

Go Daddy Europe Limited

Report and Financial Statements

31 December 2016

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COMPANIES HOUSE

Go Daddy Europe Limited

Directors

Michael J. Holt (resigned 28 July 2017)
Nina Jacobs Kelly
Erin Eileen O'Shea
Rebecca Morrow (appointed Dec 31, 2016)
Matthew Bryce Kelpy (resigned Dec 31, 2016)

Secretary

Taylor Wessing Secretaries Limited

Auditors

Ernst & Young LLP
Blenheim House
Fountainhall Road
Aberdeen
AB15 4DT

Bankers

Bank of America
2 King Edward Street
London EC1A 1HQ

Registered Office

5 New Street Square
London EC4A 3TW

Company Number

6157133

Directors' report

The directors present their report and financial statements for the year ended 31 December 2016:

Results and dividends

The net income for the year ended 31 December 2016 after taxation amounted to \$580,098. The directors do not recommend the payment of a dividend.

Principal activities

The company's principal activity during the year was operational support for companies offering internet related products and services, including credit card payment processing for the United Kingdom (UK) customers of its parent company Desert Newco, LLC, and other administrative services. The company had seven employees at 31 December 2016 and seven employees at 31 December 2015.

Directors

The directors who served the company during the year and appointed subsequently were as follows:

Michael J. Holt (resigned 28 July 2017)
Nima Jacobs Kelly
Erin Eileen O'Shea
Rebecca Morrow (appointed Dec 31, 2016)
Matthew Bryce Kelpy (resigned Dec 31, 2016)

Disclosure of information to the auditors

So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

Directors' report

Small companies note

In preparing the report, the directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

The directors have taken advantage of the exemption available to small companies under section 414B of the Companies Act 2006, not to provide a strategic report.

On behalf of the Board



Numa Jacobs-Kelly

Director

27 September 2017

Statement of director's responsibilities

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

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records 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 auditors' report

to the members of Go Daddy Europe Limited

We have audited the financial statements of Go Daddy Europe Limited, for the year ended 31 December 2016 which comprise the Profit and Loss Account, the Balance Sheet, and the related notes 1 to 17. The relevant financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable to UK and Republic of Ireland'.

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.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 4, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently, materially incorrect based on or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2016 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Independent auditors' report

to the members of Go Daddy Europe Limited

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where 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; or
- the directors were not entitled to prepare the financial statements in accordance with the small companies regime and take advantage of the small companies' exemption in not preparing the Strategic Report and take advantage of the small companies' exemption in preparing the directors' report.

Ernst & Young LLP

Kevin Weston (Senior Statutory Auditor)

For and on behalf of Ernst & Young LLP (Statutory Auditor)

Aberdeen

28/9/2017

Profit and loss account

For the year ended 31 December 2016

	<i>Note</i>	<i>2016</i>	<i>2015</i>
		\$	\$
Turnover	2	20,223,178	6,036,049
Cost of Sales		8,083,518	5,611,862
Gross profit		12,139,660	424,187
Administrative expenses		11,422,021	355,682
Operating profit	3	717,639	68,505
Foreign exchange gain		20,912	-
Interest receivable and similar income		=	88
Profit on ordinary activities before taxation		738,551	68,593
Tax	4	(158,453)	(20,150)
Profit for the financial period	8	580,098	48,443

Balance sheet

at 31 December 2016

	<i>Note</i>	<i>2016</i> \$	<i>2015</i> \$
Non-current assets			
Tangible fixed assets	5	16,910	27,116
Intangible assets		-	-
Deferred tax assets - long term	6	114,493	52,184
Investment in subsidiary	10	399,032	-
Other assets	7	<u>6,722</u>	<u>2,828</u>
Total non-current assets		537,157	82,128
Current assets			
Debtors		-	-
Cash at bank and in hand		9,240,247	3,639,547
Accounts receivable		2,598,671	1,182,925
Other assets	8	<u>4,488</u>	<u>6,871</u>
Total current assets		<u>11,843,406</u>	<u>4,829,343</u>
Total assets		<u>12,380,563</u>	<u>4,911,471</u>
Current Liabilities			
Creditors: amounts falling due within one year	9	4,342,305	1,228,713
Deferred revenue	13	<u>6,036,947</u>	<u>3,419,520</u>
Total current liabilities		<u>10,379,252</u>	<u>4,648,233</u>
Net current assets		<u>1,464,154</u>	<u>181,110</u>
Total assets less current liabilities		<u>2,001,311</u>	<u>263,238</u>
Deferred revenue	13	<u>1,046,104</u>	<u>261,633</u>
Total net assets		<u>955,207</u>	<u>1,605</u>
Capital and reserves			
Called up share capital	11	3,507	3,507
Share base payment reserve	12	373,504	-
Profit and loss account	12	<u>578,196</u>	<u>(1,902)</u>
Shareholders' funds		<u>955,207</u>	<u>1,605</u>

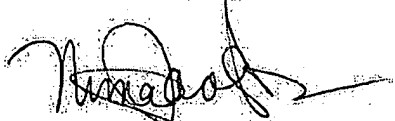
Go Daddy Europe Limited

Balance sheet

at 31 December 2016

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime within Part 15 of the Companies Act 2006 and with the Financial Reporting Standard for Smaller Entities (effective April 2015).

On Behalf of the Board



Nima Jacobs Keny
Director

Company Registration No. 6157133

Notes to the financial statements

At 31 December 2016

1. Accounting policies

Basis of preparation

The financial statements are presented in United States Dollars (\$). At 31 December 2016, the translation rate of \$1.23/£1 GBP (2015 - \$1.48/£1 GBP) has been used in these financial statements.

The preparation of financial statements in compliance with FRS 102 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amount reported for revenues and expenses during the year.

There were no judgements or material estimation uncertainties affecting the reported financial performance in the current or prior year.

The company transitioned from previously extant UK GAAP to FRS 102 as at 31 December, 2016. An explanation of how transition to FRS 102 has affected the reported financial position and financial performance is given in note 17.

Financial reporting standard 102- reduced disclosure exemption

The company has taken advantage of the following disclosure exemptions in preparing these financial statements, as permitted by FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland.

- the requirements of Section 4 – Statement of Financial Position, paragraph 4.12(a)(iv);
- the requirements of Section 7 – Statement of Cash Flows – and Section 3 – Financial Statement Presentation, paragraph 3.17(d);
- the requirements of Section 11, paragraphs 11.41(b), 11.41(c), 11.41(e), 11.41(f), 11.42, 11.44, 11.45, 11.47, 11.48(a)(iii), 11.48(a)(iv), 11.48(b) and 11.48(c) and
- the requirements of Section 12, paragraphs 12.26 (in relation to those cross-referenced paragraphs from which a disclosure exemption is available), 12.27, 12.29(a), 12.29(b) and 12.29A;
- the requirements of Section 26 – Share-based Payment, paragraphs 26.18(b), 26.19 to 26.21 and 26.23;
- the requirement of Section 33 – Related Party Disclosures, paragraph 33.7.

This information is included in the consolidated financial statements of Desert Newco LLC as at 31 December 2016 and these financial statements may be obtained from 14455 N. Hayden Rd, Scottsdale, AZ 85260.

Basis of Consolidation

The consolidated financial statements of the Company and its subsidiary companies have not been presented because the Company is itself a wholly-owned subsidiary company and directors are of the opinion that there is no practical benefit to be gained from the preparation of the consolidated financial statements.

Notes to the financial statements

At 31 December 2016

Taxation

Tax is recognized in the Statement of Comprehensive Income, except that a charge attributable to an item of income and expense recognised as other comprehensive income or to an item recognised directly in equity is also recognised in other comprehensive income or directly in equity respectively.

The current income tax charge is calculated on the basis of tax rates and laws that have been enacted or substantively enacted by the balance sheet date in the countries where the Company operates and generates income.

Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to US Dollars at the rate of exchange at the balance sheet date. Exchange gains and losses are recognized in the Profit and Loss Account.

Fixed assets and depreciation

The cost of fixed assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these fixed assets to be between 2 to 5 years.

Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Subsidiaries

A subsidiary is an entity over which the Company has the power to govern the financial and operating policies so as to obtain benefits from its activities.

In the Company's financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

Details of the Company's subsidiaries are disclosed in Note 10 to the financial statements.

Notes to the financial statements

At 31 December 2016

Share Options

The ultimate parent company issues equity-settled share based payments to certain employees. In accordance with FRS 20 "Share-based payment (IFRS 2)", the company reflects the economic cost of rewarding restricted stock to employees by recording an expense in respect of the services received from employees in the profit and loss account at an amount equal to the fair value of the award stock. Awards granted under the plan are measured using the fair value of the stock of the ultimate parent company at the time of grant. The fair value of the stock is determined by reference to either the market value of the options or the Black-Scholes pricing model.

Fair value measured using the Black-Scholes 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 expense is spread over the period in which the services are received by the company ("the vesting period") on a straight-line basis. An assessment of the number of restricted stock units which are expected to vest is made at the end of each reporting period and any adjustments to the expected charge related to restricted stock units are made in the current period.

Shares for which an option is granted are issued by the ultimate parent company and no consideration is given by this company in respect of these options. Therefore, no share based payment reserve is recognized.

2. Turnover

Turnover, which is stated net of value added tax, represents amounts charged for payment processing and is attributable to one continuing activity, as stated in the directors' report.

All turnover is attributable to customers in the UK.

Revenue consists primarily of the Office 365 application. Revenue is recognized over the period during which products or services are delivered to the customer. Customers are billed for products, generally in advance, based on their selected contract term duration.

For all customers, regardless of the method used to bill them, cash received in advance of the provision of products is recorded as deferred revenue.

Notes to the financial statements

At 31 December 2016

3. Operating Profit

	2016	2015
	\$	\$
Auditors' remuneration:	35,000	31,500

The directors are employed and remunerated by the parent company. They do not believe it is practicable to apportion their remuneration between services as directors of the company and their services as directors of the parent company and the fellow subsidiaries.

4. Tax

(a) Tax on profit on ordinary activities.

The tax charge is made up as follows:

	2016	2015
	\$	\$
Current tax:		
UK corporation tax on the profit for the period	220,947	40,405
Under provision in the prior year	(185)	(9,524)
Total current tax	220,762	30,881
Deferred tax:		
Origination and reversal of timing difference	(62,309)	(10,731)
Total tax on profit on ordinary activities	158,453	20,150

(b) Factors affecting tax charge for the period:

	2016	2015
	\$	\$
Profit on ordinary activities multiplied by standard rate of tax of corporation tax of 20% (2015: 20%)	220,947	40,405
Under provision in the prior year	(185)	(9,524)
	220,762	30,881

Notes to the financial statements

At 31 December 2016

4. Tax (continued)

(c) Factors that may affect future tax charges

The UK corporation tax rate reduced to 20% from 1 April 2015. The UK corporation tax rate is now set to fall to 19% with effect from 1 April 2017 and to 18% with effect from 1 April 2020 in accordance with legislation that was substantively enacted by 31 December 2015.

5. Tangible Fixed Assets

	<i>Computer Hardware</i> \$	<i>Software & Licenses</i> \$	<i>Total</i> \$
<i>Cost</i>			
At 1 January 2016	26,932	3,551	30,483
Additions	-	-	-
At 31 December 2016	<u>26,932</u>	<u>3,551</u>	<u>30,483</u>
<i>Depreciation</i>			
At 1 January 2016	(3,065)	(302)	(3,367)
Provided during the year	<u>(9,022)</u>	<u>(1,184)</u>	<u>(10,206)</u>
At 31 December 2016	<u>(12,087)</u>	<u>(1,486)</u>	<u>(13,573)</u>
<i>Carrying amount</i>			
At 31 December 2016	<u>14,845</u>	<u>2,065</u>	<u>16,910</u>
At 1 January 2016	<u>23,867</u>	<u>3,249</u>	<u>27,116</u>

6. Deferred tax asset non-current

The deferred tax asset included in the balance is as follows:

	2016 \$	2015 \$
Balance at 1 January	52,184	41,453
Profit and loss account	<u>62,309</u>	<u>10,731</u>
Balance at 31 December	<u>114,493</u>	<u>52,184</u>

Notes to the financial statements

At 31 December 2016

7. Other assets non-current

The non-current other asset included in the balance is as follows:

	2016	2015
	\$	\$
Office rental security deposit	5,150	1,256
Domain names held for sale	1,572	1,572
	<u>6,722</u>	<u>2,828</u>

8. Other debtors

	2016	2015
	\$	\$
Prepaid expenses	4,488	6,871
	<u>4,488</u>	<u>6,871</u>

9. Creditors: amounts falling due within one year

	2016	2015
	\$	\$
Trade creditors	2,559,835	300,588
Amounts owed to group undertaking	317,895	-
Accruals	797,849	614,393
Current corporation tax	202,804	40,405
Social security and other taxes	463,922	273,327
	<u>4,342,305</u>	<u>1,228,713</u>

10. Investment in Subsidiary

Name	Country of incorporation	Principal activities	Portion of Ownership	\$
Held by the Company:			<u>2016</u>	<u>2016</u>
Godaddy WP Europe d.o.o	Serbia	Technical support services	100	399,032

Notes to the financial statements

At 31 December 2016

11. Issued share capital

	2016		2015	
<i>Allotted, called up and fully paid</i>	No.	\$	No.	\$
Ordinary shares of £ each	1,000	<u>3,507</u>	1,000	<u>3,507</u>

12. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Share Based Payment Reserve</i>	<i>Profit and loss account</i>	<i>Shareholders' funds</i>
	\$	\$	\$	\$
At 1 January 2016	3,507	-	(1,902)	1,605
Share based payment	-	373,504	-	373,504
Profit (Loss) for the year	-	-	580,098	580,098
At 31 December 2016	<u>3,507</u>	<u>373,504</u>	<u>578,196</u>	<u>955,207</u>

13. Deferred Revenue

	2016	2015
	\$	\$
Short-term revenue from sales	6,036,947	3,419,520
Long-term revenue from sales	<u>1,046,104</u>	<u>261,633</u>
	<u>7,083,051</u>	<u>3,681,153</u>

14. Related party transactions

As the company is a wholly owned subsidiary of Desert Newco, LLC, it has taken advantage of the exemption given by paragraph 33.11(a) of the FRS 102 which allows exemption of related party transactions with other group companies.

Notes to the financial statements

At 31 December 2016

15. Ultimate parent undertaking and controlling party

The directors consider the ultimate parent undertaking and controlling party to be Desert Newco, LLC.

The parent undertaking of the group of undertakings for which group financial statements are drawn up and of which the company is a member is Desert Newco LLC 14455 N Hayden Road Suite 219 Scottsdale, Arizona 85260.

16. Equity-settled share based payments

The following options relate to Ordinary shares in the ultimate parent company, Desert Newco LLC.

	No	Weighted average grant date fair value
Options outstanding at 31 December 2015	145,738	\$ 7.76
Options granted during the year	12,500	\$ 11.6647
Options cancelled during the year	(4,059)	\$ 4.5452
Options outstanding at 31 December 2016	146,000	\$ 16.4807

No options were exercised during the year ended December 31, 2016.

The input assumptions used in the Black-Scholes option pricing model are: Risk-free interest rate 1.625%, Expected term 6.25 years, and Volatility 38.29%.

There is one UK employee who has been granted stock options in the parent company during the year.

All options granted will be eligible to be exercised as long as the following vesting conditions are satisfied:

- 60% vest ratably over four years
- 40% vest ratably over four years if certain performance criteria are met

For options outstanding at the year end the range of exercise prices and weighted average remaining contractual life are as follows:

Expiry Date	Exercise Price	No. of Shares	Remaining contractual life
09/24/2023	\$10.68	75,000	6.73
06/11/2024	\$16.48	10,000	7.45
09/17/2024	\$18.00	500	7.72
02/23/2025	\$19.50	34,000	8.15
07/15/2025	\$26.43	5,000	8.54

Notes to the financial statements

At 31 December 2016

01/15/2026	\$29.17	12,500	9.04
06/10/2025	\$30.16	9,000	8.44

	No	Weighted average grant date fair value
Awards outstanding at 31 December 2015	-	\$ -
Awards granted during the year	3,934	\$ 30.5200
Awards cancelled during the year	(1,023)	\$ 29.3400
Options outstanding at 31 December 2016	2,911	\$ 30.9309

There are four UK employees who have been granted restricted stock units (RSU) in the parent company during the year.

All RSUs granted will vest as follows:

- 25% vest in one year
- 75% vest quarterly over the remaining three years

17. First time adoption of FRS 102

The policies applied under the entity's previous accounting framework are not materially different to FRS 102 and have no impact on equity or profit or loss.