointed 1 March 2019)
C F Steffens (Appointed 15 May 2019)
S Yeoman (resigned 15 May 2019)

GOING CONCERN

The directors have reviewed the current economic and business environment and have prepared forecasts based on various financial projections. In addition the directors have considered the ongoing impact of Covid-19 (see Strategic Report) and subjected the financial forecasts and projections to additional revenue and cash stress tests. 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 in preparing the annual report and financial statements.

POST BALANCE SHEET EVENTS

The directors have continued to monitor the impact of Covid-19 on the business from the balance sheet date to the date of signing. The business has seen little direct revenue impact from the pandemic and this is not expected to change in the foreseeable future. There has been some additional expenditure to ensure a safe environment for employees but this is not material. There are no further post balance sheet events to note.

DIRECTOR'S QUALIFYING THIRD PARTY INDEMNITY PROVISION

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 section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains 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.

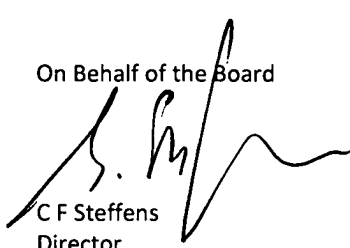
DISCLOSURE OF INFORMATION TO THE AUDITORS

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 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.

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


C F Steffens
Director

Date: 22. Oct. 2020

STATEMENT OF DIRECTORS' RESPONSIBILITIES IN RESPECT OF THE FINANCIAL STATEMENTS

The directors are responsible for preparing the Strategic Report, 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.

INDEPENDENT AUDITOR'S REPORT

To the members of 1&1 IONOS Limited

We have audited the financial statements of 1&1 IONOS Limited for the year ended 31 December 2019 which comprise the Statement of Income and Retained Earnings, Statement of Financial Position and the related notes 1 to 17. 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 2019 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.

Emphasis of Matter – Disclosures in relation to the impact of Covid-19

We draw attention to the going concern disclosures on page 5 and Note 16 of the financial statements which describe the financial and operational consequences the company is facing as a result of Covid-19. Our opinion is not modified in respect of this matter.

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 IONOS 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 6, 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.

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

Paul Mapleston (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

Bristol

Date: *22nd October 2020*

1&1 IONOS LIMITED**STATEMENT OF INCOME AND RETAINED EARNINGS**
Year ended 31 December 2019

	Note	2019 £'000	2018 £'000
TURNOVER	2	59,916	56,142
Cost of sales		<u>(37,686)</u>	<u>(39,679)</u>
Gross profit		22,230	16,463
Administrative expenses		(19,952)	(14,347)
Other operating income		<u>126</u>	<u>102</u>
OPERATING PROFIT	3	2,404	2,218
Interest receivable and similar income	6	149	107
Interest payable	6	<u>(157)</u>	<u>(80)</u>
PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION		2,396	2,245
Tax on profit on ordinary activities	7	<u>(461)</u>	<u>(438)</u>
PROFIT FOR THE FINANCIAL YEAR		1,935	1,807
Retained earnings as at 1 January		1,540	1,733
Dividends declared and paid during the year	8	<u>(1,490)</u>	<u>(2,000)</u>
Retained earnings as at 31 December		<u>1,985</u>	<u>1,540</u>

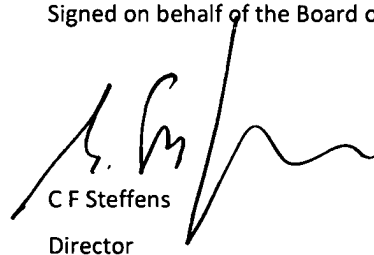
All amounts derive from continuing operations. There are no items of other comprehensive income for the current or previous financial years.

STATEMENT OF FINANCIAL POSITION
31 December 2019**Company Registration 03953678**

	Note	2019 £'000	2018 £'000
FIXED ASSETS			
Tangible assets	9	<u>484</u>	<u>245</u>
CURRENT ASSETS			
Debtors due within one year	10	17,686	28,596
Debtors due after one year	10	41	21
Cash at bank and in hand		<u>2,345</u>	<u>2,247</u>
		20,072	30,864
CREDITORS: amounts falling due within one year	11	<u>(14,605)</u>	<u>(25,622)</u>
NET CURRENT ASSETS		<u>5,467</u>	<u>5,242</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		5,951	5,487
CREDITORS: amounts falling due after one year	11	<u>(3,966)</u>	<u>(3,947)</u>
NET ASSETS		<u>1,985</u>	<u>1,540</u>
CAPITAL AND RESERVES			
Called up share capital	12	50	50
Profit and loss account		<u>1,935</u>	<u>1,490</u>
EQUITY SHAREHOLDERS' FUNDS		<u>1,985</u>	<u>1,540</u>

These financial statements were approved by the Board of Directors on
Signed on behalf of the Board of Directors

22. Oct. 2020


C F Steffens
Director

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

1. ACCOUNTING POLICIES

1&1 IONOS 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 IONOS 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 IONOS 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. In addition the directors have considered the ongoing impact of Covid-19 (see Strategic Report) and subjected the financial forecasts and projections to additional revenue and cash stress tests. 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	–	Straight line over 3-7 years
Fixtures and fittings	–	Straight line over 4 years
Leasehold improvements	–	Straight line over 10 years

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 December 2019**

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.

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 AND SEGMENTAL ANALYSIS

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

	2019	2018
	£'000	£'000
Operating profit is stated after charging:		
Depreciation of tangible, owned assets	131	52
Foreign exchange losses	159	2
Rentals under operating leases:		
Land and buildings	199	101
Auditors' remuneration:		
Audit fees	55	51
Tax advice	13	9
Defined contribution pension cost	<u>94</u>	<u>59</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019**4. DIRECTORS REMUNERATION**

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

Directors M Steinberg, H Kettler and A Weiss are remunerated by 1&1 IONOS Holding SE; Director C F Steffens is remunerated by STRATO AG; 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 2019 and 31 December 2018.

5. STAFF COSTS

	2019	2018
	£'000	£'000
Staff costs during the year		
Wages and salaries	2,363	1,781
Social security costs	234	161
Pension contributions	94	59
	<u>2,691</u>	<u>2,001</u>

	2019	2018
	No.	No.
Average number of persons employed		
Customer service	72	69
Sales	9	1
	<u>81</u>	<u>70</u>

6. INTEREST PAYABLE AND RECEIVABLE

	2019	2018
	£'000	£'000
Interest receivable		
Group interest receivable	149	105
Bank deposit interest	-	2
	<u>149</u>	<u>107</u>
Interest payable		
Group loan account interest	157	77
Other interest	-	3
	<u>157</u>	<u>80</u>

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 December 2019****7. TAX ON PROFIT ON ORDINARY ACTIVITIES***(i) Analysis of tax charge on ordinary activities*

	2019	2018
	£'000	£'000
Current taxation		
UK corporation tax charge at 19% (2018: 19%) on the profit for the year	461	436
Prior year adjustment	0	-
	<u>461</u>	<u>436</u>
Deferred taxation		
Timing differences, origination and reversal	-	2
Adjustment in respect of prior years	-	-
Effect of change in tax rates	-	-
	<u>461</u>	<u>438</u>

(ii) Factors affecting tax charge for the current year

The tax charge for the current year is higher (2018: higher) than that resulting from applying the standard rate of corporation tax of 19% (2018: 19%) to the profit before tax. The differences are explained below:

	2019	2018
	£'000	£'000
Profit on ordinary activities before tax	<u>2,396</u>	<u>2,245</u>
Tax charge at 19% (2018:19%) thereon:	450	426
Expenses not tax deductible	11	11
Fixed asset differences	-	1
Adjustments in respect of previous periods	-	-
Adjustments in respect of previous periods – deferred tax	-	-
Tax rate changes	-	-
Total tax charge for the year	<u>461</u>	<u>438</u>

(iii) Deferred tax

The movement on the deferred tax asset is as follows:

	2019	2018
	£'000	£'000
Opening balance	11	13
Adjustments in respect of previous periods	-	-
Current year charge	-	(2)
Closing balance	<u>11</u>	<u>11</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019
7. TAX ON PROFIT ON ORDINARY ACTIVITIES (continued)*(iii) Deferred tax (continued)*

Deferred tax assets recognised in the financial statements are as follows:

	2019 £'000	2018 £'000
Depreciation in excess of capital allowances	5	5
Other timing differences	6	6
Deferred tax asset balance	<u>11</u>	<u>11</u>

(iv) 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

	2019 £'000	2018 £'000
Dividends declared and paid	<u>1,490</u>	<u>2,000</u>

In the year all dividends were declared and fully paid up.

9. TANGIBLE FIXED ASSETS

	Leasehold improvements £'000	Plant & Machinery £'000	Fixtures & fittings £'000	Total £'000
Cost				
At 1 January 2019	28	334	43	405
Additions	-	370	-	370
Disposals	-	-	-	-
At 31 December 2019	<u>28</u>	<u>704</u>	<u>43</u>	<u>775</u>
Accumulated depreciation				
At 1 January 2019	10	129	21	160
Charge for the year	3	123	5	131
Disposals	-	-	-	-
At 31 December 2019	<u>13</u>	<u>252</u>	<u>26</u>	<u>291</u>
Net book value				
At 31 December 2019	<u>15</u>	<u>452</u>	<u>17</u>	<u>484</u>
At 1 January 2019	<u>18</u>	<u>205</u>	<u>22</u>	<u>245</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 December 2019**10. DEBTORS**

	2019	2018
	£'000	£'000
Trade debtors	1,424	1,374
Intercompany loan	-	-
Prepayments and accrued income	47	98
Amounts owed by group undertakings	16,245	27,134
Deferred tax asset	11	11
Other debtors	-	-
	<u>17,727</u>	<u>28,617</u>

Amounts falling due after more than one year are:

	2019	2018
	£'000	£'000
Prepayments	<u>41</u>	<u>21</u>

11. CREDITORS

	2019	2018
	£'000	£'000
Creditors falling due within one year		
Trade creditors	174	779
Amounts owed to group undertakings	531	9,967
Other creditors including tax and social security	1,976	1,803
Accruals and deferred income	11,744	12,863
Corporation tax payable	180	210
	<u>14,605</u>	<u>25,622</u>

	2019	2018
	£'000	£'000
Creditors falling due after more than one year		
Deferred income	<u>3,966</u>	<u>3,947</u>

NOTES TO THE FINANCIAL STATEMENTS**Year ended 31 December 2019****12. SHARE CAPITAL AND RESERVES**

	2019 No.'000	2019 £'000	2018 No.'000	2018 £'000
Called up, allotted and fully paid				
50,000 ordinary shares of £1 each	50	50	50	50

13. PENSIONS

The company operates a defined contribution pension plan and contributes to personal pension plans in respect of certain of its employees. Contributions are charged to the income statement as they become payable. The unpaid contributions outstanding at the year end, included in 'Other creditors including tax and social security' are £ Nil (2018: £Nil).

14. OPERATING LEASE COMMITMENTS

At 31 December 2019 the company was committed to making the following payments in respect of operating leases:

	Land and buildings	
	2019 £'000	2018 £'000
Due within one year	310	162
Due between two and five years	419	38
Due beyond five years	-	-

Lease payments of £199k (2018: £101k) were recognised as an expense during the year.

15. CAPITAL COMMITMENTS

The company had capital commitments for plant and machinery of £Nil (2018: £Nil) at the end of the reporting period.

16. POST BALANCE SHEET EVENTS

The directors have continued to monitor the impact of Covid-19 on the business from the balance sheet date to the date of signing. The business has seen little direct revenue impact from the virus and this is not expected to change in the foreseeable future. There has been some additional expenditure to ensure a safe environment for employees but this is not material. There are no further post balance sheet events to note.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2019

17. 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 IONOS Limited is a member, is 1&1 IONOS SE. Copies of the financial statements of 1&1 IONOS SE are available from United Internet AG, Elgendorfer Strasse 57, D-56410 Montabaur, Germany.