

Idealab Europe Limited
Annual report
for the year ended 31 January 2005



Idealab Europe Limited

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Idealab Europe Limited

1

Directors and advisers

Directors

M Goodstein
B Gross
B Ramberg

Secretary

M Goodstein

Registered office

10 Upper Bank Street
London
EC14 5JJ

Bankers

Barclays Bank plc
54 Lombard Street
London
EC3V 9EX

Registered auditors

PricewaterhouseCoopers LLP
Waterfront Plaza
8 Laganbank Road
Belfast
BT1 3LR

**Directors' report
for the year ended 31 January 2005**

The directors present their report and the audited financial statements for the year ended 31 January 2005.

Principal activities

The principal activity of the company was the development of new businesses and the acceleration of existing businesses of the Idealab group into Europe. The company no longer trades.

Review of business and future developments

The Company ceased operations in September 2002.

Results and dividends

The Company's loss before taxation amounted to £5,785 (2004: £7,300), which has been transferred from reserves. Details are contained in the profit and loss account on page 5. The directors do not recommend payment of a dividend.

Directors and their interests

The directors of the company as at 31 January 2005 are listed on page 1.

The interests as defined by the Companies Act 1985, of the directors in the shares of the Company and in Idealab are as follows:

	31 January 2005		31 January 2004	
	The Company ordinary shares	Idealab common stock	The Company ordinary shares	Idealab common stock
B Gross	-	301,777,000	-	308,920,000
M Goodstein	-	14,902,000	-	15,577,000
B Ramberg	-	4,980,100	-	4,980,100

Bill Gross holds 51,134 shares of Series B convertible preferred stock, 4,000,000 shares of Series C convertible preferred stock, and no shares of Series D convertible preferred stock. All of the convertible preferred stock is convertible into common stock on a 10 for 1 basis.

The Directors had no non-beneficial interests in the shares of any company in the Group. During the year there have been no changes in the interests of the directors in the share capital of any company in the Group.

None of the directors have any interests in share options of the capital of the Company.

Political and charitable donations

There were no donations for charitable or political purposes in the year.

Going concern

The Company is dependent upon continuing cash contributions from its parent.

The directors have considered the planned activities of the Company and its obligations and, at the time of approving the financial statements, have formed the judgement that there is reasonable expectation that the parent entity will provide sufficient resources for the Company to continue to meet its liabilities as they come due for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Share capital and status of the company

The ultimate holding company of idealab Europe Limited is Idealab, a company incorporated in California, USA. The Company is not a close company with the meaning of the Income and Corporation Taxes Act 1998.

Statement of directors' responsibilities

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs 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 judgements and estimates that are reasonable and prudent;
- state whether applicable 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 proper accounting records which 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.

Auditors

The auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office, and a resolution concerning their reappointment will be proposed at the Annual General Meeting.

By order of the Board



M Goodstein

Secretary

31 October 2005

Independent auditors' report to the members of Idealab Europe Limited

We have audited the financial statements, which comprise the profit and loss account, the balance sheet and the related notes.

Respective responsibilities of directors and auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with the relevant legal and regulatory requirements and United Kingdom Auditing Standards issued by the Auditing Practices Board. This report, including the opinion, has been prepared for and only for the company's members as a body in accordance with Article 243 of the Companies (Northern Ireland) Order 1986 and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if 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 transactions is not disclosed.

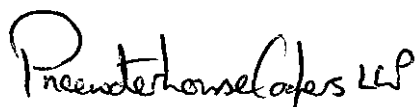
Basis of audit opinion

We conducted our audit in accordance with auditing standards 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 judgements 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.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs at 31 January 2005 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Belfast
31 October 2005

Profit and loss account for the year ended 31 January 2005

	Notes	2005 £	2004 £
Turnover	2	-	-
Administration expenses		(5,999)	(7,425)
Operating loss		(5,999)	(7,425)
Interest receivable and similar income	6	214	125
Loss on ordinary activities before taxation	4	(5,785)	(7,300)
Taxation	7	-	-
Loss on ordinary activities after taxation and retained loss for the year	10	(5,785)	(7,300)

All amounts above relate to discontinued operations of the company.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

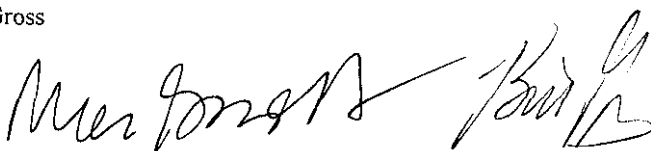
There is no significant difference between the loss on ordinary activities before taxation and the retained loss for the year stated above, and their historical cost equivalents.

Balance sheet at 31 January 2005

	Notes	2005 £	2004 £
Current assets			
Cash at bank and in hand		19,900	27,390
		19,900	27,390
Creditors: amounts falling due within one year	8	(3,805,916)	(3,807,621)
Net current liabilities		(3,786,016)	(3,780,231)
Total net liabilities		(3,786,016)	(3,780,231)
Capital and reserves			
Called up share capital	9	1	1
Profit and loss account	10	(3,786,017)	(3,780,232)
Equity shareholders' deficit	11	(3,786,016)	(3,780,231)

The financial statements on pages 5 to 11 were approved by the board on 31 October 2005 and were signed on its behalf by:

B Gross



M Goodstein

Directors

Notes to the financial statements for the year ended 31 January 2005**1 Accounting policies**

These financial statements are prepared on the going concern basis under the historical cost convention, and in accordance with the Companies Act 1985 and applicable accounting standards. The principal accounting policies adopted are set out below.

Basis of accounting

During the year the Company's loss before taxation amounted to £5,785. The Company's day to day funding requirements have been met by funding from its parent Company, Idealab.

The accounts have been prepared on a going concern basis. The validity of this assumption depends upon the Company being able to meet its forecasts of cashflows and on the parent, Idealab, providing funding at the appropriate level. As described in the Directors' Report, the Company ceased operations in September 2002 and anticipates significantly lower cash needs through to the year ended 31 January 2006 and for the foreseeable future.

The Directors of the Company have received assurances, including a letter from its parent, Idealab, that the parent will continue to provide the Company with sufficient financial resources to enable it to meet its liabilities as they fall due for at least one year from the date of these accounts. Accordingly, the Directors believe that it is appropriate for the financial statements to be prepared on a going concern basis, which assumes that the Company will continue in existence for the foreseeable future.

If the Company were unable to continue in existence for the foreseeable future, adjustments would have to be made to reduce the balance sheet values of assets to their recoverable amounts, to provide for further liabilities that might arise and to reclassify fixed assets as current assets.

Deferred taxation

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the company's taxable profit and its results as stated in the financial statements. Deferred tax assets and liabilities recognised have not been discounted.

Foreign currencies

Trading activities denominated in foreign currencies are recorded in sterling at actual exchange rates on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the period end are reported at rates of exchange prevailing at that date. Any gain or loss arising from a change in exchange rate subsequent to the date of transaction is recorded in the profit and loss account.

2 Turnover

Turnover represents amounts billed to other group companies within the Idealab group in respect of services provided to them in the UK and is stated net of value added tax. Revenue is recognised once the service has been provided in accordance with the terms of the agreement.

3 Administrative expenses

	2005	2004
	£	£
Professional fees	3,146	3,208
General administration expenses	2,583	4,217
	5,999	7,425

4 Loss on ordinary activities before taxation

	2005	2004
	£	£
Loss on ordinary activities before taxation for the year is stated after charging:		
Auditors' remuneration – audit services	500	2,000
– non-audit services	250	1,000

5 Directors' emoluments

No directors received any emoluments in respect of services to the company during the year.

6 Interest receivable and similar income

	2005	2004
	£	£
Interest receivable on bank deposits	214	125

7 Tax on loss on ordinary activities

Due to the loss made by the company there is no taxation charge in the year. The tax assessed for the year differs from the standard rate of corporate tax in the UK (30%). The differences are explained below:

	2005	2004
	£	£
Loss on ordinary activities before tax	(5,785)	(7,300)
Loss on ordinary activities multiplied by standard rate in the UK 30% (2004: 30%)	(1,735)	(2,190)
Effects of:		
Deferred tax not provided	1,735	2,190
Current tax charge for the year	-	-

Factors that may affect the future tax charge:

The deferred tax asset detailed below has not been provided for in the financial statements, as in the directors' opinion, the post cessation losses will not be utilised in the foreseeable future.

	Provided 2005 £	Provided 2004 £	Not provided 2005 £	Not provided 2004 £
Deferred taxation				
Losses	-	-	3,925	2,190
			3,925	2,190

8 Creditors: amounts falling due within one year

	2005	2004
	£	£
Trade creditors	242,323	242,323
Amounts owed to parent company	3,559,275	3,559,275
Other taxation and social security payable	40	495
Other creditors	2,528	2,528
Accruals and deferred income	1,750	3,000
	3,805,916	3,807,621

The amounts owed to parent company are unsecured, non-interest bearing and repayable on demand.

9 Called up share capital

	2005	2004
	£	£
Authorised		
Ordinary shares of £1 each	100	100
Allotted, called up and fully paid		
Ordinary shares of £1 each	1	1

10 Profit and loss account

	£
At 1 February 2004	3,780,232
Loss for the year	5,785
At 31 January 2005	3,786,017

11 Reconciliation of movements in shareholders' deficit

	2005	2004
	£	£
Loss for the year	(5,785)	(7,300)
Opening shareholders' deficit	(3,780,232)	(3,772,932)
Closing shareholders' deficit	(3,786,017)	(3,780,232)

12 Transactions with directors

No director had a material interest in any contract or arrangement with the Company during the year.

13 Ultimate parent undertaking

The immediate and ultimate parent undertaking and ultimate controlling party is Idealab, a company incorporated in California, USA; registered address 130 W. Union Street, Pasadena, CA 91103, United States of America. Copies of the financial statements of Idealab may be obtained from the above address.

14 Related party transactions

During the year the no related party transactions took place.

15 Cash flow statement

The Company has taken advantage of the exemption granted by Financial Reporting Standard 1 (Revised 1996), for small companies whereby it is not required to publish its own cashflow statement.