

**Company Registration No. 03169594**

**Netnames Limited**

**Annual Report and Financial Statements  
For the year ended 31 December 2018**



# **Netnames Limited**

## **Annual report and financial statements for the year ended 31 December 2018**

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# **Netnames Limited**

## **Annual report and financial statements for the year ended 31 December 2018**

### **Officers and professional advisers**

#### **Directors**

P Ashworth  
J Stoltzfus  
T Porth

#### **Registered Office**

25 Canada Square  
Canary Wharf  
London  
England  
E14 5LQ

#### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants & Statutory Auditor  
1 Embankment Place  
London  
WC2N 6RH

# **Netnames Limited**

## **Strategic report**

The Directors, in preparing this strategic report, have complied with s414C of the Companies Act 2006.

### **Results and dividends**

The profit for the financial year after taxation was £1,441,000 (2017: £1,099,000).

The Directors do not recommend the payment of a dividend (2017: £nil).

### **Principal activities**

The principal activity of the Company is that of registration and management of internet domain names on behalf of clients.

### **Key performance indicators**

The Directors measure the performance of the company based on EBITDA. In addition to revenue, this metric is considered to be the Key Performance Indicator of the business. EBITDA, which is defined as operating profit before depreciation, amortisation and foreign exchange, for the year ending 31 December 2018 was £1,211,000 (2017: £1,812,000).

### **Business review and future developments**

The Directors consider the results for the year to be satisfactory.

The transfer pricing policies of the Consolidated Corporation Service Company (Europe) Group (the "Group") will be reviewed following full integration in 2019. This may affect the activities of the Company and the calculation of intercompany revenue and expenses. The impact will not be known until a transfer pricing study has taken place, which is expected in 2019.

### **Business risks**

The Directors of the Group consider business and financial risks on a group-wide basis and monitor these risks on a regular basis.

The Group is the Consolidated Group of which Corporation Service Company (Europe) Limited is the parent.

The Directors believe that the principal business risks faced by the Group arise in the areas of the services provided, the technology platforms used and the staff employed.

The Group's services are primarily delivered over the internet through a complex technical infrastructure, the availability and security of which are critical in delivering the services.

Processes, plans and safeguards are in place to the extent it is reasonable or feasible to deliver those services. The internet and related technologies continue to develop fast. Given this operating environment, there may be rapid changes in the market, technology and operational methodologies. The Group has an ongoing programme of market and competitive review, service development and infrastructure enhancement.

The Group operates in growing markets with varying degrees of competition in the different sectors served. In the corporate domain name management market, the Group holds the leading position in Europe, primarily through its high market share in a number of countries.

The Group's subsidiaries' services and infrastructure are supported by skilled staff; from account management and fulfilment through to technical support. The Group is therefore reliant upon its ability to attract, train and retain the right mix of staff.

# **Netnames Limited**

## **Strategic report (continued)**

### **Post balance sheet events**

The Company sold its 49% shareholding in Netnames USA Inc to an intermediate parent company in January 2019.

### **Financial risks**

The Company complies with the Group's objectives, policies and processes for managing financial risks and the methods used to measure them as described in the financial statements of Corporation Service Company (Europe) Limited. The overall objective of these policies is to reduce risk as far as possible, without unduly affecting the Group's competitiveness and flexibility.


The financial statements of Corporation Service Company (Europe) Limited, include detailed analysis of these risks. There have been no substantial changes to the Company's objectives, policies, processes and methods used to measure these risks.

The financial instruments of the Company at 31 December 2018 comprised: trade and other receivables; cash and cash equivalents; trade and other payables. All these financial instruments are carried at amortised cost and the Directors believe that there is no material difference between the book and fair value of its financial instruments due to the instruments bearing interest at floating rates or being of a short-term nature.

### **Going concern**

After making appropriate enquiries, the Directors have formed a judgement at the time of approving the financial statements, that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future and therefore they continue to adopt the going concern basis in preparing the financial statements for the year ended 31 December 2018. More details may be found in note 2 to the financial statements.

Approved by the Board of Directors and signed on its behalf by:



**Paul Ashworth**  
Director  
30 September 2019

# **Netnames Limited**

## **Directors' report**

The Directors present their annual report together with the audited financial statements and independent auditors' report for the year ended 31 December 2018.

Details relating to going concern, principal activities, business and financial risks, dividends, events after the balance sheet date and future developments have been included in the strategic report on page 2, which forms part of this report by cross reference.

### **Directors**

The Directors of the Company who served during the year and up to the date of this report are shown on page 1.

The Group has purchased insurance which covers the Company's Directors and officers against any costs arising from defending themselves in legal proceedings taken against them as a direct result of duties carried out on behalf of the Company.

### **Qualifying third-party and pension scheme indemnity provisions**

A directors' and officers' liability insurance policy was maintained by the WMB Holdings Inc. Group throughout the financial year and is in force for the benefit of each of the directors in respect of liabilities incurred as a result of their office, to the extent permitted by law.

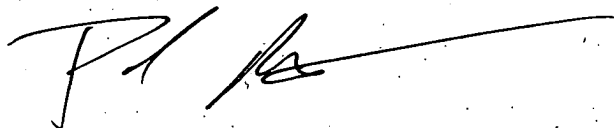
### **Future developments**

Details can be found in the Strategic Report, which forms part of this report by cross reference.

### **Post balance sheet events**

Details can be found in the Strategic Report, which forms part of this report by cross reference.

Approved by the Board of Directors and signed on its behalf by:



**Paul Ashworth**

Director

30 September 2019

# **Netnames Limited**

## **Directors' responsibilities statement**

The directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulation.

Company law requires the directors to prepare financial statements for each financial period. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", 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 the financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 101, have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; 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.

The directors 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.

In the case of each director in office at the date the Directors' Report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

# ***Independent auditors' report to the members of Netnames Limited***

## **Report on the audit of the financial statements**

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### **Opinion**

In our opinion, Netnames Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2018 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 101 "Reduced Disclosure Framework", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the balance sheet as at 31 December 2018, income statement for the year ended 31 December 2018, statement of changes in equity for the year ended 31 December 2018; and the notes to the financial statements, which include a description of the significant accounting policies.

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### **Basis for opinion**

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Independence**

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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### **Conclusions relating to going concern**

ISAs (UK) require us to report to you when:

- 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.

We have nothing to report in respect of the above matters.

However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. For example, the terms on which the United Kingdom may withdraw from the European Union are not clear, and it is difficult to evaluate all of the potential implications on the company's trade, customers, suppliers and the wider economy.

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### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance 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 an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of 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 this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Strategic Report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.



Based on the responsibilities described above and our work undertaken in the course of the audit, ISAs (UK) require us also to report certain opinions and matters as described below.

### *Strategic Report and Directors' Report*

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic Report and Directors' Report for the year ended 31 December 2018 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

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

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## **Responsibilities for the financial statements and the audit**

### *Responsibilities of the directors for the financial statements*

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 in accordance with the applicable framework and for being satisfied that they give a true and fair view. The directors are also responsible for such internal control as they 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 auditors' 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 FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

### *Use of this report*

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, 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.

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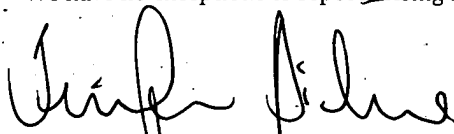
## **Other required reporting**

### **Companies Act 2006 exception reporting**

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Jennifer Dickie (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
30 September 2019

## Netnames Limited

### Income statement for the year ended 31 December 2018

		Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
	<b>Note</b>		
<b>Turnover</b>	4	15,748	16,957
Cost of sales		(12,823)	(13,153)
<b>Gross profit</b>		2,925	3,804
Administrative expenses		(1,717)	(2,450)
<b>Profit before taxation</b>	5	1,208	1,354
Taxation	7	233	(255)
<b>Profit and total comprehensive income for the financial year</b>		1,441	1,099

All amounts relate to continuing activities.

There are no other sources of comprehensive income, therefore no separate 'Statement of Comprehensive Income' has been prepared.

# Netnames Limited

## Balance sheet As at 31 December 2018

	Note	31 December 2018 £'000	31 December 2017 £'000
<b>Non-current assets</b>			
Tangible assets	8	-	-
Investments	9	251	480
Other assets	10	591	-
		<u>842</u>	<u>480</u>
<b>Current assets</b>			
Trade and other receivables	11	31,025	24,679
Cash at bank and in hand		453	521
		<u>31,478</u>	<u>25,200</u>
<b>Trade and other payables: amounts falling due within one year</b>	12	(16,363)	(11,671)
<b>Net current assets</b>		<u>15,115</u>	<u>13,529</u>
<b>Trade and other payables: amounts falling due after more than one year</b>	13	(7)	-
<b>Net assets</b>		<u>15,950</u>	<u>14,009</u>
<b>Capital and reserves</b>			
Called up share capital	14	-	-
Profit and loss account		15,950	14,009
<b>Total reserves</b>		<u>15,950</u>	<u>14,009</u>

The financial statements of Netnames Limited, registered number 03169594, on pages 8 to 20 were approved by the Board of Directors and authorised for issue on 30 September 2019.

Signed on behalf of the Board of Directors



**Paul Ashworth**  
Director

## Netnames Limited

### Statement of changes in equity for year ended 31 December 2018

	Note	Share capital £'000	Profit and loss £'000	Total £'000
<b>Year ended 31 December 2018</b>				
Balance at 1 January 2018		-	14,009	14,009
Impact of IFRS15 implementation		-	500	500
Adjusted balance as at 1 January 2018		-	14,509	14,509
Comprehensive income for the year	16	-	1,441	1,441
<b>Balance at 31 December 2018</b>		-	15,950	15,950
<b>Year ended 31 December 2017</b>				
Balance at 1 January 2017		-	12,910	12,910
Comprehensive income for the year		-	1,099	1,099
<b>Balance at 31 December 2017</b>		-	14,009	14,009

# Netnames Limited

## Notes to the financial statements for the year ended 31 December 2018

### 1. General information

Netnames Limited is a private company limited by shares and it is incorporated and domiciled in England and Wales. The address of its registered office is 25 Canada Square, Canary Wharf, London, E14 5LQ. The registered number of the Company is 03169594.

The principal activity of the Company is that of registration and management of internet domain names on behalf of clients.

### 2. Accounting policies

#### ***Basis of preparation***

The Company meets the definition of a qualifying entity under Financial Reporting Standard (FRS 101) 'Reduced Disclosure Framework' issued by the Financial Reporting Council. Accordingly, these financial statements have been prepared in accordance with FRS 101.

The financial statements have been prepared for the year ended 31 December 2018. The comparative period is the year ended 31 December 2017.

As permitted by FRS 101, the Company has taken advantage of the disclosure exemptions available under that standard in relation to financial instruments, capital management, presentation of comparative information in respect of certain assets, presentation of a cash-flow statement, standards not yet effective and impairment of assets and related party transactions.

Where relevant, equivalent disclosures have been given in the group financial statements of Corporation Service Company (Europe) Limited, which can be obtained from Companies House.

The financial statements have been prepared under the historical cost convention, as modified for the fair value of certain assets and liabilities, and in accordance with the Companies Act 2006.

The principal accounting policies adopted are set out below. These policies have been consistently applied to all periods presented, unless otherwise stated.

#### ***Going concern***

After making enquiries, including taking into account the Group's forecasts and sensitivity analysis as disclosed in the Group's financial statements, the Directors consider it appropriate to prepare these financial statements on the going concern basis.

#### ***Turnover***

Turnover represents amounts derived from the provision of services which fall within the Company's ordinary activities after deduction of value added tax. Income for services provided which are invoiced in advance are deferred in the balance sheet and released to the income statement in the periods in which the services are provided.

#### ***Tangible fixed assets***

Tangible fixed assets are stated at cost less accumulated depreciation and provisions for impairment. The cost of a tangible fixed asset comprises its purchase price and any costs directly attributable to bringing the asset into use. Depreciation is calculated to write down the cost of all tangible fixed assets to their estimated residual value over their expected useful economic life as follows:

Computer equipment	- 2 to 4 years straight line
Computer software	- 3 years straight line
Fixtures, fittings and equipment	- 3 years straight line

# Netnames Limited

## Notes to the financial statements for the year ended 31 December 2018

### 2. Accounting policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### **Fixed asset investments**

Investments held as fixed assets are stated at cost less any provision for impairment. The need for any fixed asset impairment write-down is assessed annually by comparison of the carrying value of the asset against the higher of its net realisable value and value in use.

#### **Fixed asset disposals**

The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in the income statement.

#### **Taxation**

The tax expense represents the aggregate of the tax currently payable and movement in deferred tax. The tax currently payable is based on taxable profit for the year. The Company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax assets are generally recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also charged or credited directly to equity.

However, deferred tax is not provided for temporary differences that arise from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profits or loss; and on the initial recognition of goodwill.

#### **Trade receivables**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

#### **Investments and other financial assets**

From 1 January 2018, the Company classifies its financial assets in the following measurement categories:

- Those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- Those to be measured at amortised cost.

For assets measured at fair value, gains and losses will be recorded either in profit or loss or in OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

# Netnames Limited

## Notes to the financial statements for the year ended 31 December 2018

### 2. Accounting policies (continued)

Purchases and sales of financial assets are recognised on trade date (that is, the date on which the group commits to purchase or sell the asset). Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows, where those cash flows represent solely payments of principal and interest, are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses), and impairment expenses are presented as a separate line item in the statement of profit or loss.

- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

From 1 January 2018, the Company assesses, on a forward-looking basis, the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

Until 31 December 2017, the Company classified its financial assets in the following categories:

- Financial assets at fair value through profit or loss
- Loans and receivables
- Held-to-maturity investments, and
- Available-for-sale financial assets

The classification depended on the purpose for which the investments were acquired. Management determined the classification of its investments at initial recognition.

# Netnames Limited

## Notes to the financial statements for the year ended 31 December 2018

### 2. Accounting policies (continued)

At initial recognition, the Company measured a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that were directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss were expensed in profit or loss.

Loans and receivables and held-to-maturity investments were subsequently carried at amortised cost using the effective interest method.

Available-for-sale financial assets and financial assets at fair value through profit or loss were subsequently carried at fair value. Gains or losses arising from changes in the fair value were recognised as follows:

- For 'financial assets at fair value through profit or loss' – in profit or loss within other income or other expenses.
- For available-for-sale financial assets – in other comprehensive income.

Interest income from financial assets at fair value through profit or loss was included in the net gains/(losses). Interest on available-for-sale securities, held-to-maturity investments and loans and receivables calculated using the effective interest method was recognised in the statement of comprehensive income as part of revenue from continuing operations.

At the end of each reporting period financial assets measured at amortised cost were assessed for objective evidence of impairment. If an asset is impaired the impairment loss was the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss was recognised in the statement of comprehensive income.

If there was decrease in the impairment loss arising from an event occurring after the impairment was recognised the impairment was reversed. The reversal was such that the current carrying amount did not exceed what the carrying amount would have been had the impairment not previously been recognised. The impairment reversal was recognised in the statement of comprehensive income.

Financial assets were derecognised when (i) the contractual rights to the cash flows from the asset expire or were settled, or (ii) substantially all the risks and rewards of the ownership of the asset were transferred to another party or (iii) despite having retained some significant risks and rewards of ownership, control of the asset had been transferred to another party who had the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

#### **Trade and other payables**

These amounts represent liabilities for goods and services provided to the Company prior to the end of the financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognised initially at their fair value and subsequently measured at amortised cost using the effective interest method.

#### **Foreign currencies**

Transactions denominated in foreign currencies are translated into sterling at the rates ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the rates ruling at that date. The translation differences are dealt with in the income statement.

#### **Pensions**

The Company does not operate and nor is it a member of any defined benefit pension plans. The pension charge represents the amounts incurred by the Company in respect of the period's payments to defined contribution schemes for the benefit of its staff, including the Company's personal pension scheme. Any difference between the amounts payable and actual payments are included in accruals or prepayments.



# Netnames Limited

## Notes to the financial statements for the year ended 31 December 2018

### 2. Accounting policies (continued)

#### *Adoption of new and revised IFRSs*

The following standards have been adopted by the Company for the first time for the financial year beginning on 1 January 2018:

- IFRS 9, 'Financial Instruments'
- IFRS 15, 'Revenue from contracts with customers'
- Annual improvements to IFRSs 2014 – 2016 cycle
- Interpretation 22, 'Foreign currency transactions and advance consideration'

The adoption of the amendments to IFRS 15 required retrospective adjustments which are disclosed in note 16. The impact of other amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect future periods.

### 3. Critical accounting estimates and judgements

In preparing the Financial Statements, the Directors have to make judgements on how to apply the Company's accounting policies and make estimates about the future. The critical judgements that have been made in arriving at the amounts recognised in the Financial Statements and the key sources of estimation uncertainty that have significant risks of causing a material adjustment to the carrying value of assets and liabilities in the next financial year are discussed below:

#### *Impairment of investment in subsidiaries*

Determining whether the Company's investments in subsidiaries have been impaired requires estimations of the investments' values in use, which requires an estimate of the future cash flows expected to arise from the investments and suitable discount rates in order to calculate present values.

### 4. Turnover

In the opinion of the Directors, the Company's activities constitute one class of business. All turnover during the current year and prior period originates in the United Kingdom.

### 5. Profit before taxation

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Operating profit is stated after charging / (crediting):		
Depreciation of owned assets	-	1
Foreign exchange (gain) / loss	(179)	455
Impairment of investments	229	-
	<hr/>	<hr/>
<b><i>Fees payable to the Company's auditor</i></b>		
For the audit of the Company's financial statements	30	26
	<hr/>	<hr/>
For other services to the company:		
Taxation advice and compliance services	8	8
	<hr/>	<hr/>

# Netnames Limited

## Notes to the financial statements for the year ended 31 December 2018

### 6. Staff costs

Staff costs incurred in the year were as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Wages and salaries	811	1,324
Social security costs	80	159
Other pension costs	22	18
	<u>913</u>	<u>1,501</u>

The average monthly number of employees during the year was:

	Year ended 31 December 2018 Number	Year ended 31 December 2017 Number
Operational	<u>11</u>	<u>14</u>

Staff costs and the average number of employees during the year reflect the appropriate recharges from other group companies.

No Directors received any emoluments in respect of services to the company (2017: nil).

### 7. Taxation

#### (a) Tax charge

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
<b>Current tax</b>		
UK corporation tax charge on profit for the year	95	255
Adjustment in respect of previous periods	(255)	-
Total current tax	<u>(160)</u>	<u>255</u>
<b>Deferred tax</b>		
Adjustment in respect of previous periods	(73)	-
Origination and reversal of timing differences	-	-
Effect of changes in tax rate	-	-
Total deferred tax	<u>(73)</u>	<u>-</u>
Total tax on profit	<u>(233)</u>	<u>255</u>

# Netnames Limited

## Notes to the financial statements for the year ended 31 December 2018

### 7. Tax on profit (continued)

#### (b) Tax reconciliation

The tax assessed for the year is lower (2017: lower) than the standard rate of corporation tax in the UK. The differences are explained below:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Profit before taxation	1,208	1,354
Profit before taxation at the standard rate of corporation tax in the UK of 19% (2017: 19.25%)	230	260
Effects of:		
Expenses not deductible for tax purposes	43	2
Adjustments in respect of prior periods	(328)	
Capital allowances in excess of depreciation	(11)	(7)
Group relief claimed	(167)	-
Tax (credit) / charge for the year	(233)	255

The Finance Act 2016, which provides for reductions in the main rate of corporation tax from 18% to 17% effective from 1 April 2020, was substantively enacted on 6 September 2016.

This rate reduction has been reflected in the calculation of deferred tax at the balance sheet date.

### 8. Tangible assets

	Computer equipment £'000	Computer software £'000	Fixtures, fittings and equipment £'000	Total £'000
<b>Cost</b>				
At 1 January and 31 December 2018	62	945	1	1,008
<b>Accumulated depreciation</b>				
At 1 January and 31 December 2018	62	945	1	1,008
<b>Net book value</b>				
At 31 December 2018 and 31 December 2017	-	-	-	-

# Netnames Limited

## Notes to the financial statements for the year ended 31 December 2018

### 9. Investments

	31 December 2018 £'000	31 December 2017 £'000
<b>Cost and net book value</b>		
Brought forward	480	480
Impairment	(229)	-
	<hr/>	<hr/>
Carried forward	251	480
	<hr/>	<hr/>

#### **Associate undertakings**

The Company owns 49% of the issued share capital of Netnames USA Inc., a company incorporated in the United States of America, whose registered office is 2711 Centreville Road # 400, Wilmington, DE 19808. The principal activity of Netnames USA Inc. is that of registration and management of domain names.

Netnames International Limited, the immediate parent company of Netnames Limited, owns the remaining 51% of the share capital of Netnames USA Inc.

#### **Other fixed asset investments**

On 1 July 2013, a branch of Netnames Limited was transferred to a fellow Group company, Netnames GmbH, for consideration of 6,000 shares in Netnames GmbH, which equates to 19.35% of the total shares in issue. At the time of the transfer, the net assets of the branch were €561,000, which equated to £480,000.

A discounted cash flow model was used to calculate the carrying value of investments and an impairment in relation to the holding in Netnames GmbH of £229,000 was noted in the year ended 31 December 2018 (2017: nil).

### 10. Other assets

	31 December 2018 £'000	31 December 2017 £'000
Deferred costs (Note 16)	518	-
Deferred tax asset	73	-
	<hr/>	<hr/>
	591	-
	<hr/>	<hr/>

	31 December 2018 £'000	31 December 2017 £'000
<b>Deferred tax asset</b>		
At 1 January	-	-
Adjustment in respect of prior years	73	-
	<hr/>	<hr/>
At 31 December	73	-
	<hr/>	<hr/>

# Netnames Limited

## Notes to the financial statements for the year ended 31 December 2018

### 11. Trade and other receivables

	31 December 2018 £'000	31 December 2017 £'000
Trade receivables	6,954	1,498
Other receivables	95	-
Amounts owed by Group undertakings	23,693	22,563
Deferred costs (Note 16)	91	-
Prepayments and accrued income	192	618
	<u>31,025</u>	<u>24,679</u>

Amounts owed by Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 12. Trade and other payables: amounts falling due within one year

	31 December 2018 £'000	31 December 2017 £'000
Trade payables	256	27
Amounts due to Group undertakings	10,077	10,040
Other taxation and social security	1,317	256
Accruals and deferred income	4,252	1,014
Other payables	461	334
	<u>16,363</u>	<u>11,671</u>

Amounts due to Group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

### 13. Trade and other payables: amounts falling due after one year

	31 December 2018 £'000	31 December 2017 £'000
Deferred revenue	<u>7</u>	<u>-</u>

### 14. Called up share capital

	31 December 2018 £'000	31 December 2017 £'000
<b>Issued and fully paid</b>		
2 (2017: 2) ordinary shares of £1 each	<u>-</u>	<u>-</u>

## Netnames Limited

### Notes to the financial statements for the year ended 31 December 2018

#### 15. Immediate and ultimate controlling party

At 31 December 2018 and at the date of approval of the financial statements, the Company's immediate parent company was Netnames International Limited, a company incorporated in England and Wales and the ultimate parent company and controlling party was WMB Holdings Inc., a privately held corporation in Wilmington, Delaware, USA.

The Company's financial information is included within the consolidation of Corporation Service Company (Europe) Limited, a company incorporated in England and Wales, which is publicly available.

#### 16. Impact of new IFRSs

IFRS 15 requires the spreading of sales commission over the expected life of the customer. The Group estimates the average customer life to be 8 years. The accounting standard has been implemented using the modified retrospective approach. The impact of IFRS 15 can be seen below.

	2018 pre IFRS 15 £'000	IFRS 15 impact £'000	2018 £'000
<b>Income statement (extract)</b>			
Operating expenses	-	(109)	(109)
<b>Balance sheet (extract)</b>			
Deferred costs – Non current	-	518	518
Deferred costs – Current	-	91	91
Profit and loss account	15,450	500	15,950