

Registration number: 07573953

Paragon Internet Group Limited

Annual report and financial statements

for the year ended 31 December 2017



Paragon Internet Group Limited

Contents

Company information	1
Strategic report	2
Directors' report	4
Directors' responsibilities statement	5
Independent auditor's report	6
Income statement	9
Statement of comprehensive income	10
Balance sheet	11
Statement of changes in equity	12
Notes to the financial statements	13

Paragon Internet Group Limited

Company information

Directors	J Wong S Conyers 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

Paragon Internet Group Limited

Strategic report

The directors present their strategic report for the year ended 31 December 2017.

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 £1,126,000 (2016: profit of £623,000).

The directors do not recommend the payment of a dividend (2016 - £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 2017 £'000	Year ended 31 December 2016 £'000
Revenue	16,576	11,348
Gross profit	13,087	8,810
Gross profit margin	79.0%	77.6%
Earnings before interest, tax, depreciation and amortisation (EBITDA) and exceptional items	5,240	4,751

The revenue is up by 46.0% compared to 2016. This is primarily due to inclusion of full year and integration of the companies acquired by Paragon Internet Group during 2016. Similar growth is reflected in Gross profit. The EBITDA is up by 10.2%. due to synergies being made by the integration of the 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 the 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 loss in the current year and has net current liabilities 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 Operating Company, LLC 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 27 September 2018 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 2017.

Directors

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

J Shutler	(appointed 6 July 2017 and resigned 7 December 2017)
S de Lemos	(resigned 24 July 2017)
A J Smith	(resigned 11 July 2017)
R Winslow	(appointed 6 July 2017 and resigned 14 June 2018)
J Wong	(resigned 11 July 2017 and re-appointed 7 December 2017)
S Conyers	(appointed 7 December 2017)
SS Da Costa Da Rego	(appointed 14 June 2018)

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 27 September 2018 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 2017 which comprise the Income Statement, the Balance Sheet, the Statement of changes in equity and the related notes 1 to 23, 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 [date] 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 authorised for issue.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Independent auditor's report to the members of 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.

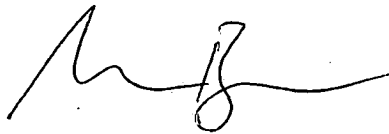
A further description of our responsibilities for the audit of the financial statements is located on the

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: 27/09/18.

Paragon Internet Group Limited

Income Statement For the year ended 31 December 2017

	Note	2017 £ 000	Restated* 2016 £ 000
Revenue	5	16,576	11,348
Cost of sales		<u>(3,489)</u>	<u>(2,538)</u>
Gross profit		13,087	8,810
Administrative expenses		(13,921)	(14,079)
Income from Investments		<u>-</u>	<u>6,622</u>
Operating income /(loss)		(834)	1,353
Interest payable and similar charges	10	<u>(521)</u>	<u>(661)</u>
Profit / (Loss) before tax	6	(1,355)	692
Tax on loss	11	<u>229</u>	<u>(69)</u>
Profit / (Loss) for the year		<u>(1,126)</u>	<u>623</u>

*The Income Statement for 2016 was restated in the current year. See Note 13 for details.

The above results were derived from continuing operations.

Paragon Internet Group Limited

Statement of comprehensive income For the year ended 31 December 2017

	2017	Restated*
	£ 000	2016
		£ 000
Profit for the year	(1,126)	623
Exchange translation differences	-	(68)
Total comprehensive income for the year	<u>(1,126)</u>	<u>555</u>

*The Profit for the year for 2016 was restated in the current year. See Note 13 for details.

Paragon Internet Group Limited

Balance sheet as at 31 December 2017

	Note	2017 £ 000	Restated* 2016 £ 000
Fixed assets			
Intangible assets	13	11,742	14,691
Tangible fixed assets	14	3,410	3,355
Investments in subsidiaries	15	3,605	3,605
		<u>18,757</u>	<u>21,651</u>
Current assets			
Debtors: amounts falling due within one year	16	1,872	2,094
Cash at bank and in hand		3,302	1,042
		<u>5,174</u>	<u>3,136</u>
Creditors: amounts falling due within one year	17	<u>(19,913)</u>	<u>(19,433)</u>
Net current liabilities		<u>(14,739)</u>	<u>(16,297)</u>
Total assets less current liabilities		<u>4,018</u>	<u>5,354</u>
Creditors: amounts falling due after more than one year	18	-	(174)
Provision for liabilities	19	<u>(420)</u>	<u>(652)</u>
Net assets		<u>3,598</u>	<u>4,528</u>
Capital and reserves			
Called-up share capital	21	999	999
Retained earnings	21	2,403	3,529
Share Based payments Reserve	20	196	-
Total shareholder's funds		<u>3,598</u>	<u>4,528</u>

*The Balance Sheet for 2016 was restated in the current year. See Note 13 for details.

The financial statements of Paragon Internet Group Limited (registration number: 07573953) were approved by the Board and authorised for issue on 27 September 2018. They were signed on its behalf by:



J Wong
Director

Paragon Internet Group Limited

Statement in changes of equity For year ended 31 December 2017

	Called-up share capital £ 000	(Restated*) Retained earnings £ 000	Share based payments Reserve £ 000	(Restated*) Total £
At 1 January 2016 (restated*)	<u>999</u>	<u>2,974</u>	<u>-</u>	<u>3,973</u>
Profit for the year (restated*)	-	623	-	623
Other comprehensive income	-	(68)	-	(68)
Total comprehensive income	<u>-</u>	<u>555</u>	<u>-</u>	<u>555</u>
At 31 December 2016 (restated*)	<u>999</u>	<u>3,529</u>	<u>-</u>	<u>4,528</u>
Loss for the year	-	(1126)	-	(1126)
Other comprehensive income	-	-	-	-
Share based payment transactions	-	-	196	196
Total comprehensive income	<u>-</u>	<u>(1126)</u>	<u>-</u>	<u>-</u>
At 31 December 2017	<u>999</u>	<u>2,403</u>	<u>196</u>	<u>3,598</u>

* 2016 Retained earnings brought forward and profit for the year have been restated. See Note 13 for details.

Paragon Internet Group Limited

Notes to the financial statements For year ended 31 December 2017

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 23.

Going concern

The company has net current liabilities of £14,739k as set out in the balance sheet on page 10.

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 Operating Company, LLC 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.

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 £5,240,000 (2016: £4,751,000) EBITDA (Earnings before interest, tax, depreciation and amortisation) pre-exceptional items in 2017.
- It had a positive cash balance at 31 December 2017 of £3,302,000 (2016: £1,042,000) and the directors forecast positive cash flows for 2018.
- The directors continue to monitor the company's funding strategy and have prepared detailed forecasts for 2018. These forecasts underpin the going concern basis for the company.

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2017

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 2017. 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:

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The company applied amendments retrospectively. However, their application has no effect on the Group's financial position and performance as the company has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle - 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

As at 31 December 2017 the company had no subsidiaries classified as held for sale.

Paragon Internet Group Limited

Notes to the financial statements (continued) **For year ended 31 December 2017**

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.

During the current financial year, the company made adjustments which had a material impact on the comparative period. The adjustments were corrected retrospectively meaning that the comparative information has been restated. The nature of the adjustments included reversing the amortisation posted on Goodwill for financial year ended 2015 and 2016 of £410,000 per year. The effect of the reinstatement was increase in the retained earnings by £820,000, and the increase in Intangible assets by £820,000.

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 23.

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 2017**

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.

Finance costs

Finance costs are charged to the income statement over the term of the debt so that the amount charged is at a constant rate on the carrying amount. Finance costs include issue costs, which are initially recognised as a reduction in the proceeds of the associated capital instrument.

Revenue recognition

Revenue comprises the value of web hosting and network services provided, and internet domain names issued, net of value added tax. Fees for web hosting and network services are deferred and recognised evenly over the period of the contract. Income from the issue of domain names is recognised in full on registration of the domain names.

Paragon Internet Group Limited

Notes to the financial statements (continued) **For year ended 31 December 2017**

3. Accounting policies (continued)

Revenue recognition (continued)

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.

Depreciation

Depreciation is recognised so as to write off the cost or valuation of assets (other than freehold 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.

Paragon Internet Group Limited

Notes to the financial statements (continued) **For year ended 31 December 2017**

3. Accounting policies (continued)

Tangible fixed assets (continued)

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

Goodwill

When the fair value of the consideration for an acquired undertaking exceeds the fair value of its separable net assets, the difference is treated as purchased goodwill and is capitalised

At the end of the first full financial year following acquisition goodwill is assessed for impairment. Thereafter, goodwill is monitored for indicators of impairment and a test for impairment is performed should indicators be identified.

Patents and licenses

Patents and licenses are measured initially at purchase cost and are amortised on a straight-line basis over their estimated useful lives.

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

Research and development

Development costs are capitalised within intangible assets where they can be identified with a specific product or project anticipated to produce future benefits, and are amortised on the straight line basis over the anticipated life of the benefits arising from the completed product or project.

Deferred research and development costs are reviewed annually, and where future benefits are deemed to have ceased or to be in doubt, the balance of any related research and development is written off to the income statement.

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

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2017

3.. Accounting policies (continued) Impairment of tangible and intangible assets (continued)

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

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

Paragon Internet Group Limited

Notes to the financial statements (continued) **For year ended 31 December 2017**

3. Accounting policies (continued)

Financial instruments(continued)

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.

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

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the company manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the company's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2017

3. Accounting policies (continued)

Financial instruments(continued)

Financial liabilities at FVTPL (continued)

- it forms part of a contract containing one or more embedded derivatives, and IAS 39 *Financial Instruments: Recognition and Measurement* permits the entire combined contract (asset or liability) to be designated as at FVTPL.

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.

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,

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2017

3. Accounting policies (continued)

Share based payment (continued)

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 judgement surrounding revenue recognition, management have considered the detailed criteria for revenue from the sale of goods and rendering of services set out in IAS 18 Revenue. The directors are satisfied that recognition of revenue in the current year is appropriate, in conjunction with recognition of an appropriate provision.

The Company reviews the estimated useful lives of intangibles at the end of each reporting period and intangibles are tested for impairment.

5. Revenue

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

	2017 £ 000	2016 £ 000
Web hosting and network services	16,576	11,348

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

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2017

6. Profit/(loss) before tax

Profit/(loss) before tax for the year has been arrived at after charging:

	2017 £ 000	Restated 2016 £ 000
Amortisation - intangible assets	2,949	1,438
Depreciation of tangible fixed assets - owned by the company	1,596	910
Depreciation of tangible fixed assets - held under finance leases	<u>321</u>	<u>678</u>

7. Auditor's remuneration

Fees payable to Ernst & Young LLP and their associates for the audit of the company's annual accounts were £37,500 (2016: £17,500).

Fees payable to Ernst & Young LLP and their associates for non-audit services to the company are not required to be disclosed because the consolidated financial statements of the parent company are required to disclose such fees on a consolidated basis.

8. Staff costs

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

	2017 No.	2016 No.
Technical and customer operations	46	47
Management and administration	3	2
Sales and marketing	<u>3</u>	<u>4</u>
	<u>52</u>	<u>53</u>

Their aggregate remuneration comprised:

	2017 £ 000	2016 £ 000
Wages and salaries	3,339	3,018
Social security costs	<u>263</u>	<u>233</u>
	<u>3,602</u>	<u>3,251</u>

Paragon Internet Group Limited

Notes to the financial statements (continued) **For year ended 31 December 2017**

9. Directors' remuneration

The directors' remuneration for the year was as follows:

	2017	2016
	£ 000	£ 000
Emoluments for qualifying services	<u>175</u>	<u>300</u>

In respect of the highest paid director:

	2017	2016
	£ 000	£ 000
Remuneration	<u>68</u>	<u>150</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 payable and similar charges

	2017	2016
	£ 000	£ 000
Interest on loans from group companies	471	576
Interest on finance leases	38	75
Other interest	12	10
	<u>521</u>	<u>661</u>

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2017

11. Tax on loss on ordinary activities

Tax charged for the year in the income statement:

	2017 £ 000	2016 £ 000
Current taxation		
UK corporation tax	-	-
Adjustments in respect of prior periods	-	4
Deferred taxation		
Arising from origination and reversal of temporary differences	(123)	65
Adjustment in respect of prior periods	(116)	-
Effect of tax rate change on opening balance	10	-
Tax charge / (credit) for the year	<u>(229)</u>	<u>69</u>

The tax on loss before tax for the year is the same as the standard rate of corporation tax in the UK of 19.25% (2016: 19.85%).

The charge for the year can be reconciled to the loss in the income statement as follows

Profit /(Loss) before tax	<u>(1,355)</u>	<u>282</u>
Corporation tax at standard rate	(261)	56
Effect of expenses not deductible in determining taxable profit	628	1,158
Effect of Income not taxable in determining taxable profit	-	(1,324)
Adjustments to tax charge in respect of previous periods	-	4
Group relief surrendered/(claimed) before payment	(529)	(92)
Deferred tax not recognised	-	350
Adjustments to deferred tax charge in respect of previous periods	(78)	(73)
Other tax adjustments	-	(2)
Effect of changes in tax rate	11	(8)
Tax charge / (credit) for the year	<u>(229)</u>	<u>69</u>

The future tax charge will be reduced to below the UK standard rate by the availability of tax losses.

The standard rate of UK corporation tax reduced to 19% on 1 April 2017 and will reduce to 17% on 1 April 2020.

12. Deferred tax

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

	Tax losses £ 000
At 1 January 2017	105
Debit to income statement	229
At 31 December 2017	<u>334</u>

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2017

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. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

	2017 £ 000	2016 £ 000
Deferred tax liabilities	-	-
Deferred tax assets	334	105
	<u>334</u>	<u>105</u>

The asset will be recoverable when the company makes taxable profits against which these losses can be offset.

13. Intangible assets

	Goodwill (restated*) £ 000	Customer lists £'000	Development costs £ 000	Total (restated*) £ 000
Cost or valuation				
At 1 January 2017	4,102	11,676	664	16,442
Additions	-	-	-	-
At 31 December 2017	<u>4,102</u>	<u>11,676</u>	<u>664</u>	<u>16,442</u>
Amortisation / Impairment				
At 1 January 2017 (restated*)	-	1,673	78	1,751
Amortisation charge	-	2,872	77	2,949
At 31 December 2017	<u>-</u>	<u>4,545</u>	<u>155</u>	<u>4,700</u>
Carrying amount				
At 31 December 2017	<u>4,102</u>	<u>7,131</u>	<u>509</u>	<u>11,742</u>
At 31 December 2016 (restated*)	<u>4,102</u>	<u>10,003</u>	<u>586</u>	<u>14,691</u>

*Under FRS 101 Goodwill should not be amortised and be subject to annual review for impairment. However, in the prior periods, the company had continued to apply amortisation after transition to FRS 101 (effective 1 January 2014), the annual impact of which was £363,000 per year. In order to correct this, the goodwill balance was restated to cost as at the FRS 101 transition date, which thereby increases the brought forward Amortisation and Carrying amount by £1,279,000 in 2016.

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2017

14. Tangible fixed assets

	Short term leasehold properties £ 000	Other fixed assets £ 000	Total £ 000
Cost or valuation			
At 1 January 2017	703	6,832	7,535
Additions	-	1,972	1,972
At 31 December 2017	703	8,804	9,507
Depreciation			
At 1 January 2017	165	4,015	4,180
Charge for the year	46	1,871	1,917
At 31 December 2017	211	5,886	6,097
Carrying amount			
At 31 December 2017	492	2,918	3,410
At 31 December 2016	538	2,817	3,355

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:

	2017 £ 000	2016 £ 000
Other fixed assets	20	321

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2017

15. Investment in subsidiaries

Cost or valuation	£ 000
At 1 December 2017	3,605
Additions	-
Impairment	-
At 31 December 2017	<u>3,605</u>
Carrying amount	
At 31 December 2017	<u>3,605</u>
At 31 December 2016	<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 2017 are as follows:

Name of subsidiary	Principal activity	Registered Office	Proportion of ownership interest and voting rights held	
			2017	2016
Compila Limited	Dormant		100%	100%
Identisafe Limited	Dormant		100%	100%
Paragon Services EOOD (formerly Siteswitch EOOD)	Telecommunications		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 2017**

16. Debtors

	2017 £ 000	2016 £ 000
Amounts falling due within one year:		
Trade debtors	1,186	965
Amounts owed by other group undertakings	41	475
Taxation and social security	-	22
Prepayments and accrued income	49	123
Deferred tax asset	334	105
Other debtors	262	404
	<u>1,872</u>	<u>2,094</u>

17. Creditors: amounts falling due within one year

	2017 £ 000	2016 £ 000
Trade creditors	180	415
Net obligations under finance leases and hire purchase contracts	-	245
Corporation tax	-	8
Other taxation and social security	491	252
Amounts owed to other group undertakings	14,571	12,296
Accruals and Deferred income	4,660	4,814
Other creditors	11	1,403
	<u>19,913</u>	<u>19,433</u>

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2017

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

	2017 £ 000	2016 £ 000
Net obligations under finance leases and hire purchase contracts	-	-
Deferred income	-	174
	<u>-</u>	<u>174</u>

19. Provisions for liabilities

	2017 £ 000	2016 £ 000
Dilapidation provision	420	410
Onerous lease provision	-	242
	<u>420</u>	<u>652</u>

	Dilapidations provision £ 000	Onerous lease provision £ 000	Total £ 000
At 1 January 2017	410	242	652
Additional provision in the year	10	-	10
Utilisation of provision	-	(242)	(242)
	<u>420</u>	<u>-</u>	<u>420</u>

The provision was utilised when the onerous lease came to an end during 2017.

20. 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.

Paragon Internet Group Limited

Notes to the financial statements (continued) For year ended 31 December 2017

20. Share Based Payments (continued)

	2017 No.	2017 WAEP (£)	Total Expense 2017 £ 000
Outstanding at 31 December 2016*	-	-	-
Granted during the year	18,696	-	196
Exercised	-	-	-
Expired during the year	-	-	-
Outstanding at 31 December 2017	<u>18,696</u>	-	<u>196</u>

* 2017 was the first year of grant of share options for the company as such, there are no comparatives or opening balances.

The total number of shares allocated were 18,696, the exercise price of the shares is nil, the contractual term is ten years.

There are 2 employee who have been granted performance stock units (PSU) in the parent company during the year when the market value per share was \$42.79.

All PSUs granted will vest as follows:

- The grant will be divided into 4 tranches with 4 different performance years and each tranche will vest in the first quarter of the year following the applicable performance year if the performance metrics are met and the Board approves vesting
- Subject to continuous employment with the Company
- During the year, employees did not exercise any PSU's.

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 23.

21. Called-up share capital and reserves

	2017 No.	2017 £ 000	2016 No.	2016 £ 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 2017

22. 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:

	2017 £ 000	2016 £ 000
Within one year	184	184
In two to five years	734	734
In over five years	<u>1,009</u>	<u>1,193</u>
	<u>1,927</u>	<u>2,111</u>

The amount of non-cancellable operating lease payments recognised as an expense during the year was £184,000 (2016: £184,000).

23. Immediate and ultimate parent company and controlling party

The immediate parent company during the period ended 31 December 2017 P.I.G Holdings Limited, a company incorporated in England and Wales.

The ultimate parent company until 3 April 2017 was Host Europe Holdings Limited, a company incorporated in the Channel Islands.

The ultimate controlling party up to 3 April 2017 was the Fifth Cinven Fund which held the majority of the shares in the company and which is managed by Cinven Capital Management (V) General Partner Limited.

On 6 December 2016, US-based GoDaddy Inc., the world's largest cloud platform dedicated to small, independent ventures, entered into a definitive agreement to acquire Host Europe Holdings and its subsidiaries (the Group).

The transaction was approved by the GoDaddy Inc. board of directors and the Group's shareholders and closed on 3 April 2017. From this date GoDaddy Inc. became the ultimate controlling party.

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