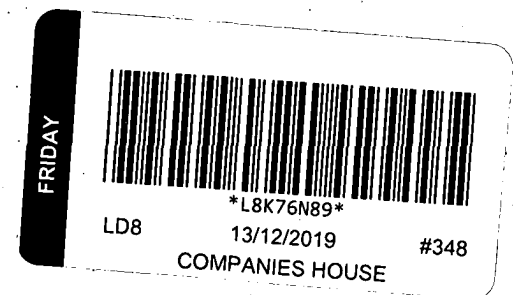


Registration number: 07573953

Paragon Internet Group Limited

Annual report and financial statements

for the year ended 31 December 2018



Paragon Internet Group Limited

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Paragon Internet Group Limited

Company information

Directors J Wong
SS Da Costa Da Rego

Registered office 5th Floor
The Shipping Building
Old Vinyl Factory
Hayes
Middlesex
UB3 1HA

Auditor Ernst and Young LLP
1 More London Place
London, United Kingdom
SE1 2AF

Strategic report

The directors present their strategic report for the year ended 31 December 2018.

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

Principal activity

The company provides web hosting and network services and issues internet domain names to customers ranging from private individuals to large corporations.

Results and dividends

The loss for the year after taxation amounted to £1,668,000 (2017: loss of £1,126,000).

The directors do not recommend the payment of a dividend (2017 - £nil).

Key performance indicators

The company has financial KPIs which it monitors on a regular basis at board level and, where relevant, at business unit management meetings as follows:

	Year ended 31 December 2018 £'000	Year ended 31 December 2017 £'000
Revenue	16,893	16,576
Gross profit	13,270	13,087
Gross profit margin	78.6%	79.0%
Earnings before interest, tax, depreciation and amortisation (EBITDA)	3,429	4,148
Adjusted EBITDA (EBITDA excluding group recharges)	4,141	5,240

Revenue is increased by £0.3m in 2018 compared to 2017. Gross profit is increased by £0.3m but Gross margin has slightly dropped by 0.4% due to the increase in revenue and reduced local currency domain costs. The EBITDA is down by £0.7m due to increased marketing cost, and charge from service company.

Adjusted EBITDA is used as a key performance indicator as it reflects the true performance of the business as it excludes the management charges from the other group companies

Principal risks and uncertainties

Senior management are aware of their responsibility for managing risks within their business units. Each business unit head reports to the board on the status of these risks through management reports. Risk is regularly reviewed at board level to ensure that risk management is being implemented and monitored effectively. The board's policy is to ensure that the business units are empowered to run their business effectively and appropriately, bearing in mind the requirements for timely decision-making and commercial reality. Through management reports, risks are highlighted and monitored to identify potential business risk areas and to quantify and address the risk wherever possible.

Commercial and general risk

Commercial and general risk arise due to economic uncertainty. Standard form contracts are provided for commercial use and to assist the commercial function to negotiate within approved parameters. Insurance policies are regularly reviewed to ensure these are adequate, appropriate and in line with the nature, size and complexity of the business.

Credit risk

A credit risk may arise because of the non-payment by customers. The majority of the company's customers pay in advance for services. Where services are supplied without advance payment, a credit review of the customer is performed when the order is received and subsequently on a periodic basis.

Paragon Internet Group Limited

Strategic report

Principal risks and uncertainties (continued)

Liquidity risk

Liquidity risk may arise due to overspending by the company. The company regularly forecasts cash flow to ensure that sufficient cash is available from trading for future expenses and capital expenditure.

Going concern

The company made a profit in the current year and has net current assets and net assets. In assessing whether the going concern basis is appropriate, the directors take into account all available information about the future, which is at least, but is not limited to, 12 months from the date of approval of these financial statements. The directors have performed this review at a company level and have also performed a review for the entire group.

In making this conclusion, the directors have considered the letter of support the company received from GoDaddy Inc. confirming that it will provide financial support as needed for a period of at least twelve months from the date of approval of these financial statements.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future.

Thus they continue to adopt the going concern basis in preparing these financial statements

Future developments

The company plans to continue its existing activities.

Approved by the Board on 12 December 2019 and signed on its behalf by:



J Wong
Director

Paragon Internet Group Limited

Directors' report

The directors present their annual report on the affairs of the company, together with the financial statements and auditor's report, for the year ended 31 December 2018.

Directors

The directors, who served throughout the year except as noted, were as follows:

R Winslow	(resigned 14 June 2018)
S Conyers	(resigned 9 October 2018)
SS Da Costa Da Rego	(appointed 14 June 2018)
JYK Wong	

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

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

This confirmation is given and should be interpreted in accordance with the provisions of s418 of the Companies Act 2006.

Approved by the Board on 12 December 2019 and signed on its behalf by:



J Wong
Director

Paragon Internet Group Limited

Directors' responsibilities statement

The directors are responsible for preparing the annual report including the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare such financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework ('FRS 101'). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether FRS 101 has been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of Paragon Internet Group Limited

Opinion

We have audited the financial statements of Paragon Internet Group Limited for the year ended 31 December 2018 which comprise the Income Statement, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 26, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 101 "Reduced Disclosure Framework (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the company's affairs as at 31 December 2018 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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 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, 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.

Auditor's responsibilities for the audit of the financial statements

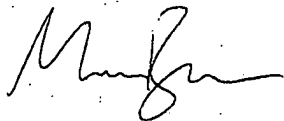
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee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

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

**Independent auditor's report to the members of Paragon Internet Group Limited
(continued)**

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



Marcus Butler (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
Date: 13 December 2019

Paragon Internet Group Limited

Income statement For the year ended 31 December 2018

	Note	2018 £ 000	2017 £ 000
Revenue	5	16,893	16,576
Cost of sales		<u>(3,623)</u>	<u>(3,489)</u>
Gross profit		13,270	13,087
Administrative expenses		<u>(14,693)</u>	<u>(13,921)</u>
Operating loss		(1,423)	(834)
Interest receivable	10	188	-
Interest payable and similar charges	11	<u>(590)</u>	<u>(521)</u>
Loss before tax	6	(1,825)	(1,355)
Tax on loss	12	<u>157</u>	<u>229</u>
Loss for the year		<u>(1,668)</u>	<u>(1,126)</u>

The above results were derived from continuing operations.

The company has no recognised gains or losses for the period other than the results above.

Paragon Internet Group Limited

Balance sheet as at 31 December 2018

	Note	2018 £ 000	2017 £ 000
Fixed assets			
Intangible assets	14	8,806	11,742
Tangible fixed assets	15	2,524	3,410
Investments in subsidiaries	16	3,605	3,605
		<u>14,935</u>	<u>18,757</u>
Current assets			
Debtors: amounts falling due within one year	17	7,550	1,872
Cash at bank and in hand		2,279	3,302
		<u>9,829</u>	<u>4,840</u>
Debtors: amounts falling due more than one year	18	834	-
Total assets		<u>25,598</u>	<u>23,931</u>
Creditors: amounts falling due within one year	19	<u>(23,209)</u>	<u>(19,913)</u>
Net current liabilities		<u>(13,380)</u>	<u>(15,073)</u>
Total assets less current liabilities		<u>2,389</u>	<u>4,018</u>
Creditors: amounts falling due more than one year	20	(771)	-
Provisions for liabilities	21	(430)	(420)
Total Liabilities		<u>(24,410)</u>	<u>(20,333)</u>
Net assets (Total assets – Total liabilities)		<u>1,188</u>	<u>3,598</u>
Capital and reserves			
Called-up share capital	23	999	999
Share based payments reserve	22	3	196
Retained earnings	23	186	2,403
Total shareholder's funds		<u>1,188</u>	<u>3,598</u>

The financial statements of Paragon Internet Group Limited (registration number: 07573953) were approved by the Board and authorized for issue on 12 December 2019. They were signed on its behalf by:



J Wong
Director

Paragon Internet Group Limited

Statement in changes of equity For year ended 31 December 2018

	Called-up share capital £ 000	Retained earnings £ 000	Share based payments Reserve £ 000	Total £
At 1 January 2017	999	3,529		4,528
Loss for the year	-	(1,126)	-	(1,126)
Share based payment transactions	-	-	196	196
Total comprehensive income	-	(1,126)	196	(930)
At 31 December 2017	999	2,403	196	3,598
Impact of change in accounting Policy*	-	(745)	-	(745)
Adjusted Total at 31 December 2017	999	1,658	196	2,853
Loss for the year	-	(1,668)	-	(1,668)
Share based payment transactions	-	196	(193)	3
Total comprehensive income	-	(1,472)	(193)	(1,665)
At 31 December 2018	999	186	3	1,188

*The company has adopted IFRS 15 using the modified retrospective (cumulative effect) method. Under this method the comparative information is not restated. See note 2.

Paragon Internet Group Limited

Notes to the financial statements For year ended 31 December 2018

1. General information

Paragon Internet Group Limited (the company) is a private company limited by shares incorporated in England and Wales and domiciled in the United Kingdom under the Companies Act.

The address of its registered office is:

5th Floor
The Shipping Building
Old Vinyl Factory
Hayes
Middlesex
UB3 1HA

These financial statements are presented in pounds sterling because that is the currency of the primary economic environment in which the company operates.

These financial statements are separate financial statements. The Company is exempt from the preparation and delivery of consolidated financial statements, because it is included in the group accounts GoDaddy Inc. The group accounts of GoDaddy Inc. are available to the public and can be obtained as set out in note 26.

Going concern

The company made a loss before tax of £1,829,000 in the current year and has net current liabilities of £13,380,000. In assessing whether the going concern basis is appropriate, the directors take into account all available information about the future, which is at least, but is not limited to, 12 months from the date of approval of these financial statements. The directors have performed this review at a company level and have also performed a review for the entire group.

In making this conclusion, the directors have considered the letter of support the company received from GoDaddy Inc. confirming that it will provide financial support as needed for a period of at least twelve months from the date of approval of these financial statements.

The financial statements have been prepared on the going concern basis, which the directors believe to be appropriate for the following reasons:

- The company achieved £3,429,000 (2017: £4,148,000) EBITDA (Earnings before interest, tax, depreciation and amortisation) pre-exceptional items in 2018.
- It had a positive cash balance at 31 December 2018 of £2,279,000 (2017: £3,302,000) and the directors forecast positive cash flows for the group in 2019.

The directors have a reasonable expectation that the company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing these financial statements.

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

2 Adoption of new and revised Standards

Amendments to IFRSs and the new Interpretation that are mandatorily effective for the current year

New and amended standards and interpretations

The company applied for the first time certain amendments to the standards, which are effective for annual periods beginning on or after 1 January 2018. The company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

The nature and the impact of each amendment is described below:

IFRS 9 Financial Instruments

IFRS 9 Financial Instruments replaces IAS 39 Financial Instruments: Recognition and Measurement for annual periods beginning on or after 1 January 2018, bringing together all three aspects of the accounting for financial instruments: classification and measurement; impairment; and hedge accounting.

With the exception of hedge accounting, which the company applied prospectively, the company has applied IFRS 9 using the cumulative effect (modified retrospective) method of adoption meaning comparative figures have remained unchanged.

The application of IFRS 9 has not led to any material adjustments to the financial statements for either the current or prior year and therefore no disclosures on the effect of the adoption of IFRS 9 are provided.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 supersedes IAS 11 *Construction Contracts*, IAS 18 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with its customers. IFRS 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

IFRS 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires extensive disclosures. The Company adopted IFRS 15 using the modified retrospective (cumulative effect) method of adoption meaning comparative figures have remained unchanged. The effect of adopting IFRS 15 is as follows:

Impact on Income Statement (increase/(decrease) in profit)

Adjustments

		1 January 2018
		£000
Revenue	(a)	(2,344)
Cost of sales	(b)	1,599
Gross profit		(745)
Operating profit		(745)
Finance costs		-
Profit before tax		(745)
Income tax expense		-
Profit for the year		(745)

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

2 Adoption of new and revised Standards (continued)

Impact on the Balance Sheet (increase/(decrease)):

Adjustments		1 January 2018 £000
Assets		
Prepayments	(b)	1,234
Total current assets		1,234
Prepayments (non-Current)	(b)	365
Total non-current assets		365
Total assets		1,599
 Retained earnings	(b)	 1,599
Total equity		1,599
 Liabilities		
Deferred revenue	(a)	(1,612)
Total current liabilities		(1,612)
Deferred revenue (non-current)	(a)	(732)
Total non-current liabilities		(732)
Total liabilities	(a)	(2,344)
Total equity and liabilities	(a),(b)	(745)

The change did not have a material impact on the Statement of Other Comprehensive Income for the period other than shown above.

(a) Domain sales

The company provides domain names to customers which are valid for varying lengths between 1 and 10 years. Under IAS 18, the company previously recorded domain name revenue in full on the date of the transaction, which corresponded with the timing of transfer of risks and reward. Upon adoption of IFRS 15, the company now identifies provision of domain and domain name service (DNS) as one combined performance obligation which is satisfied over the domain registration term. As such, the company recognizes revenue from domain contracts over the length of the contract term.

The Balance Sheet at 1 January 2018 was restated, resulting in: an increase in short term contract liability of £1,611,701 and a long term contract liability of £731,803. The statement of profit or loss for the year ended 31 December 2018 was also restated, resulting in a decrease in Revenue from domain names of £2,343,504.

(b) Domain costs

Before the adoption of IFRS 15, the Company accounted for the costs attributable to domain name sales in full at the point of sale. Under IFRS 15, the company is now deferring the incremental costs of obtaining the contract over the same period revenue is recognized for the related domain registration as there is ongoing performance obligation to provide the service.

The Balance Sheet at 1 January 2018 was restated, resulting in: a short-term prepaid domain name contract asset of £1,234,174 and a long-term prepaid domain name contract asset of £364,873. The statement of profit or loss for the year ended 31 December 2018 was also restated, resulting in a decrease in domain name cost of sales of £1,599,048.

Paragon Internet Group Limited

Notes to the financial statements (continued) **For year ended 31 December 2018**

3. Accounting policies

Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of accounting

The company meets the definition of a qualifying entity under FRS 100 (Financial Reporting Standard 100) issued by the Financial Reporting Council. The financial statements have therefore been prepared in accordance with FRS 101 (Financial Reporting Standard 101) 'Reduced Disclosure Framework' as issued by the Financial Reporting Council.

Summary of disclosure exemptions

The company has taken advantage of the following disclosure exemptions under FRS 101:

- i) the requirements of paragraph 17 of IAS 24 Related Party Disclosures
- ii) the requirements in IAS 24 Related Party Disclosures to disclose related party transactions entered into between two or more members of a group, provided that any subsidiary which is a party to the transaction is wholly owned by such a member
- iii) the requirements of IAS 7 Statement of Cash Flows
- iv) the requirements of paragraphs 45b and 46-52 of IFRS 2 Share Based Payment because the share based payment arrangement concerns the instruments of another group entity
- v) the requirements of paragraphs 91-99 of IFRS 13 Fair Value Measurement
- vi) the requirement in paragraph 38 of IAS 1 Presentation of Financial Statements to present comparative information in respect of paragraph 79(a)(iv) of IAS 1 and paragraph 73(e) of IAS 16 Property Plant and Equipment
- vii) the requirements of paragraphs 10(d), 10(f) and 134-136 of IAS 1 Presentation of Financial Statements
- viii) the requirements of paragraph 30 and 31 of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors
- ix) the requirements of IFRS 7 Financial Instruments: Disclosures
- x) the requirements of paragraphs 6 and 21 of IFRS 1 First-time Adoption of International Financial Reporting Standards

Where relevant, equivalent disclosures have been given in the group accounts of GoDaddy Inc. The group accounts of GoDaddy Inc. are available to the public and can be obtained as set out in note 26.

Investments in subsidiaries

Investments in subsidiaries are accounted for at cost less, where appropriate, provisions for impairment.

Paragon Internet Group Limited

Notes to the financial statements (continued)

For year ended 31 December 2018

3. Accounting policies (continued)

Tax

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. 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

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 liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

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 based on tax laws and rates that have been enacted or substantively enacted at the balance sheet date. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited in other comprehensive income, in which case the deferred tax is also dealt with in other comprehensive income.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the company intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Paragon Internet Group Limited

Notes to the financial statements (continued)

For year ended 31 December 2018

3. Accounting policies (continued)

Revenue recognition

Revenue recognized from contracts with customers is disaggregated into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. We report our revenues in the following categories:

Domains.

Domains revenue primarily consists of domain registrations and renewals, domain privacy, domain application fees, domain back-orders, aftermarket domain sales and fee surcharges paid to ICANN. Consideration is recorded as a contract liability when received, which is typically at the time of sale, and revenue, other than for aftermarket domain sales, is recognized over the period in which the performance obligations are satisfied, which is generally over the contract term.

Aftermarket domain revenue is recognized at the time when ownership of the domain is transferred to the buyer.

Hosting and presence.

Hosting and presence revenue primarily consists of website hosting products, website building products, website security products and online visibility products. Consideration is recorded as a contract liability when received, which is typically at the time of sale, and revenue is recognized over the period in which the performance obligations are satisfied, which is generally over the contract term.

Business applications.

Business applications revenue primarily consists of third-party productivity applications, email accounts and email marketing tools. Consideration is recorded as a contract liability when received, which is typically at the time of sale, and revenue is recognized over the period in which the performance obligations are satisfied, which is generally over the contract term.

Foreign currencies

The financial statements are presented in pounds sterling, which is the currency of the primary economic environment in which the company operates (its functional currency).

Transactions in currencies other than the company's functional currency (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences are recognised in profit or loss in the period in which they arise.

Tangible fixed assets

Tangible fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Paragon Internet Group Limited

Notes to the financial statements (continued)

For year ended 31 December 2018

3. Accounting policies (continued)

Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets (other than free land and properties under construction) less their residual values over their useful lives, using the straight-line method, on the following bases:

Asset class	Depreciation method and rate
Short term leasehold property	Over the lease term, straight line
Network infrastructure, plant and machinery	33% straight line
Motor vehicles	25% straight line
Fixtures and fittings	20% and 25% straight line
Office equipment	20% and 33.33% straight line
Computer equipment	20% and 33.33% straight line
Other fixed assets	20% and 33.33% straight line

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, over the term of the relevant lease.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. The gain or loss arising on the disposal or scrapping of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in income.

Intangible assets

The costs incurred to acquire and bring to use specific computer software licences are capitalised.

Amortisation

The costs are amortised on a straight-line basis over the expected useful lives, from the date it is available for use, not exceeding three years. Costs associated with maintaining software are recognised as an expense as incurred.

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

3. Accounting policies (continued)

Impairment of tangible and intangible assets

At each balance sheet date, the company reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Provisions

Provisions are recognised when the company has a present obligation (legal or constructive) as a result of a past event, it is probable that the company will be required to settle that obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

3. Accounting policies (continued)

Leases

Where assets are financed by leasing arrangements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments during the lease term. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the income statement.

Lease payments are analysed between capital and interest components. The interest element of the payment is charged to the income statement over the period of the lease and is calculated so that it represents a constant

proportion of the balance of the capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the income statement on a straight-line basis over the term of the lease.

Reverse premiums and similar incentives received to enter into operating lease agreements are released to the income statement over the period to the date on which the rent is first expected to be adjusted to the prevailing market rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Onerous contracts

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Company has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it.

Defined contribution pension obligation

The company contributes to the personal pension schemes of certain employees. Amounts charged in the income statement represent amounts payable in the period.

Financial instruments

Financial assets and financial liabilities are recognised in the company's balance sheet when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

All financial assets are recognised and derecognised on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL) and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

3. Accounting policies (continued)

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the company are recognised at the proceeds received, net of direct issue costs.

Repurchase of the company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the company's own equity instruments.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and loans and borrowings including bank overdrafts.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Loans and borrowings

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss. This category generally applies to interest-bearing loans and borrowings.

Paragon Internet Group Limited

Notes to the financial statements (continued)

For year ended 31 December 2018

3. Accounting policies (continued)

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Share based payment

Equity Settled Options

The ultimate parent company issues equity-settled share based payments to certain employees. The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which they are granted and is recognised as an expense over the vesting period, which ends on the date on which the relevant employees become fully entitled to the award.

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market vesting condition or a non-vesting condition, which are treated as vesting irrespective of whether or not the market vesting condition or non-vesting condition is satisfied, provided that all other non-market vesting conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market vesting conditions and of the number of equity instruments that will ultimately vest. The movement in cumulative expense since the previous balance sheet date is recognised in the income statement, with a corresponding entry in equity. Where the terms of an equity-settled award are modified or a new award is designated as replacing a cancelled or settled award, the cost based on the original award terms continues to be recognised over the original vesting period.

In addition, an expense is recognised over the remainder of the new vesting period for the incremental fair value of any modification, based on the difference between the fair value of the original award and the fair value of the modified award, both as measured on the date of the modification. No reduction is recognised if this difference is negative.

Where an equity-settled award is cancelled (including when a non-vesting condition within the control of the entity or employee is not met), it is treated as if it had vested on the date of cancellation, and any cost not yet recognized in the income statement for the award is expensed immediately. Any compensation paid up to the fair value of the award at the cancellation or settlement date is deducted from equity, with any excess over fair value being treated as an expense in the income statement.

Paragon Internet Group Limited

Notes to the financial statements (continued)

For year ended 31 December 2018

3. Accounting policies (continued)

The company applies the accelerated vesting attribution method to recognize equity-based compensation expense. The company recognize the expense separately for each vesting tranche. The company also estimates when and if performance based awards will be earned. If an award is not considered probable of being earned, no amount of expense is recognized. If the award is deemed probable of being earned, the expense is recorded over the estimated service period.

Fair value measured using the Black-Scholes option pricing model takes into account the following inputs:

- the exercise price of the option;
- the life of the option;
- the market price on the date of grant of the option;
- the expected volatility of the share price ;
- the dividends expected on the shares; and
- the risk free interest rate for the life of the option

The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural conditions.

The liability is remeasured to fair value at each reporting date up to and including the settlement date, with changes in fair value recognised in profit or loss for the period.

4. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of policies and reported amount of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form a basis for making the judgements about the carrying value of assets and liabilities that are not readily apparent from other sources.

The directors have reviewed the estimates and assumptions used in the preparation of the financial statements. The directors do not believe that there is a significant risk which would lead to material adjustments to the carrying value of any assets and liabilities in the next financial year due to the changes on the estimates or assumptions.

In making its decision surrounding revenue recognition, management have considered the detailed criteria for revenue from the sale of goods and rendering of services set out in IFRS 15 Revenue from contracts with customers. The directors are satisfied that recognition of revenue in the current year is appropriate.

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

5. Revenue

The analysis of the company's turnover is as follows:

All turnover has arisen in the United Kingdom and is attributable to the company's principal activity.

	2018 £000	2017 £000
Domains	3,351	3,086
Hosting	12,953	12,681
Presence and commerce	589	809
	<u>16,893</u>	<u>16,576</u>

6. Loss before tax

Loss before tax for the year has been arrived at after charging:

	2018 £ 000	2017 £ 000
Amortisation - intangible assets	2,936	2,949
Depreciation of tangible fixed assets - owned by the company	1,903	1,596
Depreciation of tangible fixed assets - held under finance leases	-	321

7. Auditor's remuneration

Fees payable to Ernst & Young LLP and their associates for the audit of the company's annual accounts were £44,000 (2017: £37,500). There were no non-audit services provided.

8. Staff costs

The average monthly number of employees (including executive directors) was:

	2018 No.	2017 No.
Technical and customer operations	35	46
Management and administration	1	3
Sales and marketing	0	3
	<u>36</u>	<u>52</u>

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

8. Staff costs (continued)

Their aggregate remuneration comprised:

	2018 £ 000	2017 £ 000
Wages and salaries	1,969	3,339
Social security costs	461	263
	<u>2,430</u>	<u>3,602</u>

9. Directors' remuneration

The directors' remuneration for the year was as follows:

	2018 £ 000	2017 £ 000
Emoluments for qualifying services	<u>72</u>	<u>175</u>
In respect of the highest paid director:		
	2018 £ 000	2017 £ 000
Remuneration	<u>33</u>	<u>68</u>

The other directors who held office during the year were remunerated by another group company with above remuneration allocated to Paragon Internet Group Limited for qualifying services.

10. Interest receivable

	2018 £ 000	2017 £ 000
Interest on loans to group companies	<u>188</u>	<u>-</u>

11. Interest payable and similar charges

	2018 £ 000	2017 £ 000
Interest on loans from group companies	580	471
Interest on finance leases	-	38
Other interest	10	12
	<u>590</u>	<u>521</u>

Paragon Internet Group Limited

Notes to the financial statements (continued)

For year ended 31 December 2018

12. Tax

Tax charged/(credited) for the year in the income statement:

	2018 £ 000	2017 £ 000
Current taxation		
UK corporation tax	-	-
Adjustments in respect of prior periods	-	-
Deferred taxation		
Arising from origination and reversal of temporary differences	(161)	(123)
Adjustment in respect of prior periods	4	(116)
Effect of tax rate change on opening balance	-	10
Tax charge / (credit) for the year	<u>(157)</u>	<u>(229)</u>

The tax on loss before tax for the year is below the standard rate of corporation tax in the UK of 19% (2017: 19.25%).

The charge/(credit) for the year can be reconciled to the profit and loss account as follows

Loss before tax	<u>(1,825)</u>	<u>(1,355)</u>
Corporation tax at standard rate	(347)	(261)
Effect of expenses not deductible in determining taxable profit	-	628
Group relief surrendered/(claimed)	83	(529)
Other tax adjustments, reliefs and transfers	168	
Adjustments to deferred tax charge in respect of previous periods	4	(78)
Effects of adoption of new accounting standards	(65)	-
Effect of changes in tax rate	-	11
Tax charge/(credit) for the year	<u>(157)</u>	<u>(229)</u>

The standard rate of UK corporation tax will reduce to 17% on 1 April 2020.

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

13. Deferred tax

The following are the major deferred tax assets recognised by the company and movements thereon during the current and prior reporting period.

	Fixed asset temporary differences	Short term temporary differences	Total
	£ 000	£ 000	£ 000
At 1 January 2018	289	45	334
Prior year adjustment	(5)	1	(4)
Debit to income statement	142	19	161
At 31 December 2018	426	65	491

Deferred tax is calculated at 17%, being the tax rate that is expected to apply in the period when the liability is settled, or the asset is released based on tax laws and rates that have been substantively enacted at the balance sheet date. Deferred tax assets and liabilities are offset where the company has a legally enforceable right to do so.

14. Intangible assets

	Goodwill £ 000	Customer lists £'000	Development costs £ 000	Total £ 000
Cost or valuation				
At 1 January 2018	4,102	11,676	664	16,442
Additions	-	-	-	-
At 31 December 2018	4,102	11,676	664	16,442
Amortisation / Impairment				
At 1 January 2018	-	4,545	155	4,700
Amortisation charge	-	2,879	57	2,936
At 31 December 2018	-	7,424	212	7,636
Carrying amount				
At 31 December 2018	4,102	4,252	452	8,806
At 31 December 2017	4,102	7,131	509	11,742

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

15. Tangible fixed assets

	Leasehold properties £ 000	Other fixed assets £ 000	Total £ 000
Cost or valuation			
At 1 January 2018	703	8,804	9,507
Additions	-	1,017	1,017
At 31 December 2018	<u>703</u>	<u>9,821</u>	<u>10,524</u>
Depreciation			
At 1 January 2018	211	5,886	6,097
Charge for the year	46	1,857	1,903
At 31 December 2018	<u>257</u>	<u>7,743</u>	<u>8,000</u>
Carrying amount			
At 31 December 2018	<u>446</u>	<u>2,078</u>	<u>2,524</u>
At 31 December 2017	<u>492</u>	<u>2,918</u>	<u>3,410</u>

Assets held under finance leases and hire purchase contracts

The net carrying amount of property, plant and equipment includes the following amounts in respect of assets held under finance leases and hire purchase contracts:

	2018 £ 000	2017 £ 000
Other fixed assets	<u>-</u>	<u>20</u>

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

16. Investment in subsidiaries

Cost or valuation and carrying amount	£ 000
At 31 December 2018	<u>3,605</u>
At 31 December 2017	<u>3,605</u>

The impairment provision relates to the investments in 5Quidhost Limited, Swarma Limited and Dataflame Limited whose assets were hived up in to the company on 31 July 2016 and these companies have ceased trading.

Details of the company's subsidiaries as at 31 December 2018 are as follows:

Name of subsidiary	Principal activity	Registered Office	Proportion of ownership interest and voting rights held	
			2018	2017
Compila Limited	Dormant		100%	100%
Identisafe Limited	Dormant		100%	100%
Paragon Services EOOD (formerly Siteswitch EOOD)	Telecommunications	(a)	100%	100%
Thermal Degree Limited*	Dormant		100%	100%
UK Webhosting Limited*	Dormant		100%	100%
5quid Ltd	Dormant		100%	100%
Dataflame Ltd	Dormant		100%	100%
Swarma Ltd	Dormant		100%	100%
Elastichosts Ltd	Telecommunications		100%	100%

* indicates direct investment of Paragon Internet Group Limited

Registered Office

Unless otherwise referenced the registered office of the company's subsidiaries is: 252-254 Blyth Road, 5th Floor, The Shipping Building, Old Vinyl Factory, Hayes, Middlesex, England, UB3 1HA.

a) Capital Fort, 90 Tzarigradsko shose Blvd, Sofia, Bulgaria

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

17. Debtors: amounts falling due within one year

	2018 £ 000	2017 £ 000
Trade debtors	1,093	1,186
Amounts owed by other group undertakings	4,994	41
Prepayments and accrued income	232	49
Deferred tax asset	-	334
Contract Assets	1,231	-
Other debtors	-	262
	<u>7,550</u>	<u>1,872</u>

18. Debtors: amounts falling due after one year

	2018 £ 000	2017 £ 000
Contract Assets	343	-
Deferred tax asset	491	-
	<u>834</u>	<u>-</u>

19. Creditors: amounts falling due within one year

	2018 £ 000	2017 £ 000
Trade creditors	175	180
Net obligations under finance leases and hire purchase contracts	-	245
Other taxation and social security	742	491
Amounts owed to other group undertakings	15,743	14,571
Accruals	620	242
Contract liabilities	5,792	4,418
Other creditors	137	11
	<u>23,209</u>	<u>19,913</u>

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

20. Creditors: amounts falling due after more than one year

	2018 £ 000	2017 £ 000
Contract Liabilities (Deferred income)	771	-

21. Provisions for liabilities

	Dilapidations provision £ 000
At 1 January 2018	420
Additional provision in the year	10
Utilisation of provision	-
	<u>430</u>

22. Share Based Payments

Performance Stock Units (PSU's) (Performance Options)

The ultimate parent company grant options vesting solely upon the continued employment of the recipient (Time Options) as well as options vesting upon the achievement of predetermined annual or cumulative financial-based targets coinciding with our fiscal year (Performance Options). Performance Options vest based on the achievement of predetermined performance targets in each of the successive four fiscal years.

In the event the performance targets are not achieved in any given year, the Performance Options for such year will subsequently vest upon the achievement of cumulative performance targets in the following fiscal year. Vesting of the Options is also subject to acceleration in the event of a change in control (of GoDaddy Inc.). Each of these options, whether Time Options or Performance Options, have a contractual term of ten years.

	No. of shares	2018 WAEP (£)	2018 Remaining contractual life in years	Share Based Payments Reserve £ 000
Outstanding at 31 December 2017	18,696	-	-	196
Granted during the year	-	-	-	-
Exercised	-	-	-	-
Forfeited	(18,696)	-	-	(196)
Outstanding at 31 December 2018	-	-	-	-

The PSUs granted in previous year were forfeited total number of shares allocated were 18,696, the exercise price of the shares is nil, the contractual term was ten years.

No new PSUs were granted during the year.

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

22. Share Based Payments (continued)

Restricted Stock Units (RSUs)(Time Options)

	2018 No.	2018 WAEP(£)	2018 Remaining contractual life in years	Share Based Payments Reserve £ 000
Outstanding at 31 December 2017	-	-	-	-
Granted during the year	1,888	-	2.2	3
Exercised	-	-	-	-
Expired during the year	-	-	-	-
Outstanding at 31 December 2018	<u>1,888</u>	<u>-</u>	<u>2.2</u>	<u>3</u>

The employees were granted restricted stock units (RSU) in the parent company during the year when the market value per share were between \$64.79.

All RSUs granted will vest as follows:

- 25% will vest on the first day of the month following the one year anniversary of the vest begin date and the remaining 75% will vest in 12 equal, quarterly instalments thereafter
- Subject to continuous employment with the Company

Where relevant, equivalent disclosures have been given in the group accounts of GoDaddy Inc. The group accounts of GoDaddy Inc. are available to the public and can be obtained as set out in note 26.

23. Called-up share capital and reserves

	2018 No.	2018 £ 000	2017 No.	2017 £ 000
Ordinary A shares of £1 each	799,001	799	799,001	799
Ordinary B shares of £1 each	80,000	80	80,000	80
Ordinary C shares of £1 each	40,000	40	40,000	40
Ordinary D shares of £1 each	40,000	40	40,000	40
Ordinary E shares of £1 each	40,000	40	40,000	40
	<u>999,001</u>	<u>999</u>	<u>999,001</u>	<u>999</u>

Shareholders of all ordinary shares are entitled to one vote for every share.

The ordinary shares have no entitlement to dividends except with special approval, until the group sells all or part of its operating business.

The company's other reserves are as follows:

Retained earnings

The retained earnings reserve represents cumulative profits or losses, net of dividends paid and other adjustments.

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2018

24. Obligation under leases and hire purchase contracts

Operating leases

At the balance sheet date, the company had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2018 £ 000	2017 £ 000
Within one year	184	184
In two to five years	591	734
In over five years	-	40
	<u>775</u>	<u>958</u>

The amount of non-cancellable operating lease payments recognized as an expense during the year was £184,000 (2017: £184,000).

25. Related Parties

	2018 £ 000	2017 £ 000
Amounts owed by group undertakings	4,994	41
Amounts owed to group undertakings	<u>(15,743)</u>	<u>(14,571)</u>
	<u>(10,749)</u>	<u>(14,530)</u>

Paragon Internet Group Limited has inter-company relationships within the group and services are provided to and from to each party. All amounts are fully recoverable and payable. The increase in the amounts owed by group undertakings is due to additional loans of £5,000,000 to 123-Reg Limited during the year.

26. Immediate and ultimate parent company and controlling party

The immediate parent company during the period ended 31 December 2018 P.I.G Holdings Limited, a company incorporated in England and Wales.

The ultimate parent company is GoDaddy Inc., a company incorporated in the United States of America and publicly listed, which is the parent company of the smallest and largest group to consolidate these financial statements.

The consolidated financial statements of GoDaddy Inc. are publicly available on the GoDaddy website.

GoDaddy Inc. is also the ultimate controlling party.