

Registered no: 3902922

Idealab Europe Limited
Annual report
for the year ended 31 January 2003



Idealab Europe Limited

Annual report for the year ended 31 January 2003

| | Pages |
|-----------------------------------|--------|
| Directors and advisers | 1 |
| Directors' report | 2 - 3 |
| Independent auditors' report | 4 |
| Profit and loss account | 5 |
| Balance sheet | 6 |
| Notes to the financial statements | 7 – 12 |

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 2003**

The directors present their report and the audited financial statements for the year ended 31 January 2003.

Principal activities

The principal activity of the company is the development of new businesses and the acceleration of existing businesses of the Idealab group into Europe. The company ceased trading during the year.

Review of business and future developments

During the year ended 31 January 2003 the Company concentrated on the acceleration of existing businesses of the Idealab group into Europe. The Company ceased operations in September 2002.

Results and dividends

The Company's loss before taxation amounted to £354,523 (2002: £753,361), 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 2003 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 2003 | | 31 January 2002 | |
|-------------|-----------------------------------|-------------------------|-----------------------------------|-------------------------|
| | The Company ordinary shares | Idealab common stock | The Company ordinary shares | Idealab common stock |
| B Gross | - | 313,400,000 | - | 318,000,000 |
| M Goodstein | - | 15,587,000 | - | 15,587,000 |
| 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 55,000 shares of Series D convertible preferred stock (2002: 250,000 shares). 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:

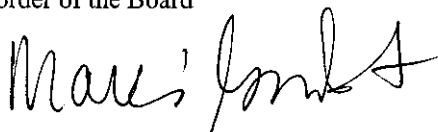
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare 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

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned and the directors appointed its successor, PricewaterhouseCoopers LLP, as auditors. A resolution to reappoint PricewaterhouseCoopers LLP as auditors to the company will be proposed at the Annual General Meeting.

By order of the Board



M Goodstein

Secretary

26 September 2003

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 2003 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
26 September 2003

**Profit and loss account
for the year ended 31 January 2003**

| | Notes | 2003 £ | 2002 £ |
|--|-------|------------------|-------------|
| Turnover | 2 | 218,957 | 733,065 |
| Administration expenses | | (575,204) | (1,492,624) |
| Operating loss | | (356,247) | (759,559) |
| Interest receivable and similar income | 7 | 1,724 | 6,198 |
| Loss on ordinary activities before taxation | 4 | (354,523) | (753,361) |
| Taxation | 8 | - | - |
| Loss on ordinary activities after taxation and retained loss for the year | 13 | (354,523) | (753,361) |

All amounts above relate to discontinued operations of the company.

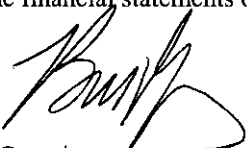
The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

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.

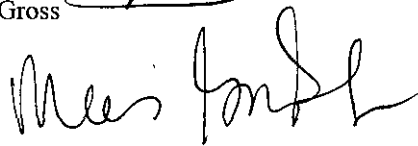
Balance sheet at 31 January 2003

| | Notes | 2003 £ | 2002 £ |
|---|-------|-------------|-------------|
| Fixed assets | | | |
| Tangible assets | 9 | - | 89,076 |
| Current assets | | | |
| Debtors | 10 | 30,297 | 300,529 |
| Cash at bank and in hand | | 16,899 | 223,354 |
| | | 47,196 | 523,883 |
| Creditors: amounts falling due within one year | 11 | (3,820,127) | (4,031,367) |
| Net current liabilities | | (3,772,931) | (3,507,484) |
| Total net liabilities | | (3,772,931) | (3,418,408) |
| Capital and reserves | | | |
| Called up share capital | 12 | 1 | 1 |
| Profit and loss account | 13 | (3,772,932) | (3,418,409) |
| Equity shareholders' deficit | 14 | (3,772,931) | (3,418,408) |

The financial statements on pages 5 to 12 were approved by the board on 26 September 2003 and were signed on its behalf by:



B Gross



M Goodstein

Directors

Notes to the financial statements for the year ended 31 January 2003

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 £354,523. 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 2004 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 to meet its liabilities as they come due for the foreseeable future.

If the Company were unable to continue to meet its liabilities as they come due 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.

Tangible fixed assets

Fixed assets are stated at cost, less accumulated depreciation. Fixed assets are depreciated over their estimated economic lives in equal annual amounts.

The principal estimated economic lives are:

| | | |
|-----------------------------------|---|--------------------------|
| Fixtures and fittings | - | 3 years |
| Short term leasehold improvements | - | over the period of lease |
| Computer hardware and software | - | 3 years |

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.

Leased assets

Rentals under operating leases are charged to revenue as incurred.

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

| | 2003 £ | 2002 £ |
|---|----------------|------------------|
| Labour and associated expenses (note 6) | 334,551 | 568,229 |
| Professional fees | 4,878 | 26,081 |
| Foreign exchange (gains)/losses | (1,881) | 13,479 |
| General administration expenses | 204,517 | 763,102 |
| Depreciation | 33,139 | 121,733 |
| | 575,204 | 1,492,624 |

4 Loss on ordinary activities before taxation

| | 2003 £ | 2002 £ |
|--|-----------|-----------|
| Loss on ordinary activities before taxation for the year is stated after charging: | | |
| Depreciation of tangible fixed assets | 33,139 | 121,733 |
| Operating lease rentals – land and buildings | 21,606 | 457,800 |
| Auditors' remuneration – audit services | 3,500 | 3,500 |
| – non-audit services | 1,690 | 1,690 |

5 Directors' emoluments

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

6 Employee information

| | 2003 £ | 2002 £ |
|-----------------------|----------------|----------------|
| Staff costs | | |
| Wages and salaries | 332,567 | 534,260 |
| Social security costs | 1,984 | 33,969 |
| | 334,551 | 568,229 |

7 Interest receivable and similar income

| | 2003 | 2002 |
|--------------------------------------|-------|-------|
| | £ | £ |
| Interest receivable on bank deposits | 1,724 | 6,198 |

8 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 period differs from the standard rate of corporate tax in the UK (30%). The differences are explained below:

| | 2003 | 2002 |
|---|-----------|-----------|
| | £ | £ |
| Loss on ordinary activities before tax | (354,523) | (753,361) |
| Loss on ordinary activities multiplied by standard rate in the UK 30% (2002: 30%) | (106,357) | (226,008) |
| Effects of: | | |
| Expenses not deductible for tax purposes | 1,423 | - |
| Deferred tax not provided | 104,934 | 226,008 |
| 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 asset will not be utilised in the foreseeable future.

| | Provided 2003 £ | Provided 2002 £ | Not provided 2003 £ | Not provided 2002 £ |
|--------------------------------|-----------------------|-----------------------|---------------------------|---------------------------|
| Deferred taxation | | | | |
| Accelerated capital allowances | - | - | (54,200) | (58,278) |
| Losses | - | - | (1,061,678) | (952,666) |
| | - | - | (1,115,878) | (1,010,944) |

9 Tangible fixed assets

| | Computer hardware £ | Computer software £ | Fixtures and fittings £ | Leasehold improvements £ | Total £ |
|---------------------------|---------------------------|---------------------------|-------------------------------|--------------------------------|------------|
| Cost | | | | | |
| At 1 February 2002 | 69,463 | 12,738 | 93,173 | 7,820 | 183,194 |
| Disposals | (69,463) | (12,738) | (93,173) | (7,820) | (183,194) |
| At 31 January 2003 | - | - | - | - | - |
| Depreciation | | | | | |
| At 1 February 2002 | 42,579 | 6,735 | 41,546 | 3,258 | 94,118 |
| Charge for the year | 11,577 | 2,123 | 15,529 | 3,910 | 33,139 |
| Disposals | (54,156) | (8,858) | (57,075) | (7,168) | (127,327) |
| At 31 January 2003 | - | - | - | - | - |
| Net book value | | | | | |
| At 31 January 2003 | - | - | - | - | - |
| At 31 January 2002 | 26,884 | 6,003 | 51,627 | 4,562 | 89,076 |

10 Debtors: amounts falling due within one year

| | 2003 £ | 2002 £ |
|--|---------------|----------------|
| Amounts owed by fellow subsidiary undertakings | - | 274,014 |
| Other debtors | 684 | 6,945 |
| Prepayments and accrued income | 29,613 | 19,570 |
| | 30,297 | 300,529 |

11 Creditors: amounts falling due within one year

| | 2003 £ | 2002 £ |
|--|------------------|------------------|
| Trade creditors | 244,939 | 263,595 |
| Amounts owed to parent company | 3,559,317 | 3,629,503 |
| Other taxation and social security payable | 592 | 45,330 |
| Other creditors | - | 61,072 |
| Accruals and deferred income | 15,279 | 31,867 |
| | 3,820,127 | 4,031,367 |

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

12 Called up share capital

| | 2003 | 2002 |
|---|------|------|
| | £ | £ |
| Authorised | | |
| Ordinary shares of £1 each | 100 | 100 |
| Allotted, called up and fully paid | | |
| Ordinary shares of £1 each | 1 | 1 |

13 Profit and loss account

| | £ |
|---------------------------|--------------------|
| At 1 February 2002 | (3,418,409) |
| Loss for the year | (354,523) |
| At 31 January 2003 | (3,772,932) |

14 Reconciliation of movements in shareholders' deficit

| | 2003 | 2002 |
|---------------------------------------|--------------------|--------------------|
| | £ | £ |
| Loss for the year | (354,523) | (753,361) |
| Shares issued | - | - |
| Net movement in shareholders' deficit | (354,523) | (753,361) |
| Opening shareholders' deficit | (3,418,409) | (2,665,048) |
| Closing shareholders' deficit | (3,772,932) | (3,418,409) |

15 Operating lease rentals commitments

At 31 January 2003 and 31 January 2002 the company had commitments under operating leases to make the following payments in the next financial year:

| | Land and buildings | |
|-----------------------------|--------------------|---------|
| | 2003 | 2002 |
| | £ | £ |
| For leases expiring: | | |
| Within one year | - | 148,972 |
| Between two and five years | - | - |
| | - | 148,972 |

16 Transactions with directors

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

17 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.

18 Related party transactions

During the year the following related party transactions took place:

All of the transactions shown as "Turnover" were with other members of the Idealab group. Similarly all amounts included within amounts due from fellow subsidiary undertakings are amounts receivable as a result of these transactions. The transactions relate to the primary activity of the Company, the provision of acceleration services to other group companies, and took place on an arms' length basis.

| Group member | Idealab interest at 31 January | | Turnover for year ended 31 January | | Amounts owed by related party at 31 January | |
|--------------------------|-----------------------------------|------|--|---------|---|---------|
| | 2003 | 2002 | 2003 | 2002 | 2003 | 2002 |
| | % | % | £ | £ | £ | £ |
| SCAN Mobile Limited | 65 | 65 | 101,301 | 296,009 | - | 30,286 |
| The .tv Corporation | - | - | 888 | 45,506 | - | 1,704 |
| CarsDirect.com UK Ltd | 66 | 67 | - | - | - | 1,602 |
| Firstlook.com Inc. | - | - | - | 19,334 | - | 3,438 |
| Commission Junction Inc. | 32 | 32 | 4,650 | 27,077 | - | 3,236 |
| Peoplelink Ltd | 1 | 1 | - | 14,982 | - | 2,419 |
| Netzero.com Inc. | 3 | 3 | - | 74 | - | - |
| Overture Services | 5 | 7 | 95,993 | 177,462 | - | 46,299 |
| New net (UK) Limited | 59 | 58 | 16,125 | 154,657 | - | 187,668 |
| | | | 218,957 | 735,101 | - | 276,652 |

19 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.