CentralNic

Annual Report 2018

CentralNic Group Plc

"I am pleased to report on a year of outstanding growth for CentralNic, following the KeyDrive acquisition. The Group made its most significant step forward to date in its strategy to build a global domain name and web services provider, which effectively doubled the Group's size and completed its transition to a virtually pure play recurring revenue business."

Mike Turner
Chairman

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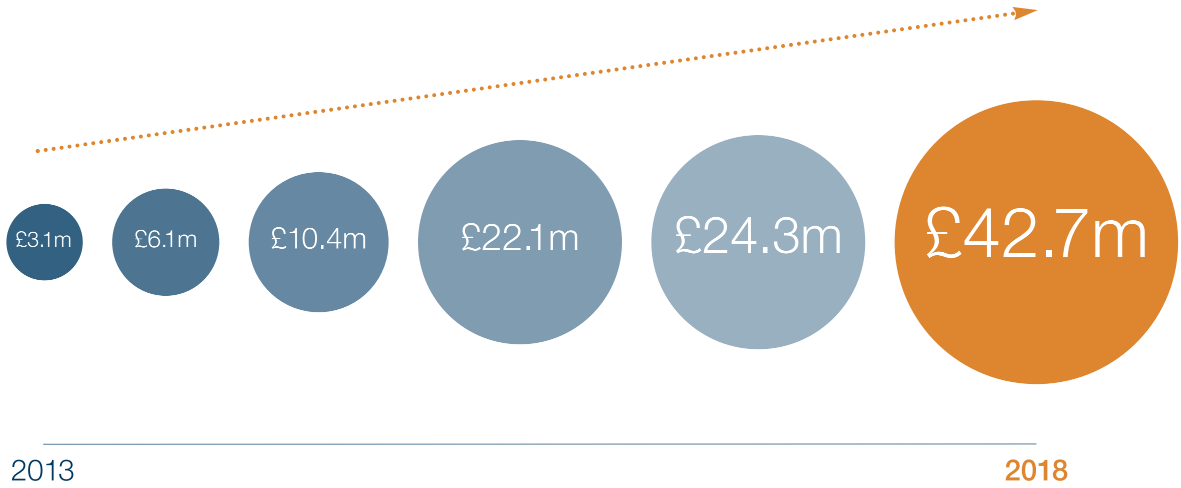
A transformational year

Financial highlights

Revenue increased by a factor of 14 times since flotation in 2013



Revenue up 100% to £42.7m
(2017 £21.4m*)

Gross Profit up 69% to £19.7m
(2017: £11.6m*)

Adjusted EBITDA** up 66% to £7.0m
(2017: £4.2m)

Cash balance up 66% to £18.0m
(2017: £10.9m)

Net interest bearing debt reduced by 66% to £2.5m
(2017: £7.2m)

* Excluding premium domain sales – no longer a core activity of the Group.
** Excludes impact of share based payments expense for options, premium domain sales, foreign currency exchange and non core operating costs.

Operational highlights

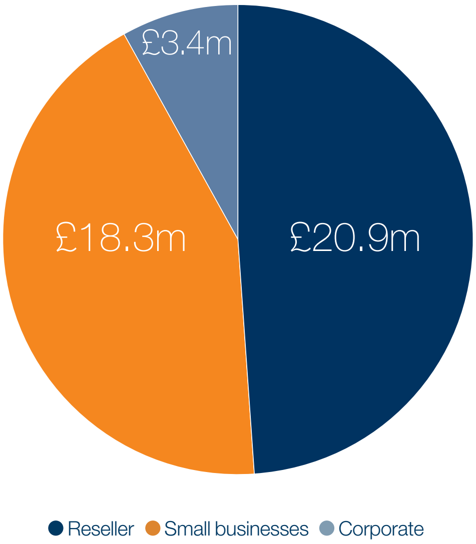
- Transformational acquisition of KeyDrive integrating to plan:
  - Doubled size of Group with additional staff in Germany, USA and Luxembourg
  - Augments CentralNic's market strength, doubling customer numbers
  - Diversifies business providing cross-selling opportunities
  - Provides market leading technology which facilitates future acquisitions
  - Cost synergies being realised
- Acquisition of GlobeHosting increased presence in Romania and Brazil
- SK-NIC integration successfully completed with pleasing contribution to the Group
- Global customer footprint expanded
- Recurring revenues stable at 90% (2017: 91%)

Post year-end events

- Michael Riedl (former CFO of KeyDrive) appointed CFO of CentralNic
- Don Baladasan appointed MD of CentralNic to focus on integrations
- CentralNic awarded management of c.680,000 domain names by ICANN

Our sales

Who we sell to

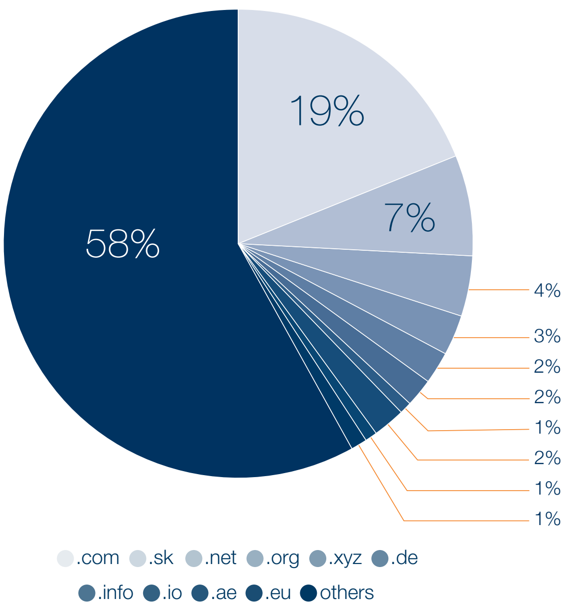


In total, CentralNic serves more than 250,000 customers within three customer segments

- c.5,000 resellers including all the largest domain retailers in the world which sell domain names to their customers
- c.300 corporations with up to 50,000 domain names each to protect their brands
- c.250,000 small businesses in almost every country in the world who need domain names for their websites and email

What we sell

% of revenue by domain suffix



Current services

Our platforms supported approximately 15.6 million domain names in 2018

New services

We are scaling up additional services to our customers such as hosting, website building, security certification and online brand protection

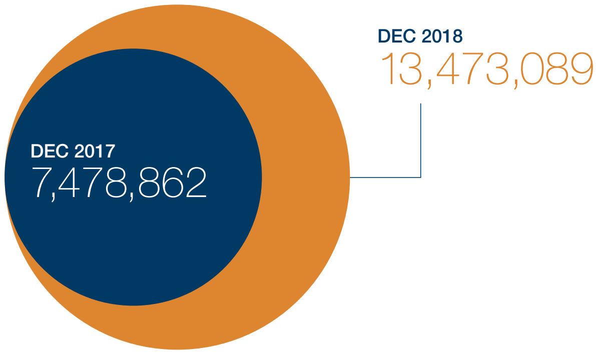
Customer concentration is low with the largest customer representing only c.4% of revenues

Reseller segment

CentralNic is one of the world's leading domain name reseller platforms, supplying domain names to more than 5,000 reseller clients. These include all of the world's largest domain name retailers, and some of the biggest companies in the world.

Our Reseller segment was transformed in 2018 by the acquisition of KeyDrive and a full year's contribution from our November 2017 acquisition of SK-NIC.

Revenue in the Reseller segment increased 264% from £5.7m to £20.9m. Gross profit for the segment nearly doubled from £4.9m to £9.7m.



GROWTH
5,994,227
80%

80%
Domains supplied to resellers up 80%

- Over 5,000 customers
- 264% revenue growth to £20.9m in 2018 (2017: £5.7m)
- 100% gross profit growth to £9.7m in 2018 (2017: £4.9m)
- 47% gross margin in 2018 (2017: 85%)
- Ranked No. 2 as wholesale registrar and in top 5 as registry backend
- Renewal rate 85-90%

CASE STUDY: LEADING US HOSTING COMPANY

Services CentralNic provides:

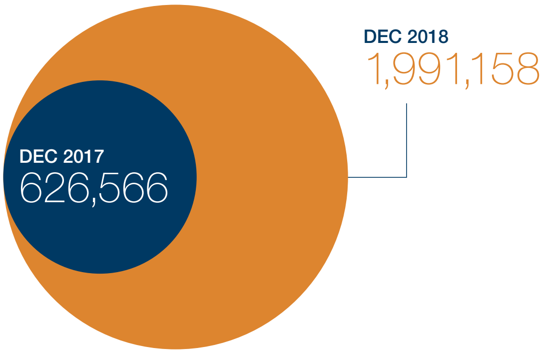
- Supplies domains with over 1,000 different top-level domain extensions, including the long tail, high-margin country-code domain names, sourced from 200+ countries and territories around the world
- Standardises the processes for acquiring those domain names
- Automates all the manual processes required in registering domain names
- Centralises billing with single invoices covering domains with hundreds of sources
- Saves resellers from having to work with dozens of additional suppliers around the world, each with its own unique protocols, technologies and manual processes and billing

Small business segment

CentralNic provides more than 250,000 small businesses in almost every country in the world with domain names and value-added services.

These are all provided via a subscription model leading to substantial recurring revenues.

Our Small Business Segment revenues for 2018 were £18.3m up 24% from £14.7m in 2017. Gross profit increased from £6.0m in 2017 to £7.5m in 2018. The portfolio of Small Businesses portals was extended during the year to include domaindiscount24, Moniker.com, and GlobeHosting.



GROWTH
1,364,592
218%

2m
Around 2m domains supplied to small businesses

- Over 250,000 customers
- 24% revenue growth to £18.3m in 2018 (2017: £14.7m)
- 25% gross profit growth to £7.5m in 2018 (2017: £6.0m)
- Gross margin 41% (2017: 41%)
- Renewal rate 65-85%

CASE STUDY: SINGLE OFFICE, SINGAPORE-BASED COMPANY

Services CentralNic provides:

- Sells customer a small portfolio of domain names
- Provides website hosting
- Provides email hosting
- Provides security certificates as a reseller of third-party providers
- Manages the customer relationship including billing and customer service
- Provides expert advice, as an outsourced IT partner, to assist the customer's growth

Corporate segment

CentralNic manages the domain portfolios of over 300 clients. Some of which are the world's biggest brands. Many of these companies buy several thousand domain names in order to protect these brands from being compromised and to ensure they are renewed at appropriate time, preventing risk of substantial reclaim costs.

This is a relatively new business for CentralNic and is witnessing rapid growth rates. The business also enjoys the highest gross margins across the Group and a renewal rate of over 90%.

Our new Corporate services have the highest renewal rates of our 3 segments, replacing our phased out premium domain sales business.

Adjusting for phased out premium domain sales, revenues for the segment increased by 290% from £0.9m to £3.4m, and gross profit increased by 207% from £0.8m to £2.5m.

DEC 2017
0

DEC 2018
137,309

GROWTH
137,309

Corporate business transformed to recurring revenue model

- Over 300 customers
- 290% revenue growth to £3.4m
  in 2018 (2017: £0.9m adjusted for phased out one off premium domain sales)
- 207% gross profit growth to £2.5m
  in 2018 (2017: £0.8m adjusted for phased out one off premium domain sales)
- 72% gross margin
  in 2018 (2017: 89% adjusted for phased out one off premium domain sales)
- Renewal rate 91.4%

CASE STUDY: A LEADING FMCG BRAND

Services CentralNic provides:

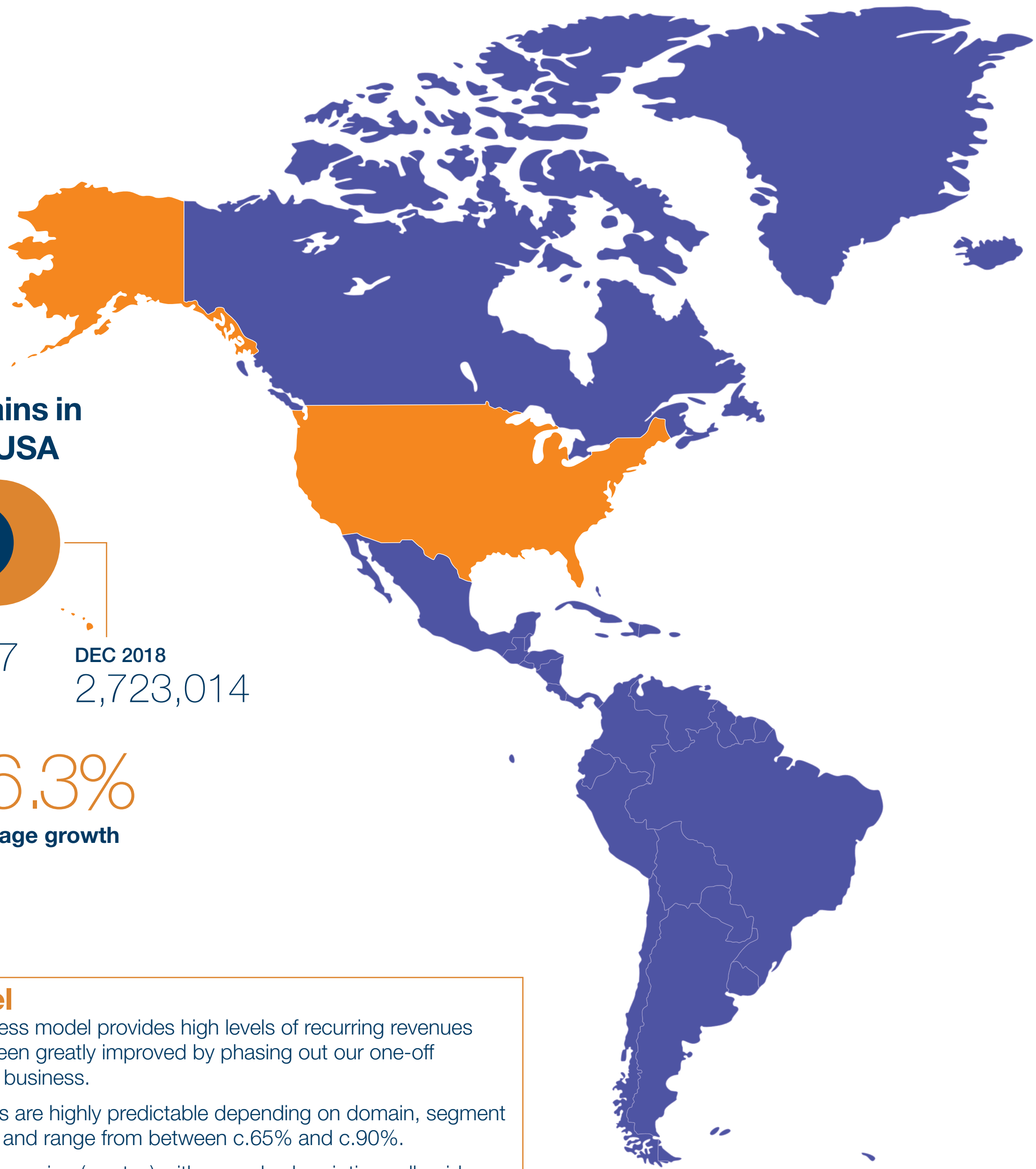
- Buys all domain names that are relevant to the customer on its behalf
- Administers and reports on the customer's domain portfolio
- Mitigates online business continuity risk by ensuring domain names are renewed at appropriate time
- Provides expert advice and guidance on new registrations and administration of the portfolio
- Protect customers' brand and web presence from being compromised, and from facing substantial costs to reclaim lost domain names
- Provides online domain name monitoring services to effectively and proactively mitigate and defend against online abuse of brands

CentralNic Group at a glance

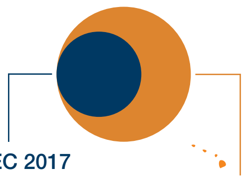
Building the global

A truly global business with customers in almost every country in the world.

Our global presence continues to rapidly expand as a result of our acquisitive and organic expansion and clear focus on growth markets.



Domains in the USA



DEC 2017
1,105,697

DEC 2018
2,723,014

146.3%
Percentage growth

Revenue model

Our subscription business model provides high levels of recurring revenues at 90%. Visibility has been greatly improved by phasing out our one-off premium domain sales business.

Customer renewal rates are highly predictable depending on domain, segment and customer maturity and range from between c.65% and c.90%.

We enjoy high cash conversion (pre-tax) with annual subscriptions all paid in advance.

digital economy

Domains in Western Europe

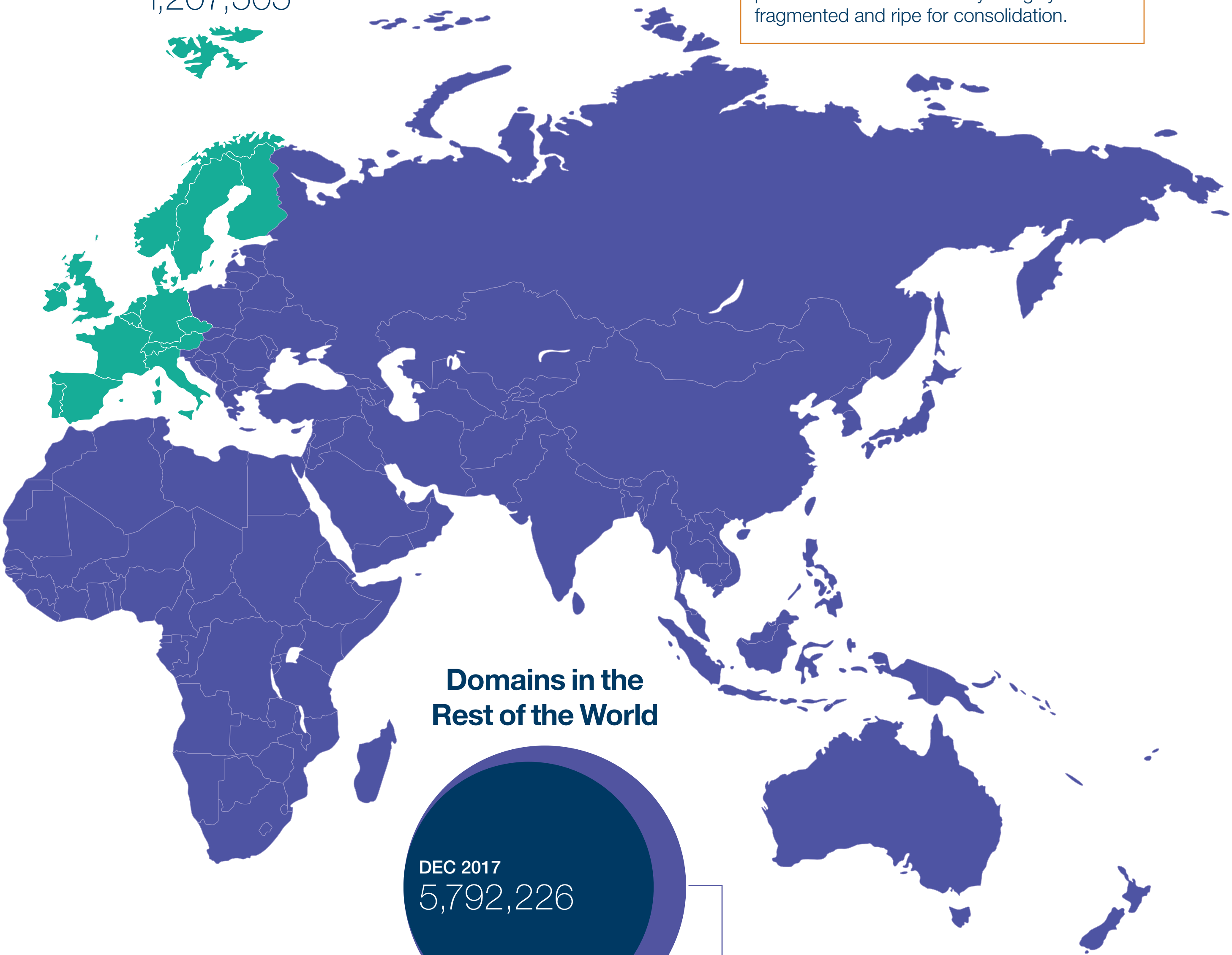
DEC 2017
1,207,505

DEC 2018
5,617,807

365.2%
Percentage growth

Market

The market opportunity is huge. The Total Addressable Market is estimated at US$30bn. CentralNic currently has less than 1% penetration and the industry is highly fragmented and ripe for consolidation.



Domains in the Rest of the World

DEC 2017
5,792,226

DEC 2018
7,260,735

25.4%
Percentage growth

Chairman's statement

I am pleased to report on a year of outstanding growth for CentralNic, following the KeyDrive acquisition. The Group made its most significant step forward to date in its strategy to build a global domain name and web services provider, which effectively doubled the Group's size and completed its transition to a virtually pure play recurring revenue business.

Mike Turner Chairman

Both CentralNic's traditional business and the newly acquired KeyDrive continued to grow organic revenues with healthy profit margins, generating high levels of operating cash flow.

This transformational evolution of the Group is the result of enormous hard work from our executives and staff, and I thank them on behalf of the Board and the Shareholders for their efforts. I also welcome the new staff and senior executives who joined the enlarged Group through the KeyDrive acquisition, as well as the new Shareholders who joined the register as part of that transaction. Notably Alex Siffrin, the founder of KeyDrive, has joined CentralNic as Chief Operating Officer, as well as taking most of his consideration for the sale of KeyDrive in CentralNic shares, making his family office one of our largest Shareholders.

Coinciding with the transaction, we extended our borrowing facility with Silicon Valley Bank, whose continued support of the Group is also worthy of recognition.

The new financial year has started with continuing progress on integration, including the appointment of the former KeyDrive CFO, Michael Riedl, to the Board in the position of Group Chief Financial Officer. In addition, CentralNic's former CFO, Don Baladasan, was appointed to the new position of Group Managing Director, with special responsibility for the integration of new acquisitions.

Results to date in the new financial year, together with the Group's high percentage of recurring revenues, provide the Board with every confidence of meeting market expectations for 2019.

Furthermore, the continued availability of attractive acquisition targets coupled with the Group's proven ability to source, complete and integrate complex acquisitions around the world, provides an excellent opportunity to build a sizeable global business to rival the largest industry players. Given its equity position has substantially improved and its current trading is favourable to market expectations, the Company is currently reviewing its capital structure for efficiency in view of its continued acquisition strategy.

Mike Turner
Chairman

12 May 2019

Chief Executive Officer's report

CentralNic enjoyed a successful year in 2018, with its organic growth supplemented by the transformative acquisition of KeyDrive, which contributed to the results for the last five months of the year. Revenues for the year were £42.7m, a 100% increase over 2017, and EBITDA was £7m in 2018, a 66% improvement on 2017 – excluding the £3.0m revenue and EBITDA contribution made in 2017 by premium domain name trading, which is no longer a core activity of the Group.

Ben Crawford Chief Executive Officer

Market and strategy

CentralNic's reported revenues are now 14 times higher than they were on listing on AIM five years ago. Facing an addressable market estimated at over US$30 billion, we are committed to continuing the strategy proven to deliver this excellent growth, combined with strong margins and cash generation.

As a foundation technology of the internet, domain names are governed by global standards, meaning that in every region of the world, the domain industry uses similar technologies and exhibits the same fundamental business dynamics of recurring revenues with highly predictable renewal rates and high cash conversion. CentralNic was formed by combining a number of the most advanced technical platforms – developed over the past 20 years as the internet in the US and Western Europe became a ubiquitous tool for business. Our core strategy is globalising these platforms, focusing on growth markets – both through winning new customers and making earnings acquisitions – and upselling additional technical services to our domain name customers.

CentralNic is the only Company among its peers to offer comprehensive and quality services to all its defined customer groups – Resellers, Small business and Corporates. For each of those customer types, CentralNic has developed and operates a highly automated software platform. Our organic growth strategy includes continuing to win and retain new clients, but it also extends to introducing additional subscription services to those customers.

CentralNic has sales and operations teams dedicated to achieving organic growth. In addition, distinct corporate development and integration teams focus on sourcing and completing acquisitions and integrating them into our operations. This achieves savings while obtaining additional customers and services. CentralNic has executed five acquisitions in the past five years. Similarly, KeyDrive, which CentralNic acquired in 2018, acquired the same number of businesses over the same time period. There remain dozens of attractive acquisition opportunities around the world, and CentralNic's proven team maintains a healthy deal pipeline.

The economic drivers of the business remain strong. The internet now has four billion active users, meaning at least two billion adults are yet to start using it. Whilst micro-businesses are catered to, in some countries by platforms like Facebook, Amazon, WhatsApp and WeChat, small businesses and corporations continue to rely on domain names as the foundations for their websites, emails and online brand protection strategies.

Further to this, the five-year period of disruption from 2013 to 2018, when the market was flooded with low-cost domain names, is now behind us, with adoption of these domain names only accounting for less than 10% of the market. CentralNic's most popular domains such as .com, .net and .uk continue to show robust growth both in volumes and pricing.

Chief Executive Officer's report continued

Acquisitions

Three successful acquisitions contributed to CentralNic's extraordinary growth in 2018.

On 2 August 2018, CentralNic acquired KeyDrive, a company with complementary technology platforms and customer bases. This has created an enlarged Group that now owns and operates proprietary software platforms for each major customer type for domains and web presence services. Additionally, there was direct duplication of activities within CentralNic and KeyDrive in some areas, creating opportunities for cost synergies, which we are well advanced in realising. Due to the rapid integration of the acquired KeyDrive businesses, which has included merging businesses and migrating customers between businesses, the separate contributions of what were formerly independent business cannot be reliably reported post-acquisition. The combined entities have the number and breadth of senior managers to continue organic growth from a much higher base than the Company had previously, as well as to accelerate the roll-up strategy designed to make us a global player at scale.

CentralNic previously acquired SK-NIC, the manager of the exclusive country code top-level domain for Slovakia, .SK, on 12 December 2017. SK-NIC supplies more than 390,000 domain names via 2,300 retailers, 99% of which are domiciled in Slovakia, a country with one of the strongest growth rates in the European Union. .SK is among the 50 most popular ccTLDs in the world, with an 84% renewal rate. Like most European ccTLD operators, SK-NIC is privately held, yet it is virtually unique in that it has a perpetual contract with the national Government. CentralNic retained the staff and management in Slovakia, upgraded the software to its own proprietary platform, and made strategic hires to better position .SK as a foundation of the Slovak digital economy.

Finally, CentralNic acquired the business assets of GlobeHosting on 6 September 2018, increasing its market share in the growing Romanian and Brazilian markets, and adding the proprietary SSL certificate product GlobeSSL to CentralNic's assets.

Through these acquisitions, CentralNic doubled its headcount, with additional staff in Germany (housed in a purpose-built engineering headquarters near Saarbrücken), the USA, Luxembourg, Slovakia and Romania.

In addition to the contribution these acquisitions have made to the continued growth of CentralNic, they also represent a practical demonstration of our team's ability to source and complete deals around the world and successfully integrate them. We continue to build a pipeline of acquisition targets that fit our criteria with a view to making further acquisitions in the coming years.

Operational review

Due to the rapid integration of the acquired KeyDrive businesses, which has included merging businesses and migrating customers between businesses, the separate contributions of what were formerly independent business cannot be reliably reported post-acquisition.

CentralNic experienced both acquisition-driven and organic growth across its three segments, which reflect its main customer types of Resellers, Small business and Corporates. All three segments share the same virtuous characteristics of selling subscription-based products and services with highly predictable renewal rates and cash generation. All three benefited both operationally and financially from integration activity.

Supplying domains to resellers became CentralNic's largest business in 2018, growing by more than 260%, principally as a result of the KeyDrive and SK-NIC acquisitions. It provides the long tail of country code and new TLD domain inventory to 5,000 resellers including virtually all the world's leading domain name retailers, which in turn resell the domains to their customers. Therefore, the growth from those retailers drives our reseller business forwards. CentralNic has retained its leading position for the past five years, as a distributor of new TLDs. Additional growth in 2018 was provided by new reseller wins and exclusive registry backend contracts, notably with .icu and .ooo, which both ranked in the top 20 new TLDs by volume. Cost savings were achieved by the closure of KeyDrive's Open Registry operation, with the clients migrated onto the CentralNic Registry platform.

Revenue from the small business customer group grew by 24% in 2018 largely through the KeyDrive acquisition. At year-end, c.250,000 small business customers use CentralNic retailers to purchase domain names for their websites and email services. CentralNic acquires customers using search engine marketing and upselling them via email marketing and telesales. Integration savings were achieved in 2018 by consolidating the supplier accounts and connections between legacy CentralNic and KeyDrive businesses, combining purchasing power and reducing duplication to improve margins.

CentralNic's Corporate customer segment services large corporations that view domain names as a form of intellectual property similar to trademarks, which must be secured and protected by brand owners. The over 300 corporate clients who have entrusted their domain portfolio management to CentralNic include many S&P 500 companies and household brand names. In the years to 2017, CentralNic operated a business within the Corporate segment trading in high priced premium domain names. In 2018, the strategic focus shifted from premium domain sales, and via the KeyDrive acquisition it was replaced by BrandShelter – a company which manages large domain portfolios for corporate customers. In so doing, CentralNic replaced a business based on one-off transactions with a recurring revenue business with comparable revenues, while providing the highest renewal rates, margins and growth rates in the Group.

The objective for us now is to maintain our revenue growth and healthy margins across all three segments, while we rapidly scale the business up via continued acquisitions.

Post year-end and outlook

Trading in Q1 2019 was in line with management expectations. This included revenue growth across all segments and hitting milestones in the integration of the new acquisitions. For example, to eliminate duplication, KeyDrive's KS Registry clients were migrated to the CentralNic Registry platform, while CentralNic's EPP Gateway clients were migrated to the KeyDrive reseller platform.

Additionally, we won new customers across the three segments, including being selected by the internet regulator, ICANN (Internet Corporation for Assigned Names and Numbers) for the bulk transfer of c.680,000 domain names from a former registrar that was no longer accredited.

We also upgraded our United Kingdom corporate headquarters and New Zealand office in the beginning of 2019.

In the five years since it first listed, CentralNic's revenues increased 14-fold from £3.1m to close to £42.7m. The expectations for the business are to continue on its aggressive growth trajectory, supported by continued demand, the planned introduction of new products and services such as cloud hosting, managed DNS and online brand protection, plus a healthy pipeline of earnings enhancing acquisition prospects.

Ben Crawford
Chief Executive Officer

12 May 2019

Chief Financial Officer's report

2018 was a year of transformational events, most importantly, the acquisition of KeyDrive SA in August 2018. Through this acquisition, CentralNic augmented its market share across all its key business areas and now has access to a technology platform that will facilitate the integration of future acquisitions.

Michael Riedl Chief Financial Officer

The KeyDrive SA acquisition was then complemented with the acquisition of GlobeHosting, a Romanian/Brazilian hosting business. Management expects that the earnout conditions will be met in full, testimony to the great performance of these assets.

The transaction was financed by an oversubscribed cash offering, raising £24.0m and an expansion of CentralNic's facility with Silicon Valley Bank to £24.0m from £18.0m. The founder and largest Shareholder of KeyDrive took most of their consideration in CentralNic shares. This demonstrates the continued support of management, and both the equity and debt capital markets, in the ongoing prospects of the Company. In consequence, equity at year-end was £61.0m, up 131% from the prior year's £26.5m balance.

Further, the Group enjoyed the full year effect of the 2017 acquisition of SK-NIC, the operator of the Slovakian top-level domain .SK, augmenting revenue by £3.1m and EBITDA by £1.7m. At the same time, the volatile and unpredictable one-off income from premium domain name sales faded from £3.0m to below £0.1m, in line with the Group strategy.

In total, this led to overall year-on-year growth in revenue of 100% from £21.4m, excluding premium domain sales, to £42.7m. The growth in the revenue line largely flowed down to Adjusted EBITDA*, which increased by 66% to £7.0m (2017: £4.2m, excluding premium domain sales).

The overall Adjusted EBITDA Margin was diluted slightly to 16.3%, reflecting the integration of the lower margin KeyDrive business (2017: 19.7% excluding premium domain sales). Foreign exchange movements were £0.6m favourable, compared to £0.6m adverse in 2017.

The attractive cash generative profile of the Group continued in 2018 with the net operating cash flow, before tax and one-off deal costs and replenishment of the premium domain inventory, being £16.1m (2017: £6.8m). Cash at the end of 2018 was £18.0m (2017: £10.9m), an increase of 66% with Net Debt (including prepaid costs) of £1.7m (2017: net debt £6.5m).

Key Performance Indicators 2018:

- Revenue: £42,7m (2017: £21.4m excluding premium domain sales)
- Adjusted EBITDA*: £7.0m (2017: £4.2m excluding premium domain sales)
- Loss after taxation: £4.9m (2017: profit after taxation of £1.0m)
- Cash Balance 31 Dec 2018: £18.0m (2017: £10.9m)
- Net interest bearing debt excluding prepaid costs as at 31 Dec 2018: £2.5m (2017: £7.2m)

* Earnings before interest, tax, depreciation and amortisation, foreign exchange, and non-core operating costs and revenues (acquisition costs, integration costs, share option expense, settlement items, and premium domain sales).

Due to the rapid integration of the acquired KeyDrive businesses, which has included merging businesses and migrating customers between businesses, the segment reporting has been amended to absorb the businesses of the KeyDrive group. The new segments are constructed around customer types, namely Resellers, Small Businesses and Corporates, with each having distinct needs that are served by CentralNic's proprietary SaaS platform. For each segment, revenue and gross profit contributions to the total operating expenditure platform are determined. The Reseller segment includes the former Wholesale division, Small business segment comprises the former Retail division and Corporate segment absorbs the former Enterprise division.

Reseller segment

Three Reseller portals, namely RRP proxy, PartnerGate and Toweb, have been added through the acquisitions in the year. This has contributed to revenue in the Reseller segment increasing by 264% from £5.7m to £20.9m. Gross profit for the segment doubled from £4.9m to £9.7m.

Small business segment

The portfolio of Small business portals was extended by domaindiscount24, Moniker.com, and GlobeHosting. In total, the Small Business segment yielded revenue of £18.3m, an increase of 24% over the £14.7m recorded in 2017. Gross profit in 2018 was £7.5m, an increase of 25% over the 2017 figure of £6.0m.

Corporate segment

Revenue in the Corporate segment was £3.4m, a decrease of 11% from the £3.9m reported in 2017, and Gross Profit declined by 35% to £2.5m from £3.8m. Adjusting for the significantly reduced premium domain sales, however, resulted in revenues for the segment increasing by 290% from £0.9m to £3.4m and Gross Profit increasing by 207% from £0.8m to £2.5m.

Overhead expenses

Group overhead expenses excluding foreign exchange, depreciation, amortisation, impairment and non core operating expenses increased 71% from £7.4m to £12.7m, of which £4.1m is attributable to KeyDrive for the five months post-acquisition and £1.1m to the full year effect of the SK-NIC acquisition.

Earnings profile

The quality of the Group's earnings remains an important strategic priority for the Group and its investors, as we increase the proportion of revenues derived from predictable sources. This was one important factor in assessing the SK-NIC acquisition, with all of SK-NIC's revenues, earnings and cash flow derived from new registrations and renewals of domain names. Recurring revenues is stable at 90% (2017: 91% on a pro-forma basis).

Adjusted EBITDA of £7.0m (2017: £4.2m) has been derived from the operating profit of (£2.7m) (2017: £1.9m) after adjusting for the following items: a) depreciation of £0.3m (2017: £0.1m), b) amortisation of intangible assets of £4.2m (2017: £2.2m), c) fair value movement of investment of £1m (2017: nil), d) non core operating expenses of £4.5m (2017: £2.0m), e) foreign exchange gain of £0.6m (2017: loss of £0.6m), f) immaterial non core premium domain name sales in 2018 (2017: £3.0m), g) immaterial amounts of share of associate income in 2018 (2017: nil), and h) share based payment expense of £0.3m (2017: £0.4m).

Non core costs (including acquisition and other costs) totalled £4.5m (2017: £2.0m). The acquisition-related costs, supporting the Group's acquisition programme, included a variety of deal costs for SK-NIC, KeyDrive Group, GlobeHosting and the accompanying equity and debt capital market transactions.

Other non-cash expenses included the acquired amortisation of intangible assets, totaling £4.2m (2017: £2.2m). This reflected the scheduled amortisation for identified intangible assets of KeyDrive and SK-NIC. Further, in evaluating the fair value of the investment in Accent Media, the Group recorded a reduction of £1.0m. The value may be recovered, should the Company's financial prospects significantly improve. The Jabella loan of £0.8m has been repaid to the Group in full.

Basic earnings per share of (3.82) pence (2017: 1.07 pence) has been impacted by non-recurring acquisition costs, amortisation charges, and other significant non core operating costs. Diluted earnings per share, at (3.82) pence (2017: 1.04 pence) reflected the dilutive effect of the share options "in the money" at the average share price for the year.

Further details of the earnings per share calculations are provided in note 12 to the financial statements.

Pensions

The Group created a defined contribution pension scheme in June 2016 in line with the new auto-enrolment provisions in the UK. In Australia, the Group operates a superannuation scheme in line with statutory requirements, and the KiwiSaver scheme in New Zealand, which is in line with the KiwiSaver Act 2006. In Germany and Luxembourg, all staff are subject to the federal pension schemes and the Group contributes to voluntary complementary pension schemes. The Group does not operate and has never operated any defined benefit schemes requiring actuarial valuations.

Dividends

It remains the intention of the Group to generate income returns for investors in the future as part of a progressive and commercially prudent dividend policy. However, due to the continued expansion opportunities presented by the sector, the Directors do not propose a final dividend in 2018.

Chief Financial Officer's report continued

Group statement of financial position

The Group had net assets of £61.0m at 31 December 2018 (2017: £26.5m). This increase was driven by share issues for cash and for contribution in kind in the context of the KeyDrive acquisition. This was offset by the net loss for year, partially mitigated by favourable movements of the foreign exchange reserve.

Capital expenditure and investing activities

The most significant investment made during the year was the acquisition of KeyDrive SA, with further details on the fair value provided in note 25 to the financial statements. In total, £46.2m of non-current assets have been added. £31.6m of this was attributable to Goodwill, of which £29.0m was attributable to the KeyDrive acquisition. Software, net of amortisation, increased by £6.4m and other intangible assets by £8.2m, both largely attributable to the KeyDrive acquisition.

In line with the appropriate treatment for translation of a foreign operation into the Group's presentational currency, both the tangible and intangible assets are translated at the closing rate, generating foreign exchange differences as presented in notes 13 and 14 to the financial statements.

With the exception of goodwill, intangible assets are amortised in line with the Group's accounting policy. The carrying value of goodwill is tested annually for impairment, while the Directors also consider other intangible assets and investments for indications of impairment.

Further details are provided in notes 13, 14 and 16 to the financial statements.

Cash flow and net cash

The cash flow statement for the Group includes two major themes: the entries related to the financing and completion of the KeyDrive acquisition and the results of the ongoing operations of the business, taking into account fluctuations in working capital.

Net cash flow from operating activities after tax was higher than the previous year at £6.7m (2017: £3.8m). In both years, the net cash flow from operating activities was in line with expectations relative to Adjusted EBITDA.

Investing activities were mainly related to the KeyDrive acquisition, which was completed in August 2018. The net cash outflow related to the KeyDrive acquisition totalled £9.0m (net of cash acquired) in 2018 with a further £4.9m of earnout consideration due up to 2020, whereas up to 85% of the earnout consideration may be settled in shares.

Banking facilities

On 16 July 2018, the Company and Silicon Valley Bank entered into an amendment agreement to amend the terms of the Silicon Valley Bank Facilities. The amount available under the revolving credit facility was increased by £6.0m to £12.0m and the maximum amount of the uncommitted 'accordion' facility was reduced by £6.0m to £9.0m. The term of the loans remains as stated above. The debt facility is secured over the material companies within the Group. Further detail is provided in note 24 to the financial statements.

The Group is in compliance with the maintenance covenant ratios and its payment obligations under the facilities agreement.

Significant accounting policies and critical accounting judgments

The Summary of the Group's significant accounting policies is set out in note 3 and the Group's critical accounting judgments is set out in note 4 to the financial statements.

Group risk management

The Directors reviews the financial risk management policy, noting that the Group is exposed to deposit risk, credit risk, market risk, IT security, impact on society, foreign currency risk and other risks arising from financial instruments. Further details of the Financial Risk Management Framework are provided in note 29 to the financial statements.

The Group's finance function is responsible for managing investment and funding requirements including cashflow monitoring and projections. The cashflow projections are reviewed regularly by the Directors to ensure the Group has sufficient liquidity at all times to meet its cash requirements and execute its business strategy.

The Group's strategy is to finance its operations through the cash generated from operations and where necessary, equity and debt finance, notably to support investing activities.

The Group's financial instruments comprise cash and various items such as trade and deferred receivables. The Group had £18.0m of cash at the year-end, with interest bearing financial assets bearing interest at fixed interest rates.

Deposit risk

Deposit risk is mitigated by the Directors setting policy that the Group only places deposits with banks and financial institutions with high credit ratings.

Credit risk

The Group's exposure to credit risk from trade receivables is relatively low, due to the fact that the business has traditionally dealt with customers who often pay at the point or sale or in advance. Where there are credit accounts, which is an increasing trend in the industry particularly for the larger domain name registrars, receivables are controlled through credit limits and regular monitoring.

Market risk
There is a risk that the market for domains for which the Group provides registry and registrar services may not increase as quickly as expected or that the new TLDs may not generate the revenue levels anticipated by the Directors. In either case, the Group's revenues could reduce below expectations with an impact on profitability. The risk is mitigated to a degree by operating multiple lines of business themselves exposed to many vertical markets and segments, the majority of which have very little reliance on new TLDs.

IT security
If the Group does not prevent security breaches or becomes susceptible to cyber-attacks, it may be exposed to lawsuits, lose customers, suffer harm to its reputation, and incur additional costs. Unauthorised access, computer viruses, accidents, employee error or malfeasance, intentional misconduct by computer "hackers" and other disruptions can occur that could compromise the security of the Group's infrastructure or confidential information. The Group has created a resilient network infrastructure and Domain Name System server constellation, with failover secondary systems to ensure critical registry functions are maintained. The Reseller segment has been certified under ISO 27001/2013 for data security, thereby mitigating risk by adherence to international best practice.

Impact on society
The Group has a positive impact on society by offering internet services in developing countries, contributing to the United Nations Broadband Commission's objective of connecting the 50% of the world that is still offline with affordable internet. The Company can see little negative impact on society from its activities. Whilst the internet itself adds a potential avenue through which fraudsters and other undesirables can operate, the Company has stringent policies relating to its position as an enabler of such traffic and at all times adheres to laws and regulations in each and every jurisdiction, including working with regulatory authorities at all times.

Foreign currency risk
The Directors notes that the Group has predominantly traded in US Dollars, Euros, GB Pounds Sterling and Australian Dollars, and considers the exposure to foreign currency risk to be acceptable. The Group has held reserves in each of these currencies to meet trading obligations as required. The currency risk is actively monitored through a periodic review of inflows and outflows by currency, including an assessment of the extent to which currencies are naturally hedged across the Group's business lines. Where this is not the case, consideration is given to the use of hedging instruments.

Given the Group does more than half its trade in US Dollars and the industry in which it operates is predominantly trading in US Dollars, the Directors are considering to amend its presentational currency in compliance with IAS 21 to US Dollars for all financial years commencing after 31 December 2018. Aligning the reporting currency to the dominant trading currency will reduce the exposure to foreign currency risk and facilitate benchmarking to listed peers.

Other risk
The Directors give due consideration to other risk factors as they arise. Particular attention is attributed to the United Kingdom invocation of Article 50 of the Treaty on European Union, commonly referred to as "Brexit", as well as additional regulatory requirements being attributed to business in the domain industry, by national or supranational lawmakers, or regulatory bodies such as ICANN or the London Stock Exchange.

In the opinion of the Directors, Brexit carries limited risk for the day-to-day operations of the Group, as only a small fraction of the Group's trade is to UK customers or from UK subsidiaries to EU customers. Only 4% of global sales are with UK customers. Yet, the Directors are cognisant of more general risk such as market turmoil or increased volatility of the Pound Sterling to other currencies.

Pertaining to regulatory requirements, the Group has assured that its subsidiaries are compliant with the EU General Data Protection Regulation (GDPR) respectively in their implementations to each pertinent jurisdiction law.

The Group is monitoring developments in relation to EU State Aid investigations following the EU Commission opening a State Aid investigation into the Group Financing Exemption in the UK's Controlled Foreign Company regime in October 2017. In line with current UK tax law, the Group applies this regime. Based on its current assessment, the Group does not consider any provision is required in relation to this issue.

Michael Riedl
Chief Financial Officer

12 May 2019

Board of Directors

Mike Turner Chairman (aged 58)

Mike is a recognised leader in UK and cross-border Technology M&A. He has over 30 years of experience working in London, New York and Los Angeles, advising private and publicly held clients on corporate transactions in technology, telecoms, advertising/marketing services, traditional/digital media, internet and e-commerce sectors. Mike is a Partner and Global Head of Technology Media and Communications at the international law firm Taylor Wessing, as well as holding a number of non-executive Board positions with media and technology companies. Previously, Mike was a General Partner responsible for technology investments at Oakfield Partners. Mike obtained an LLB at the University of Reading.

Benjamin Crawford Chief Executive Officer (aged 53)

Under Ben Crawford's leadership, CentralNic has increased its revenues by a factor of 20 over 10 years. Ben is a specialist in global business and corporate development in complex internet-related business with crucial stakeholder relations requirements, including government relations at up to Ministerial level. His former positions included Founding President of Louise Blouin Media, integrating 11 acquisitions in three countries and personally managed relationships with the Chinese Government; Managing Director of SportBusiness Group; and Executive Producer of the official website of the Sydney Olympic Games, where he first developed extensive experience in working with Governments on highly sensitive internet projects. Ben has an MBA from the Australian Graduate School of Management and a First-Class Honours Degree from the University of Sydney.

Don Baladasan Group Managing Director (aged 45)

Don, a Chartered Management Accountant, has years of experience as a Finance Director of AIM listed companies. Over the last five years he has assisted AIM listed businesses in raising £25m of equity, in addition to overseeing a series of acquisitions including reverse takeovers. Don has experience of integrating internationally acquired companies from a finance, governance and commercial perspective. Don was Head of Accounting Development at Stemcor, an international steel trader which at the time had operations in 46 countries and a turnover in excess of £6bn. Don initially studied Medicine at Guy's Hospital before completing a BSc in Economics at CASS Business School. He was then awarded a place on the Financial Times graduate scheme where he trained as a Chartered Management Accountant.

Michael Riedl Chief Financial Officer (aged 43) (appointed on 19 March 2019)

Michael Riedl was Executive Vice President and CFO of KeyDrive S.A. from August 2011, overseeing the growth of the company over the next seven years. Prior to joining KeyDrive S.A., Michael held managing positions in the private equity and ICT industries. He started his career with Roland Berger Strategy Consultants where he specialised in performance improvement programmes. Michael was Chief Restructuring Officer at Group Saint-Paul in Luxembourg from 2004 to 2007 before joining DZ Equity Partners, the private equity firm, in Frankfurt in 2007. In 2008, Michael joined BIP Investment Partners where he worked on private equity opportunities with a focus on buyouts until 2011. Michael holds a Bachelor's degree in Computer Science from James Madison University, USA, a Master of Science degree in Business Administration from European Business School, Germany, and an LLM from Frankfurt School of Finance and Management. He is also a Chartered Management Accountant.

Thomas Rickert Non-Executive Director (aged 49)

Thomas Rickert is an attorney-at-law in Germany. He is the owner of Rickert Rechtsanwaltsgesellschaft mbH, a law firm based in Bonn, Germany. Thomas has extensive experience in the domain industry working on domain disputes as well as advising Registrars, Registry Service Providers and Registry Operators both on contractual as well as policy matters. Thomas is an expert speaker on domain related subjects both at the national and international level. Thomas served on the Council of the Generic Names Supporting Organisation (GNSO), which is the body responsible for developing policy for generic domain names, for four years (2011-2015). He is one of the co-chairs of the CCWG-ACCT, a group that works on improving ICANN's accountability.

Samuel Dayani Non-Executive Director (aged 41)

Samuel Dayani is a partner at the Joseph Samuel Group, where he is responsible for managing the Group's investments and business development in the Real Estate, Medtech, Energy & Renewables, Fashion and Technology & Telecoms sectors. Samuel was responsible for purchasing CentralNic in 2003 and managing the restructuring of the business, building the management team and delivering an institutional grade business for its listing in 2013. Previously Samuel was the Chief Operating Officer and later Managing Director of ViaVision Ltd, an interactive TV company on Sky, when it was sold to Yoomedia plc in 2004.

Thomas Pridmore Non-Executive Director (aged 47)

Tom Pridmore began his career as a solicitor at Norton Rose, specialising in corporate finance, where he acted on behalf of institutional clients in relation to a variety of corporate finance and M&A activities. Tom then joined Flextech/Telewest Plc as Head of Corporate Strategy, where he was responsible for directing investment into strategic Internet and interactive television companies. In 2000, Tom co-founded the international fund manager and investment adviser Development Capital Management Limited. In this capacity he has set up and managed real estate investment and development operations in Turkey, India, North Africa, Eastern Europe and the UK on behalf of both institutional and private clients.

Iain McDonald Non-Executive Director (aged 48)

Iain is a global expert in technology and e-commerce, having had a strong track record in investing in early stage companies such as ASOS, The Hut Group, Eagle Eye Solutions, Anatwine and Metapack. He is the founder of Belerion Capital, an investor and investment advisor in technology and e-commerce companies. Iain is also a non-executive director of various of his investee companies, as well as other technology companies such as The Hut Group and Boohoo.com. Previously, Iain was a top-ranked retail and e-commerce analyst and held positions in a number of UK investment banks. Iain graduated from the London School of Economics and Political Science (LSE), with a BSc in Economics & Economics History.

Directors' report

Principal activities

CentralNic Group Plc is the ultimate holding company of a Group of companies.

The principal activities of the Group are the provision of domain name Reseller, Small business and Corporate services. A more comprehensive description of the Group's activities, performance, and likely developments are provided in the Chairman's statement, the Chief Executive Officer's report, the Chief Financial Officer's report, the Corporate Governance report, the Audit committee report and the Remuneration report, which are incorporated by reference into this annual report.

A list of the subsidiary undertakings is disclosed in the Particulars of Subsidiaries and Associates on pages 83 to 85 of the financial statements.

Financial instruments

Details of the use of financial instruments and financial risk management are included in note 29 to the financial statements.

Results and dividends

Information on the results is provided in the Chairman's statement and the Chief Financial Officer's report.

It remains the intention of the Group to generate income returns for investors in the future as part of a progressive and commercially prudent dividend policy. However, due to the continued expansion opportunities presented by the sector, the Directors do not propose a final dividend in 2018.

Directors

The Company was incorporated on 19 June 2013, with a view to becoming the Parent Company of the Group after admission to AIM. The admission was completed on 2 September 2013, and at this time the Board was expanded.

There were no changes in Board members in 2018. On 19 March 2019, Michael Riedl was appointed as Chief Financial Officer to reflect the development of the business. The Directors who served during the year were as follows:

Executive Directors

Benjamin Crawford (Chief Executive Officer)

Donald Baladasan (Chief Financial Officer in 2018, and Group Managing Director in 2019)

Non-Executive Directors

Mike Turner (Non-Executive Chairman)
Samuel Dayani
Thomas Rickert
Thomas Pridmore
Iain McDonald

The biographical details of the Directors are provided on pages 18 and 19 of this annual report.

Four Directors will retire at the Company's Annual General Meeting and being eligible will offer themselves for re-election.

The Directors and their interests in the shares in the Group

The Directors of the Company, and their interests in the shares and share options of the Company, are shown in the Remuneration Report on pages 29 to 31 of this annual report.

Transactions with any parties related to the Directors are disclosed in note 26 to the financial statements.

Post year-end

Further details on post year-end events are disclosed in the Chief Executive Officer's report.

Directors' conflicts of interest

Each Director is required, in accordance with the provisions of the Companies Act 2006, to declare any interests that may give rise to a conflict of interest with the Company on appointment and subsequently as they arise. Where such a conflict or potential conflict arises, the Board is empowered under the Company's Articles of Association to consider and authorise such conflicts as appropriate.

Articles of Association

The Company's Articles of Association set out the Company's internal regulation and cover such matters as the rights of Shareholders, the appointment and removal of Directors and the conduct of Board and general meetings.

A copy of the Company's Articles of Association is available on the Group's website.

Subject to the provisions of legislation, the Company's Articles of Association and any directions given by resolutions of the Shareholders, the Board may exercise all powers of the Company and may delegate authorities to committees and management as it sees fit. Details of the committees of the Board and their activities are contained in the Corporate Governance report on pages 24 to 27 of this annual report.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.

Principal risks and uncertainties

The Board's assessment of the principal risks and uncertainties, together with the mitigating factors, are presented in the Strategic report on pages 16 and 17.

Substantial Shareholders

In addition to the Directors' interests disclosed in the Remuneration report, the Company has been notified that the following Shareholders' interests exceeded 3% of the Company's ordinary share capital in issue at 30 April 2019:

	Ordinary shares	Percentage
Inter.Services GMBH	28,006,607	16.41%
Kestrel Investment Partners	23,869,555	13.99%
Erin Invest & Finance Ltd	21,630,382	12.68%
Gresham House plc	13,427,571	7.87%
Schroders	11,200,867	6.56%
Chelverton Asset Management	10,000,000	5.86%
Herald Investment Management	8,909,615	5.22%
Jabella Group Limited	7,902,276	4.63%
Cavendish Asset Management	6,595,124	3.86%
Miton Group plc	6,435,903	3.77%

No substantial Shareholders have different voting rights to other holders of the share capital of the Company.

Corporate governance

The Corporate Governance report, on pages 24 to 27 is incorporated into this annual report by reference.

Corporate responsibility

The Board recognises its employment, environmental and health and safety responsibilities, and devotes appropriate resources towards monitoring and improving compliance with existing standards.

Management and staff

CentralNic's management team has been assembled to ensure the Group has the number of people and range of skills required to deliver the business strategy and to support the expansion of the Group as it becomes an increasingly international business. The team is diverse and brings functional expertise across a number of disciplines including technical and operational delivery, finance, law, marketing and sales.

While the business is managed under budgetary controls, the Directors focus on ensuring there is succession planning in place as is appropriate for a business of our size.

Our staff and consultants represent a number of different nationalities, and we are pleased by the gender diversity in our business.

The executive leaders within the business recognise the importance of engaging with employees and do so informally on a day-to-day basis. We often use a cascade approach to employee communications, with the heads of departments disseminating appropriate information to their teams, including those situated in various locations around the world.

While we do not believe that human rights issues are a significant risk to our business currently, we are conscious that as we expand into new international markets issues of human rights may become more significant. The Directors keep all aspects of business development under review, and act with caution and integrity to ensure all our activities and specifically business development activities are respectful of human rights.

Communication with employees is primarily through formal and informal meetings and through the use of the Group's information systems. This comprises regular communication of information affecting our managers and their teams, to ensure all employees are kept up to date with issues affecting them.

The Board recognises the importance of engaged employees working within the Group and how they are vital to the future success of the business. However, given the size of the Group and the specialist nature of its technical operations, there is dependency on a few key individuals and this is discussed further in the Strategic report on pages 10 to 17.

The Group is committed to achieving equal opportunities and to complying with anti-discrimination legislation. The Group is committed to offering employees and job applicants equal and fair opportunity to benefit from employment without regard to their sex, sexual orientation, marital status, race, religion or belief, age or disability.

At the year-end the Board of Directors comprised seven members, all of whom are male, the Senior Management team of 10 was made up of seven men and three women, and the overall staff number of 217 contained 146 males and 71 females.

The Group has a policy of share participation for employees across the Group at all levels.

Standards accreditations

CentralNic's Reseller segment is certified against ISO 27001 (Information security management), ISO 9001 (Quality management system) and ISO 22301 (Business continuity management) having achieved ISO 22301 accreditation during 2016. These certifications are internationally recognised and provide CentralNic's stakeholders with additional levels of assurance as to the technical integrity of the Group's IT system.

Directors' report continued

Anti-bribery and corruption, anti-money laundering and sanctions compliance

CentralNic conducts business ethically, maintains financial integrity and strives to behave responsibly in its business dealings.

The Group's Directors and its senior management are committed to ensuring strict adherence to its anti-bribery and corruption policy and compliance with anti-bribery and corruption laws. The Group also maintains and ensures adherence to its policies in relation to Anti-Money Laundering and Trade Sanctions and Embargoes, again to comply with relevant laws across the relevant jurisdictions.

All Directors, employees and consultants have received training in maintaining the highest standards of professional conduct and are aware of the need to carry out business fairly, honestly and openly. Clear lines of communication and responsibility are in place to report any incidences or suspected incidences of abuse to provide an effective, trusted reporting mechanism.

Environment

The Group is committed to operating in an environmentally responsible manner. The Directors consider environmental impact when making decisions.

The community, charitable and political donations

The Directors consider the impact on the community when making decisions. During the year charitable donations totaling £10,000 were made (2017: nil).

The Group made no political donations during the year, either in the UK or overseas.

Policy on the payment of creditors

The Group's policy is to agree terms and conditions for its business transactions with suppliers and to endeavour to abide by these terms and conditions, subject to the suppliers meeting their obligations.

No one supplier is considered to be essential to the business of the Group.

R&D activity

The Group undertakes research and development activities to enhance its competitive position in its chosen markets, drawing on skilled development resource from across the Group.

Health and safety

The Directors and senior management are committed to providing for the welfare, health and safety of the Group's employees and have procedures in place, including regular monitoring by third party specialists, to ensure compliance with its legal and contractual obligations.

Business continuity

The Group has built a resilient technology infrastructure, designed to provide data security and continuity of service. The Board recognises the ongoing importance of resilience to cyber threats and invests in primary and secondary data centres along with a distributed domain name server constellation operated by the Group and third party providers. The Board keeps the infrastructure requirements under review and adopts a continuous improvement approach to further investment, within appropriate parameters, as business activities expand. The technical provision, alongside customer support, is considered one of the most significant aspects of business continuity.

Statement of Directors' responsibilities in respect of the annual report and the financial statements

The Directors are responsible for preparing the Strategic report, 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 International Financial Reporting Standards (IFRS) as adopted by the EU 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 the Group and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

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

They are further responsible for ensuring that the Strategic report and the Directors' report and other information included in this annual report and financial statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the CentralNic website is the responsibility of the Directors; the work carried out by the auditors does not involve the consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred in the accounts since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of the accounts and the other information included in annual reports may differ from legislation in other jurisdictions.

Disclosure of audit information

The Directors confirm that, as at the date of approval of this annual report, so far as each Director is aware there is no relevant audit information of which the Company's auditor is unaware and that he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

Going concern

The Directors have in place procedures to review the forecasts and budgets for the coming year, which have been drawn up with appropriate regard for both the macroeconomic environment in which the Group operates and the particular circumstances influencing the Domain Name industry and the Group itself. These were prepared with reference to historic and current industry knowledge, contracted trading activities and prospects that relate to the future strategy of the Group. As a result, at the time of approving the financial statements, the Directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future and that it is appropriate to adopt the going concern basis in the preparation of the financial statements.

As with all forecasts, the Directors cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty relating to future events. Principal areas of Uncertainty and Risks are highlighted on pages 16 and 17.

Auditors

The Company's independent external auditors, Crowe U.K. LLP, were initially appointed on 17 July 2013 and were most recently reappointed at the Company's Annual General Meeting of 25 June 2018. It is proposed by the Board they be put forward for reappointment as auditors and a resolution concerning their reappointment will be proposed at the forthcoming AGM.

Registered office

35-39 Moorgate, London EC2R 6AR

Registered number: 08576358

Approved by the Board and signed on its behalf by:

Mike Turner
Chairman

12 May 2019

Corporate governance

Introduction

The Directors appreciate the value of good corporate governance and have with effect from September 2018 adopted the QCA Corporate Governance Code. The Company takes steps to ensure compliance by the Board and employees with the terms of the code.

The Board of CentralNic Group Plc places governance and controls at the centre of its strategy. The Company has a dedicated Compliance committee which meets monthly. The remit of the Compliance committee is to ensure that all governance policies are administered, reviewed and complied with across the Group. Don Baladasan, the Managing Director of the Group, chairs this committee and provides a conduit between the Board and the committee. This ensures timely decisions and challenges are communicated to the Board. In addition, a formal summary report relating on the Compliance committee is reported at Board meetings.

Board governance and policy

At year-end, the Board comprised of a Non-Executive Chairman, two Executive Directors and four Non-Executive Directors. The Board meets regularly to consider the business strategy, performance and the framework of internal controls. To enable the Board to discharge its duties, all Directors receive appropriate and timely information. Briefing papers are distributed to all Directors in advance of Board meetings. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that the Board procedures are followed, and that applicable rules and regulations are complied with.

In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In line with the requirements of the Company's Articles of Association, the Group has voluntarily chosen that four Directors will retire at the Annual General Meeting and, being eligible, will offer themselves for re-election.

The majority of the Board is made up of independent Non-Executive Directors. We judged the Chairman to be independent at the time of his appointment, and consider all other Non-Executive Directors to be independent under the terms of the Code.

In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense.

Throughout their period in office the Directors are continually updated on the Group's business, the industry, corporate social responsibility matters and other changes affecting the Group by written briefings and meetings with senior management. They are also updated on changes to the legal and governance requirements of the Group, and upon themselves as Directors, on an ongoing and timely basis.

Directors' time commitment

We set out the likely time commitment for each Non-Executive Director in their appointment letter. This is of course an estimate and may change depending on the demands of the business. We expect Non-Executive Directors to devote to discharge their duties effectively and attend all meetings of the Board.

The attendance of each Director at Board and committee meetings during the during the financial year ending 31 December 2018 is set out in the table below:

Attendance table

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Don Baladasan	8/8	–	–	–
Ben Crawford	8/8	–	–	–
Thomas Rickert	8/8	3/3	4/4	2/2
Sam Dayani	8/8	–	4/4	–
Mike Turner	8/8	2/3	4/4	2/2
Iain McDonald	8/8	3/3	–	2/2
Tom Pridmore	8/8	3/3	4/4	2/2

Attendance is expressed as the number of meetings attended/number eligible to attend. Directors' attendance by invitation at meetings of committees of which they are not a member is not reflected in the above table.

Board performance evaluation

A formal process of performance evaluation of the Board, its committees and its individual Directors takes place every year. The review may be conducted internally or by external consultants. The performance of the Board, its committees and its individual Directors is also continually monitored by the Chairman.

The Remuneration and Nominations committees coordinate on succession planning of the executive leadership team and make recommendations to the Board for the re-appointment of Non-Executive Directors if and when necessary.

As the business has developed, the composition of the Board has been under constant review to ensure that it remains appropriate to the managerial requirements of the Group. In line with the requirements of the Company's Articles of Association, the Group has voluntarily chosen that four Directors will retire at the Annual General Meeting and, being eligible, will offer themselves for re-election.

Board committees

The Company has established Audit, Nomination and Remuneration committees.

The terms of reference for the three committees were reviewed during the year and are available for inspection on request from the Company Secretary.

Audit committee

The Audit committee has Iain McDonald as Chairman and other members of the committee include Mike Turner, Thomas Rickert and Thomas Pridmore. The Chief Financial Officer is invited to and regularly does attend the committee meetings, as does the Chief Executive Officer.

The primary responsibilities of the committee, having due regard for the interests of Shareholders, include:

- Monitoring the integrity of the half yearly and annual financial statements and formal announcements regarding the Group's financial performance.
- Reviewing significant accounting policies, areas of significant estimates and judgments and disclosures in financial reports.
- Monitoring the quality and effectiveness of internal control procedures and risk management systems.
- Considering the requirement for Internal Audit, taking into account the size, distribution and nature of the Company and the Group and its operations.
- Reviewing the external auditor reports relating to the Company's accounting and internal control procedures.
- Overseeing the Board's relationship with the external auditors, including their continued independence and making recommendations to the Board on the selection of external auditors.

The Audit committee is required to meet at least twice a year. During the year the committee met on three occasions.

The appointment of the independent external auditor is approved by the Shareholders annually. The independent auditor's audit of the financial statements is conducted in accordance with International Standards on Auditing, ISA (UK and Ireland) issued by the Auditing Practices Board.

It is noted that the external auditor also operates procedures designed to safeguard their objectivity and independence.

After taking into account the size, distribution, current robust procedures and controls, together with the nature of the Company and the Group and its operations, the Audit committee has concluded that an internal audit function is not presently required. The Audit committee will re-evaluate this position on a regular basis.

The Audit committee reviews all fees related to non-audit work, and the committee reviews any material non-audit work prior to commencement. Details of auditor fees can be found in note 7 to the financial statements.

Remuneration committee

The Group's Remuneration committee is responsible, on behalf of the Board, for developing remuneration policy. Details of objectives and policy are provided in the Remuneration report on pages 29 to 31.

The Remuneration committee has Tom Pridmore as its Chairman and other members of the committee include Mike Turner, Samuel Dayani and Thomas Rickert.

The primary responsibilities of the committee, having due regard for the interests of Shareholders include:

- Determining and agreeing with the Board the remuneration policy for the Chairman of the Board, the Non-Executive Directors and the Executive Directors and other senior managers.
- Reviewing the design of share incentive plans for approval by the Board and determining the award policy to Executive Directors and personnel under existing plans.
- Determining the remainder of the remuneration packages (principally salaries, bonus and pension) for the Executive Directors and senior management including any performance-related targets.
- Reviewing and noting remuneration trends across the Group.
- Coordinating with the Nominations committee in relation to the remuneration to be offered to any new Executive Director.
- Taking responsibility for the selection criteria and if appropriate selecting, appointing and setting terms of reference for any remuneration consultants engaged to advise the committee.
- The Remuneration committee was created in September 2013 and is required to meet at least twice a year. During 2018 the committee met on four occasions.
- It is the Group's policy that Executive Directors' service contracts contain at least a three month notice period.

Nominations committee

The Group's Nominations committee has the power and authority to carry out a selection process of candidates before proposing new appointments to the Board.

The Nominations committee has Mike Turner as its Chairman and other members of the committee include Iain McDonald, Thomas Rickert and Tom Pridmore.

Corporate governance continued

The Nominations committee was created in September 2013 and is required to meet at least once a year. During 2018 the committee met on two occasions.

The Group has adopted a policy for Directors and key employee share dealings which is appropriate for an AIM-quoted Group. The Directors comply with Rule 21 of the AIM rules relating to Director's dealings and take reasonable steps to ensure compliance by the Group's applicable employees.

The Executive and Non-Executive Directors service contracts are available for inspection by Shareholders on request to the Company Secretary.

The Chairman and Non-Executive Directors do not participate in agenda items at any meeting when discussions in respect of matters relating to their own position take place.

Risk management and internal controls

The Board has primary responsibility for establishing and maintaining the Group's financial and non-financial controls, as well as identifying the major risks facing the Group.

Internal control systems are designed to meet the particular needs of the Group and the risks to which it is exposed. By their nature, internal controls can provide reasonable but not absolute assurance against material misstatement or loss.

The Executive Directors and Senior Management have specific responsibilities for aspects of the Group's affairs and have regular discussions to address operational matters, as well as considering the skill sets required in their teams to maintain the internal controls required.

Accounting procedures

The financial processes and control systems are kept under regular review by the Executives with oversight from the Board, with a view to further evolution and improvement as the Group's activities expand. This includes the maintenance of and adherence to a Financial Procedures Board Memorandum which is reviewed and updated periodically.

Accounting procedures are managed on a day-to-day basis by the Finance team. Responsibility levels are set and agreed with the Board, with authority delegated to appropriate responsible managers as well as the Executive. Segregation of duties is deployed to the degree this is practical and efficient, noting the size and geographic distribution of the Group.

Monthly management accounts are reported to the Board, under IFRS (EU) with the content aligned to the Group's management information requirements. The Board reviews the accounts in detail during each Board meeting and requests further information as the need arises. Comparisons to approved budgets and forecasts are prepared with associated commentary provided.

The Company prepares annual budgets which are reviewed by the Board. The budgets are then updated during the year to provide latest forecasts.

Capital expenditure is regulated by the budget process, and is kept under regular review during the year. Investment appraisal techniques, using discounted cash flow projections, are deployed in relation to material investments and are reviewed by the Board as part of good governance such that material transactions that are significant in terms of their size or type are only undertaken after Board review.

The Board acknowledges that there are processes in place for identifying, evaluating and managing risks faced by the Group, and places emphasis on continuous process improvement.

Corporate responsibility, the environment and health and safety

The Group is committed to maintaining and promoting high standards of business integrity. Company values, which incorporate the principles of corporate social responsibility and sustainability, guide the Group's relationships with its stakeholders including clients, employees and the communities and environment in which the Group operates.

The Group's approach to sustainability addresses both its environmental and social impacts, supporting the Group's vision to remain an employer of choice, while meeting client demands for socially responsible partners. By way of example the Group Companies have arranged and promoted a number of ACE (Athletics, Community and Environmental) activities in the past.

In the last financial year, the Company has taken steps to ensure slavery and human trafficking is not taking place in our supply chains or in any part of our business. Our full statement in response to Section 54, Part 6 of the Modern Slavery Act 2015 which sets out the steps that the Group has taken and its ongoing commitment to this vitally important topic can be found on the CentralNic Investor site at https://investor.centralnicgroup.com/investors/anti-slavery-statement/

The Group respects local laws and customs while supporting international laws and regulations. These policies have been integral in the way Group Companies have done business in the past and will continue to play a central role in influencing the Group's practice in the future.

Communications with Shareholders

The Board regards the importance of effective communication with Shareholders as essential. Relations with Shareholders are managed principally by the Chief Executive Officer, Chief Financial Officer and the Chairman, and meetings are regularly held with institutional investors and analysts during the year.

The Chairman, Chief Executive Officer, the Chief Financial Officer and if required other Executive and Non-Executive Directors make themselves available for meetings with major Shareholders either individually or collectively. The Group's Shareholders are invited to attend the AGM at which the majority of Directors are present. The Group's Nominated Advisors and Joint Brokers also convey Shareholder opinions to the Chairman and Chief Executive Officer and these are discussed with the Board.

The Group's website contains information on current business activities, including the annual and interim results.

Annual General Meeting date

The Annual General meeting will be convened in accordance with the provisions of the Companies Act 2006. The Annual General Meeting will take place on Thursday, 20 June 2019 at 10.00am at the offices of the Company's solicitors:

DWF LLP
20 Fenchurch Street, London EC3M 3AG

The proposed resolutions together with proxy forms and this annual report will be distributed to Shareholders by the 24 May 2019, if not before.

Audit committee report

The role of the Audit committee and members is outlined on page 25.

During the year the Audit committee received and reviewed reports from the Chief Financial Officer, other members of management and external auditors relating to the interim and annual accounts and the accounting and internal control systems in use throughout the Group.

The Chief Executive Officer and Chief Financial Officer are invited to attend parts of meetings, with other senior financial managers required to attend when necessary. The external auditors attended meetings to discuss the planning and conclusions of their work and meet with the members of the committee. The committee was able to call for information from management and consults with the external auditors directly as required.

The objectivity and independence of the external auditors was safeguarded by reviewing the auditors' formal declarations, monitoring relationships between key audit staff and the Company and tracking the level of non-audit fees payable to the auditors. Significant attention was given to the level of non-audit fees provided.

As noted above, the committee met three times during the year, to review the 2017 annual accounts and the interim accounts to 30 June 2018 and audit planning for the year ended 31 December 2018. The committee reviewed with the independent auditor its judgements as to the acceptability of the Company's accounting principles.

Since the year end the committee has met further with the auditors to consider the 2018 financial statements. In particular, the committee discussed the significant audit risks, accounting for acquisitions during the year, application of the new accounting standards, IFRS 9 and IFRS 15, and the future application of IFRS 16. The committee reviewed and discussed the auditor's comments on improvements which could be made to the internal controls. In addition, the committee monitors the auditor firm's independence from Company management and the Company.

Remuneration report

As the Company is an AIM listed company, it is not required to present a Directors' Remuneration Report. However, the Board has chosen to do so in line with evolving best practice.

Remuneration committee

The membership of the committee and the principal activities are detailed in the Corporate Governance section of this annual report on page 25.

Remuneration policy

The Company's remuneration policy is focused on being able to attract, retain and incentivise management with the appropriate skills and expertise to realise the Group's strategic objectives and align management's interests with those of Shareholders.

In particular the Remuneration committee seeks to link payment to performance and as a result create a performance culture within the business.

The Directors believe that it is important to properly motivate and reward key senior employees and executives and to do so in a manner that aligns their interests with the interests of the Shareholders. The Directors also recognise the importance of ensuring that all employees are engaged, incentivised and identify closely with the profitability of the Company.

Directors' remuneration

The average number of staff employed by the Group is included in note 8 to the financial statements.

Disclosure of the remuneration for key management personnel, as required under IAS 24, is also detailed in note 8 to the financial statements.

In terms of the remuneration of the Company's Directors, entries to profit and loss included in the Statement of Comprehensive Income include:

	Salaries & fees £'000	Bonus £'000	Pension £'000	Share based payments £'000	**2018 £'000**	2017 £'000
Non-Executive Directors						
Samuel Dayani	20	–	–	–	**20**	–
Thomas Rickert	51	–	–	50	**101**	106
Tom Pridmore	50	–	1	50	**101**	101
Mike Turner	40	–	–	87	**127**	163
Iain McDonald	50	–	1	45	**96**	106
Executive Directors						
Robert Pooke	–	–	–	–	**–**	7
Ben Crawford	230	297	11	–	**538**	341
Glenn Hayward	–	–	–	–	**–**	202
Desleigh Jameson	–	–	–	–	**–**	354
Donald Baladasan	251	138	–	–	**389**	96
	692	435	13	232	**1,372**	1,476

Included in the Directors' emoluments above are the following:

- A charge of £20,000 included in the year to the Company and Group by Samuel Dayani (2017: nil).
- A charge of £40,000 to the Company and Group by Taylor Wessing LLP, a partnership where Mike Turner is a partner (2017: £40,000).
- There were no charges included in the year in relation to Robert Pooke (2017: £7,000).
- Ben Crawford's salaries and fees include salary amounts of £178,000 (2017: £182,000) and social security costs of £52,000 (2017: £32,000). The special bonus of £297,000 is included in the bonus section.
- There were no charges in the year in relation to Glenn Hayward (2017: £81,000).
- There were no charges in the year in relation to Desleigh Jameson (2017: £234,000).
- A charge of £383,000 in the year to the Company and Group by Mataxis Ltd of which Donald Baladasan has a controlling interest (2017: £96,000).
- Not included in the table above, a charge of £72,000 was included in the year to the Company and Group by Neozoon Sàrl of which Michael Riedl has a controlling interest (2017: nil) in the administrative expenses. Michael Riedl was appointed Chief Financial Officer of the Group on 19 March 2019.

Share options

Prior to admission to AIM, CentralNic established both an unapproved share option scheme and an Enterprise Management Incentive option scheme (EMI) under which certain key executives and employees were invited to participate. These options were rolled over into the Company during 2013.

Remuneration report continued

To reflect existing commitments, the options granted in June 2013 for the unapproved option scheme and the EMI scheme vest in 12 equal instalments at three month intervals following the Admission. The unapproved options granted on 14 October 2013 vest three years after the date of grant.

Ben Crawford participates in both the June 2013 and October 2013 unapproved scheme, and Donald Baladasan participates in the June 2013 unapproved scheme.

Glenn Hayward (a former Director) participated in the EMI scheme, with options granted on 28 April 2015. The EMI options granted to Glenn Hayward vested on 10 February 2017. These options were exercised in October 2018.

Desleigh Jameson (a former Director) participated in the unapproved scheme with the options granted in February 2016 with a vesting date of 14 January 2019.

Unapproved options were also issued to Non-Executive Directors during 2016. In the case of Mike Turner and Iain McDonald these options were issued with a vesting date to coincide with the third anniversary of their appointments, namely 15 September 2018 and 26 October 2018. There were also further unapproved options issued to Tom Pridmore and Thomas Rickert, both with a vesting date of 3 February 2019.

No options were issued to the Directors during the year.

These share incentive arrangements are designed to support the strategy of generating significant sustainable value for Shareholders by linking the rewards for executives and the Board with the value created for Shareholders and thereby aligning the interests of key executives with those of Shareholders.

Shares acquired or options granted under any share incentive arrangements operated by the Company will be limited in total to 10% of the Company's issued share capital from time to time.

The table below shows the outstanding share options issued to Directors and former Directors at 31 December 2018:

	Number of options	Exercise price	Options granted
Outstanding at 1 January 2018 and 31 December 2018			
Ben Crawford	1,316,000	10p	1 June 2013
Donald Baladasan	52,083	10p	1 June 2013
Ben Crawford	850,000	55p	14 October 2013
Thomas Rickert	88,000	55p	14 October 2013
Tom Pridmore	88,000	55p	14 October 2013
Mike Turner	750,000	40p	4 February 2016
Iain McDonald	350,000	40p	4 February 2016
Thomas Rickert	350,000	40p	4 February 2016
Tom Pridmore	350,000	40p	4 February 2016
Desleigh Jameson (former Director)	200,000	40p	4 February 2016
Total	**4,394,083**		

Glenn Hayward (former Director) had 500,000 share options outstanding as at 1 January 2018 which were granted on 28 April 2015 at exercise price of 35 pence each. These share options were exercised in October 2018.

No options were exercised during the year by the Directors or former Directors and no options have expired with the exception of Glenn Hayward. All options expire within 10 years of grant.

Further details are provided in relation to share based payments in note 28 to the financial statements.

In addition, a further 1,893,083 options over ordinary shares were in issue at 31 December 2018 (2017: 2,053,083), being held by the Group's employees.

The IFRS 2 charge in the year for all share option plans relating to the Directors was £232,000 (2017: £317,000).

On 31 December 2018, the closing market price of CentralNic Group plc ordinary shares was 51.0 pence. The highest and lowest price of these shares in the year were 63.0 pence during January 2018 and 49.0 pence during August 2018 respectively.

Directors' interests

(a) As at 31 December 2018, the interests of the Directors, including persons connected with the Directors within the meaning of section 252 of the Companies Act 2006, in the issued share capital of the Company are as follows:

	Ordinary shares	Percentage
Erin Invest & Finance Ltd*	21,630,382	12.68%
Jabella Group Ltd**	4,203,276	2.46%
Natwest FIS Nominees***	3,699,000	2.17%
Donald Baladasan	159,455	0.09%
Iain McDonald****	107,653	0.06%

* The beneficial holder of Erin and Natwest FIS Nominee Limited is the father of Samuel Dayani, a Director of the Company.

** Jabellla Group Limited is a BVI company owned inter alia, by Erin.

*** 4,203,276 ordinary shares are held by Jabella Group Limited in which Natwest FIS Nominee and Erin Invest & Finance Ltd have a 65% interest.

**** Iain McDonald has an interest, held through a contract for difference, in 11,500 ordinary shares in the Company.

(b) Save as disclosed in this annual report, none of the Directors nor any members of their families, nor any person connected with them within the meaning of section 252 of the Act, has any interest in the issued share capital of the Company or its subsidiaries.

(c) Save as disclosed in this annual report, as at the date of this annual report, no Director has any option over any warrant to subscribe for any shares in the Company.

(d) None of the Directors nor any members of their families, nor any person connected with them within the meaning of section 252 of the Act, has a related financial product (as defined in the AIM Rules) referenced to the ordinary shares.

(e) None of the Directors is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.

(f) There are no outstanding loans made or guarantees granted or provided by the Company to or for the benefit of any Director other than disclosed in notes 17 and 26 to the financial statements.

(g) Save as disclosed in this annual report, there are no potential conflicts of interest between any duties to the Company of the Directors and their private interests or their other duties.

Independent auditors report

to the Members of CentralNic Group plc

Opinion

We have audited the financial statements of CentralNic Group Plc and its subsidiaries (the "Group") and CentralNic Group plc (the "Parent Company") for the year ended 31 December 2018, which comprise:

- the Group consolidated statement of comprehensive income for the year ended 31 December 2018;
- the Group consolidated and Parent Company statements of financial position as at 31 December 2018;
- the Group consolidated and Parent Company statements of cash flows for the year then ended;
- the Group consolidated and Parent Company statements of changes in equity for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 the Financial Reporting Standard applicable in the UK (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2018 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements 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. We are independent of the Group 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 ISAs (UK) require us to report to you when:

- the Directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the Parent 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.

Overview of our audit approach

Materiality

In planning and performing our audit we applied the concept of materiality. An item is considered material if it could reasonably be expected to change the economic decisions of a user of the financial statements. We used the concept of materiality to both focus our testing and to evaluate the impact of misstatements identified.

Based on our professional judgment, we determined overall materiality for the Group and Company financial statements as a whole to be £320,000 (2017: 200,000) and £160,000 (2017: £160,000) respectively. In determining this, we considered a range of benchmarks with specific focus on approximately 0.75% of Group, approximately 5% of adjusted EBITDA (a key performance measure used by the Group), and, 5% Company profit before tax for the financial year.

We use a different level of materiality (performance materiality) to determine the extent of our testing for the audit of the financial statements. Performance materiality is set based on the audit materiality as adjusted for the judgments made as to the entity risk and our evaluation of the specific risk of each audit area having regard to the internal control environment.

Where considered appropriate performance materiality may be reduced to a lower level, such as for related party transactions and Directors' remuneration.

We agreed with the Audit committee to report to it all identified errors in excess of £15,000 (2017: £6,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Overview of the scope of our audit

We conducted full scope audit work in seven countries in which the Group has significant operations. In addition, we performed the audit of specific balances and transactions in six countries.

In establishing our overall approach to the Group audit, we determined the type of work that needed to be undertaken at each of the components by us, as the primary audit engagement team. For the full scope components in Australia New Zealand, Luxembourg and Germany, Slovakia, and, the United States, where the work was performed by component auditors, we determined the appropriate level of involvement to enable us to determine that sufficient audit evidence had been obtained as a basis for our opinion on the Group as a whole.

The primary team led by the Senior Statutory Auditor was ultimately responsible for the scope and direction of the audit process. The primary team interacted regularly with the component teams where appropriate during various stages of the audit, reviewed working papers and were responsible for the scope and direction of the audit process. We visited the component auditors for Luxembourg and Germany. This, together with the additional procedures performed at Group level, gave us appropriate evidence for our opinion on the Group financial statements.

Key Audit Matters

In preparing the financial statements, management made a number of subjective judgments, for example in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. We focused our work primarily on these areas by assessing management's judgments against available evidence, forming our own judgments and evaluating the disclosures in the financial statements. We also addressed the risk of management override of controls, including evaluating whether there was evidence of bias by management, which may represent a risk of material misstatement, especially in areas of critical accounting estimates and judgments as outlined in note 4.

In our audit, we tested and examined information, using sampling and other auditing techniques, to the extent we considered necessary to provide a reasonable basis for us to draw conclusions. We obtained audit evidence through testing the effectiveness of controls, substantive procedures or a combination of both. In determining the key audit matters we noted the following changes from the prior year:

- The assessment of both the KeyDrive S.A business combination and the GlobeHosting business combination are significant audit risks for the current year ended 31 December 2018.
- The assessment of the SK.Nic A.S. business combination was a significant audit risk was specific for the prior year ended 31 December 2017.

There have been no other changes in the Group's overall operations during the current year that significantly impacted our audit. Therefore, our assessment of the most significant risks of material misstatement and resulting key audit matters, which are those risks having the greatest effect on the audit strategy and requiring particular focus, are otherwise the same as in the prior year and are detailed below. This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition	
The Group's operating revenue arises from Reseller sales, Small business services and Corporate revenues amounted to £42.7m for the year ended 31 December 2018. The key revenue recognition risks are in respect of the following: • Appropriate recognition of revenue in accordance with the stated policies ensuring appropriate cut-off is applied for the recognition in the correct period and of accrued and deferred revenue; • Completeness of revenue in a digital environment; and • The transition to IFRS 15 and the application of the revenue in accordance with satisfaction of the respective performance obligations of each revenue stream.	We obtained an understanding of the revenue agreements and evaluated the Group's processes and controls in place to calculate the amount and timing of subscription and activity based revenue transactions. We performed the following audit procedures on a sample basis, for both existing and new contracts, having regard to satisfaction of performance obligations, to assess the appropriateness of revenue recognition for individual transactions: • Assessed the appropriateness of the allocation of various revenue elements with reference to the terms of the contract; • Ensured revenue recognised from subscription fees was supported by signed contracts; • Assessed the existence of debtors through testing to contracts, cash received where applicable and a review of credit notes issued after year-end; • Assessed that revenue was recognised in the correct period, agreeing back to supporting documentation the contract price and the period in which the services were delivered; • Reviewed the Group's assessment of the impact of IFRS 15 on the revenue streams in the business and their modified accounting policies; and • Undertook IT procedures around the systems and controls in respect of revenue.

Independent auditors report continued

Key audit matter	How the scope of our audit addressed the key audit matter

Business combinations and acquisition accounting (Including the carrying value of goodwill and separately identifiable intangible assets)

Key audit matter

During the year, the Group completed the separate acquisitions of both KeyDrive S.A and GlobeHosting as disclosed in note 25.

The Group has determined these acquisitions to be business combinations, the accounting for which can be complex. For both acquisitions the Group has determined the amounts to be recognised for fair value of both the consideration paid and the acquired assets and liabilities. This can involve significant estimates and judgments including, at the acquisition date, determining how purchase price is to be allocated between acquired assets and liabilities and identified intangible assets, and leading to the resultant recognition of goodwill at their respective fair values.

There is a risk that inappropriate assumptions could result in material errors in the acquisition accounting.

The Group used projected financial information in the purchase price allocation (PPA) exercise. Management use their best knowledge to make estimates when utilising the Group's valuation methodologies. In order to determine the fair value of the separately identifiable intangible assets on a business combination, the valuation methodologies require input based on assumptions about the future and use discounted cash flows and cash flow forecasts.

Due to the Group's estimation process in the PPA Exercise and the work effort from the audit team, business combinations is considered a key audit matter.

How the scope of our audit addressed the key audit matter

Our procedures included the following:

- Assessing the competence and independence of third party engaged in undertaking the PPA valuation for Management;
- Reviewing the share purchase agreement in respect of each business combination to understand the nature and terms of each transaction and to agree the consideration paid;
- Assessing whether the acquisition during the year met the criteria of a business combination in accordance with IFRS 3;
- Validating whether the date of acquisition was correctly determined by scrutinising the key transaction documents to understand key terms and conditions;
- Assessing the fair value of assets and liabilities recorded in the purchase price allocation, by performing procedures including considering the completeness of assets and liabilities identified and the reasonableness of any underlying assumptions in their respective valuations and this would also include assessment on the reasonableness of the useful lives of the intangible assets and the consideration given;
- Assessing and challenging the valuation techniques, assumptions (including those relating to growth rates and discount rates), models and calculations used to determine the fair value of the separately identifiable intangible assets and goodwill recognised on date of acquisition; and
- Assessing the disclosures in respect of the business combination.

Carrying value of goodwill, investments and intangible assets

Key audit matter

When assessing the carrying value of goodwill, investments (including fair value) and intangible assets, management make judgments regarding the appropriate cash generating unit, strategy, future trading and profitability and the assumptions underlying these. We considered the risk that goodwill, investments and/or intangible assets were impaired.

How the scope of our audit addressed the key audit matter

We evaluated, in comparison to the requirements set out in IAS36, management's assessment (using discounted cash flow models) as to whether goodwill, investments and/or intangible assets were impaired and the appropriateness in respect of any reversal of previous impairment made.

We examined management's evaluation of the fair value of investments.

We challenged, reviewed and considered by reference to external evidence, management's impairment and fair value models as appropriate and their key estimates, including the discount rate. We reviewed the appropriateness and consistency of the process for making such estimates.

We have no other key audit matters to report with respect to our audit of the Parent Company financial statements.

Our audit procedures in relation to these matters were designed in the context of our audit opinion as a whole. They were not designed to enable us to express an opinion on these matters individually and we express no such opinion.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our 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 this other information, we are required to report that fact. We have nothing to report in this regard.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion based on the work undertaken in the course of our 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 Directors' report and Strategic report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Group and the Parent Company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the Directors' report.

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 by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company 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 the Directors for the financial statements

As explained more fully in the Directors' responsibilities statement set out on pages 22 and 23, 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 Group's and Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Independent auditors report continued

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: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

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.

Nigel Bostock (Senior Statutory Auditor)
for and on behalf of

Crowe U.K. LLP
Statutory Auditor
London

12 May 2019

Consolidated statement of comprehensive income

for the year ended 31 December 2018

	Note	2018 £'000	2017** £'000
Revenue	5,6	**42,672**	24,348
Cost of sales		**(22,999)**	(9,720)
Gross profit		**19,673**	14,628
Administrative expenses		**(22,058)**	(12,287)
Share based payments expense		**(360)**	(453)
Operating (loss)/profit		**(2,745)**	1,888
Adjusted EBITDA*		**6,957**	4,203
Depreciation	13	**(250)**	(100)
Amortisation of intangible assets	14	**(4,230)**	(2,184)
Fair value movement of investment	16	**(997)**	–
Non core operating expenses	9	**(4,485)**	(1,982)
Foreign exchange		**631**	(588)
Premium domain sales		**23**	2,992
Share of associate income		**(34)**	–
Share based payments expense	28	**(360)**	(453)
Operating (loss)/profit		**(2,745)**	1,888
Finance income	10	**2**	19
Finance costs	10	**(1,094)**	(536)
Net finance costs	10	**(1,092)**	(517)
Share of associate income		**34**	–
(Loss)/profit before taxation	7	**(3,803)**	1,371
Income tax expense	11	**(1,064)**	(349)
(Loss)/profit after taxation		**(4,867)**	1,022
Items that may be reclassified subsequently to profit and loss			
Exchange difference on translation of foreign operation		**1,377**	(302)
Total comprehensive (loss)/income for the period		**(3,490)**	720
(Loss)/profit is attributable to:			
Owners of CentralNic Plc		**(4,867)**	1,022
Non-controlling interest		**–**	–
		(4,867)	1,022
Total comprehensive (loss)/income is attributable to:			
Owners of CentralNic Plc		**(3,486)**	720
Non-controlling interest		**(4)**	–
		(3,490)	720

	Note	2018 pence	2017 pence
Earnings per share			
Basic (pence)	12	**(3.82)**	1.07
Diluted (pence)	12	**(3.82)**	1.04

* Earnings before interest, tax, depreciation and amortisation, foreign exchange, and non-core operating costs and revenues (acquisition costs, integration costs, settlement items, and premium domain sales).

** 2017 numbers have been restated to reclassify payroll and consultancy costs of £4.8m from cost of sales into administrative expenses, in line with the 2018 presentational change.

All amounts relate to continuing activities.

The notes on pages 41 to 74 form an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	**728**	208
Intangible assets	14	**99,428**	53,460
Deferred receivables	15	**865**	1,050
Investments fair value through other comprehensive income	16a	**–**	997
Investments	16b	**1,086**	–
Deferred tax assets	22	**1,270**	1,502
		103,377	57,217
Current assets			
Trade and other receivables	17	**19,047**	14,054
Inventory		**3,052**	327
Cash and bank balances	18	**18,039**	10,862
		40,138	25,243
Total assets		**143,515**	82,460
EQUITY AND LIABILITIES			
Equity			
Share capital	19	**171**	96
Share premium	19	**54,173**	16,545
Merger relief reserve	19	**1,879**	1,879
Share based payments reserve		**2,660**	2,507
Foreign exchange translation reserve		**2,985**	1,608
(Accumulated losses)/retained earnings		**(890)**	3,817
Capital and reserves attributable to owners of the Group		**60,978**	26,452
Non-controlling interests		**4**	–
Total equity		**60,982**	26,452
Non-current liabilities			
Other payables	20	**5,994**	5,634
Deferred tax liabilities	22	**9,839**	5,519
Borrowings	24	**17,917**	15,541
		33,750	26,694
Current liabilities			
Trade and other payables and accruals	23	**46,655**	27,047
Taxation payable		**353**	413
Borrowings	24	**1,775**	1,854
		48,783	29,314
Total liabilities		**82,533**	56,008
Total equity and liabilities		**143,515**	82,460

These financial statements were approved and authorised for issue by the Board of Directors on 12 May 2019 and were signed on its behalf by:

Mike Turner
Chairman

Company Number: 08576358

The notes on pages 41 to 74 form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Share based payments reserve £'000	Foreign exchange translation reserve £'000	Accu-mulated (losses)/ retained earnings £'000	Equity attributable to owners of the Parent Company £'000	Non-controlling interests £'000	Total equity £'000
Balance as at 31 December 2016	96	16,545	1,879	2,004	1,910	2,785	25,219	–	25,219
Profit for the year	–	–	–	–	–	1,022	1,022	–	1,022
Other comprehensive income									
Translation of foreign operation	–	–	–	–	(302)	–	(302)	–	(302)
Total comprehensive income for the year	–	–	–	–	(302)	1,022	720	–	720
Transactions with owners									
Issue of new shares									
Share based payments	–	–	–	453	–	–	453	–	453
Share based payments – reclassify lapsed options	–	–	–	(10)	–	10	–	–	–
Share based payments – deferred tax asset	–	–	–	60	–	–	60	–	60
Balance as at 31 December 2017	96	16,545	1,879	2,507	1,608	3,817	26,452	–	26,452
(Loss)/profit for the year	–	–	–	–	–	(4,867)	(4,867)	4	(4,863)
Other comprehensive income									
Translation of foreign operation	–	–	–	–	1,377	–	1,377	–	1,377
Total comprehensive income for the year	–	–	–	–	1,377	(4,867)	(3,490)	4	(3,486)
Transactions with owners									
Share issued	75	38,673	–	–	–	–	38,748	–	38,748
Share issue costs	–	(1,045)	–	–	–	–	(1,045)	–	(1,045)
Share based payments	–	–	–	360	–	–	360	–	360
Share based payments – reclassify lapsed options	–	–	–	(160)	–	160	–	–	–
Share based payments – deferred tax asset	–	–	–	(47)	–	–	(47)	–	(47)
Balance as at 31 December 2018	**171**	**54,173**	**1,879**	**2,660**	**2,985**	**(890)**	**60,978**	**4**	**60,982**

- Share capital represents the nominal value of the Company's cumulative issued share capital.
- Share premium represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable share issue costs and other permitted reductions.
- Merger relief reserve represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable share issue costs and other permitted reductions. Where the consideration for shares in another company includes issued shares, and 90% of the equity is held in the other company.
- Retained earnings represent the cumulative value of the profits not distributed to Shareholders but retained to finance the future capital requirements of the CentralNic Group.
- Share based payments reserve represents the cumulative value of share based payments recognised through equity.
- Foreign exchange translation reserve represents the cumulative exchange differences arising on Group consolidation.
- The non-controlling interests comprise the portion of equity of subsidiaries that are not owned, directly or indirectly, by the Group. These non-controlling interests are individually not material for the Group.

The notes on pages 41 to 74 form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2018

	Note	2018 £'000	2017 £'000
Cash flow from operating activities			
(Loss)/profit before taxation		**(3,803)**	1,371
Adjustments for:			
Depreciation of property, plant and equipment		**250**	100
Amortisation of intangible assets		**4,230**	2,184
Fair value movement of investment		**997**	–
Profit on investment in associate		**(34)**	–
Finance cost – net		**1,092**	517
Share based payments		**360**	453
Decrease in trade and other receivables		**1,892**	1,196
Increase/(decrease) in trade and other payables and accruals		**6,667**	(1,011)
(Increase)/decrease in inventories		**(2,725)**	77
Cash flow from operations		**8,926**	4,887
Income tax paid		**(2,260)**	(1,098)
Net cash flow generated from operating activities		**6,666**	3,789
Cash flow used in investing activities			
Purchase of property, plant and equipment		**(299)**	(104)
Purchase of intangible assets		**(3,389)**	(415)
Payment of deferred consideration		**(510)**	–
Acquisition of a subsidiary, net of cash acquired	25	**(8,969)**	(17,368)
Net cash flow used in investing activities		**(13,167)**	(17,887)
Cash flow used in financing activities			
Proceeds from borrowings (net of repayments)		**2,342**	15,298
Proceeds from issuance of ordinary shares		**24,185**	–
Costs from share issue		**(1,045)**	–
Payment of debt like items		**(11,187)**	–
Interest paid		**(511)**	(89)
Net cash flow generated from financing activities		**13,784**	15,209
Net increase/(decrease) in cash and cash equivalents		**7,283**	1,111
Cash and cash equivalents at beginning of the year		**10,862**	9,902
Exchange (losses)/gains on cash and cash equivalents		**(106)**	(151)
Cash and cash equivalents at end of the year		**18,039**	10,862
Bank borrowings (excluding prepaid costs)		**(20,517)**	(18,078)
Net (debt)/cash excluding issue costs of debt		**(2,478)**	(7,216)

The notes on pages 41 to 74 form an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2018

1. General information

(a) Nature of operations

CentralNic Group Plc is the UK holding company of a group of companies which are engaged in the provision of global domain name services. The Company is registered in England and Wales. Its registered office and principal place of business is 35-39 Moorgate, London EC2R 6AR.

The CentralNic Group provides Reseller, Small business, and Corporate and strategic consultancy for new Top Level Domains (TLDs), Country Code TLD's (ccTLDs) and Second-Level Domains (SLDs) and it is the owner and registrant of a portfolio of domain names, which it uses as domain extensions and for resale on the domain name aftermarket.

(b) Component undertakings

The principal activities of the subsidiaries and other entities included in the financial statements are presented within the Particulars of Subsidiaries and Associates on pages 83 to 85 of these financial statements.

2. Application of IFRS

(a) Basis of preparation

The financial statements are measured and presented in sterling (£) rounded to the nearest thousand, unless otherwise stated, which is the currency of the primary economic environment in which many of the entities operate. They have been prepared under the historical cost convention, except for those financial instruments which have been measured at fair value through profit and loss.

The financial statements have been prepared on the going concern basis, which assumes that the Group will continue to be able to meet its liabilities as they fall due for the foreseeable future. The financial statements have been prepared in accordance with International Financial Reporting Standards as adopted by the EU (IFRS) issued by the International Accounting Standards Board (IASB), including related interpretations issued by the International Financial Reporting Interpretations Committee (IFRIC).

The Directors have reviewed forecasts and budgets for the coming year having regard to both the macroeconomic environment in which the Group operates, historic and current industry knowledge and contracted trading activities and the future strategy of the Group. As a result of that review the Directors consider that it is appropriate to adopt the going concern basis of preparation.

(b) Standards adopted in the year

During the year, the Group adopted IFRS 9 – Financial Instruments and IFRS 15 – Revenue from contracts with customers which were effective for accounting periods commencing on 1 January 2018.

As described in the last annual report, the Directors completed their detailed review of IFRS 9 and IFRS 15 at the time of reporting of the year ended 31 December 2017 results and concluded that the adoption of these standards would have no material impact on the financial statements.

IFRS 15 is a prescriptive standard which requires a business to identify the performance obligations which are contracted with its customer base. The transaction price of the contract is determined after which the transaction price is allocated against the identified performance obligations. Revenue is recognised against each of the performance obligations as they are satisfied and as control is transferred. The Group evaluated the revenue recognition policy in place against the requirement of the standard. Performance obligations within customer contracts have been identified where domain names are sold for a term, where the management, customer and technical support is available to the customer over the period of that term, in Reseller division. The transaction price of the contract is evaluated in accordance with IFRS 15, and is attached to the performance obligations of the customer contract. Performance obligations are deemed to be satisfied by transferring control rateably over the period of contractual time, being the anniversary of the expiry date of the domain name. Small business and Corporate revenues take a similar approach, however revenues here are either recognised when control is passed on to the customer either on a percentage completion basis inline with contractual milestones or immediately recognised on delivery of the contracted work. Overall, the business determined that there is no material impact on the adoption of IFRS 15.

IFRS 9 relates to Financial Instruments which contains the requirement for a) the classification and measurement of financial assets and financial liabilities, b) impairment methodology and c) general hedge accounting. As disclosed in note 29, the Group measures its financial assets and liabilities and accounts for any expected credit losses on the basis of the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. Therefore, the adoption of IFRS 9 causes no material impact on the financial statements.

There have been no other standards adopted that have had a material impact on the financial statements and no standards adopted in advance of their implementation date.

Notes to the consolidated financial statements continued

2. Application of IFRS continued

(c) Standards, amendments and interpretations to published standards not yet effective under IFRS 16 Lease

IFRS 16 supersedes IAS 17 Leases and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. IFRS 16 will primarily affect the accounting for the group's operating leases and is effective for the next accounting period. As at the reporting date, the Group has non-cancellable operating lease commitments of £1,032,000, see note 27. Under IFRS 16, the obligations to pay the future leases rentals over the expected lease term (as outlined in note 27) will be recognised as a lease liability (current and non-current) discounted at the incremental borrowing rate with a corresponding right of use asset also being recognised in the statement of financial position. Whilst there will be a material change in gross assets and liabilities, as a result of recognising the leases as right-of-use assets and liabilities, for the change in accounting policy, it is not anticipated that there will be a material impact on net assets. Additionally, whilst the depreciation on the right of use asset and the interest on the finance liability would be different to the present operating lease charge, it is not expected to have a material impact on the reported result in the statement.

There are no other standards issued not yet effective that will have a material effect on the financial statements.

3. Summary of significant accounting policies

The financial statements have been prepared on the historical cost basis, as explained in the accounting policies set out below, which has been prepared in accordance with IFRS. The principal accounting policies are set out below:

(a) Basis of consolidation

The consolidated financial statements include the financial statements of all subsidiaries. The financial year-ends of all entities in the Group are coterminous.

The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control over the operating and financial decisions is obtained and cease to be consolidated from the date on which control is transferred out of the Group. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

All intercompany balances and transactions, including recognised gains arising from inter-group transactions, have been eliminated in full. Unrealised losses are eliminated in the same manner as recognised gains except to the extent that they provide evidence of impairment.

(b) Business combinations

Business combinations are accounted for using the acquisition method. The cost of an acquisition is measured as the aggregate of the consideration transferred measured at acquisition date fair value and the amount of any non-controlling interests in the acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in the acquiree at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition-related costs are expensed as incurred and included in administrative expenses.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Where not all of the equity of a subsidiary is acquired, the non-controlling interests are recognised at the non-controlling interest's share of the acquiree's net identifiable assets. Upon obtaining control in a business combination achieved in stages, the Group remeasures its previously held equity interest at fair value and recognises a gain or a loss to the income statement.

Contingent consideration is included in cost at its acquisition date fair value and, in the case of contingent consideration classified as a financial liability, remeasured subsequently through profit or loss.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for non-controlling interests, and any previous interest held, over the net identifiable assets acquired and liabilities assumed. If the fair value of the net assets acquired is in excess of the aggregate consideration transferred, the Group re-assesses whether it has correctly identified all of the assets acquired and all of the liabilities assumed and reviews the procedures used to measure the amounts to be recognised at the acquisition date. If the re-assessment still results in an excess of the fair value of net assets acquired over the aggregate consideration transferred, then the gain is recognised in profit or loss.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

3. Summary of significant accounting policies continued

Where goodwill has been allocated to a cash-generating unit and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the cash-generating unit retained.

(c) Functional and foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in Pounds Sterling (£), the Group's and the Company's presentational currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign currency gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except where deferred in other comprehensive income as qualifying cash flow hedges and qualifying net-investment hedges. Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within finance income or finance costs. All other foreign exchange gains and losses are recognised in profit and loss within administrative expenses.

(iii) Group Companies

The results and financial position of all of the Group entities, none of which has the currency of a hyper-inflationary economy, that have a functional currency different from the presentation currency of the Group are translated as follows:

a) assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position;

b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

c) all resulting exchange differences are recognised in other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in other comprehensive income.

(d) Financial instruments

Financial assets and liabilities are recognised in the statements of financial position when CentralNic or one of the CentralNic Group entities has become a party to the contractual provisions of the instruments.

The CentralNic Group's financial assets and liabilities are initially measured at fair value plus any directly attributable transaction costs. The carrying value of the CentralNic Group's financial assets (primarily cash and bank balances) and liabilities (primarily CentralNic's payables and other accrued expenses) approximate their fair values.

Financial instruments are offset when the CentralNic Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies its financial assets into one of the categories discussed below. The Group's accounting policy for each category is as follows:

(i) Amortised cost

These assets arise principally from the provision of goods and services to customers (eg trade receivables), but also incorporate other types of financial assets where the objective is to hold these assets in order to collect contractual cash flows and the contractual cash flows are solely payments of principal and interest. They are initially recognised at fair value plus transaction costs that are directly attributable to their acquisition or issue and are subsequently carried at amortised cost using the effective interest rate method, less provision for impairment.

Impairment provisions for current and non-current trade receivables are recognised based on the simplified approach within IFRS 9 using a provision matrix in the determination of the lifetime expected credit losses. During this process the probability of the non-payment of the trade receivables is assessed. This probability is then multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such provisions are recorded in a separate provision account with the loss being shown as impairment charge in the consolidated Statement of profit or loss and other comprehensive income. On confirmation that the trade receivable will not be collectable, the gross carrying value of the asset is written off against the associated provision.

Notes to the consolidated financial statements continued

3. Summary of significant accounting policies continued

Impairment provisions for receivables from related parties and loans to related parties are recognised based on a forward-looking expected credit loss model. The methodology used to determine the amount of the provision is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those where the credit risk has not increased significantly since initial recognition of the financial asset, 12 months expected credit losses along with gross interest income are recognised. For those for which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

From time to time, the Group elects to renegotiate the terms of trade receivables due from customers with which it has previously had a good trading history. Such renegotiations will lead to changes in the timing of payments rather than changes to the amounts owed and, in consequence, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in the consolidated statement of profit or loss and other comprehensive income (operating profit).

The Group's financial assets measured at amortised cost comprise trade and other receivables and cash and cash equivalents in the consolidated statement of financial position.

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and – for the purpose of the statement of cash flows – bank overdrafts. Bank overdrafts are shown within loans and borrowings in current liabilities on the consolidated statement of financial position.

(ii) Fair value through other comprehensive income

The Group has an equity interest in a number of investments in unlisted entities which are not accounted for as subsidiaries, associates or jointly controlled entities. For those investments, the Group has made an irrevocable election to classify the investments at fair value through other comprehensive income rather than through profit or loss as the Group considers this measurement to be the most representative of the business model for these assets. They are carried at fair value with changes in fair value recognised in other comprehensive income and accumulated in the fair value through other comprehensive income reserve. Upon disposal any balance within fair value through other comprehensive income reserve is reclassified directly to retained earnings and is not reclassified to profit or loss.

Dividends are recognised in profit or loss, unless the dividend clearly represents a recovery of part of the cost of the investment, in which case the full or partial amount of the dividend is recorded against the associated investments carrying amount.

Purchases and sales of financial assets measured at fair value through other comprehensive income are recognised on settlement date with any change in fair value between trade date and settlement date being recognised in the fair value through other comprehensive income reserve.

(iii) Financial liabilities and equity instruments

Financial liabilities are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial liabilities are reported in profit or loss. Distributions to holders of financial liabilities are classified as equity and charged directly to equity.

Financial liabilities

Financial liabilities comprise long-term borrowings, short-term borrowings, trade and other payables and accruals, measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Equity instruments

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

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from proceeds.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

3. Summary of significant accounting policies continued

(e) Property, plant and equipment

Property, plant and equipment, including leasehold improvements and office furniture and equipment, are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is calculated using the methods below to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated. The principal annual rates used for this purpose are:

	UK	Australia	New Zealand	Slovakia	Germany	Luxembourg
Depreciation method	Reducing balance	Reducing balance	Reducing balance	Straight line	Straight line	Straight line
Computer equipment	60-65%	25%	25%	20%	33%	20-25%
Furniture and fittings	15-20%	5-10%	5-20%	20%	9-10%	–
Motor vehicles	–	–	–	–	16.7%	–

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the asset.

Subsequent component replacement costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the CentralNic Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred. Cost also comprises the initial estimate of dismantling and removing the asset and restoring the site on which it is located for which the CentralNic Group are obliged to incur when the asset is acquired, if applicable.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from de-recognition of the asset is recognised in profit or loss.

(f) Intangible assets

Intangible assets represent amounts paid to acquire the rights to own and act as registrant for a portfolio of domain names.

Capitalised domain names have a finite useful life and are measured at cost less accumulated amortisation and impairment losses, if any. Domain names are amortised on an annual basis at the rate of 10% reducing balance.

Domain names not held for resale are included in the balance sheet at amortised cost and classified as "Domain names" and amortised over their useful lives. Domain names held for resale are included in the balance sheet at the lower of cost and net realisable value and classified as stock held for sale, no amortisation being charged. If a decision is taken to sell a domain name previously included in intangible assets it is reclassified as stock at net book value prior to sale.

The useful economic life for the software acquired as part of the Internet.BS, Instra, and SK-NIC is five years with the customer list acquired being amortised over ten years. The useful economic life for the software acquired as part of the KeyDrive acquisition is three to nine years with the customer list acquired being amortised over seven to 10 years.

Patent and Trademarks acquired as part of the acquisition of KeyDrive and GlobeHosting are amortised over the shorter of their useful life and/or contractual life or legal rights. If the contractual or legal right are renewed, the useful life will include the renewal period. Patent and trademarks are amortised over 5 to 15 years.

Development costs that the CentralNic Group incurs for identifiable and unique software will be capitalised, where the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software product and use or sell it;
- there is an ability to use or sell the software product;
- it can be demonstrated that the asset will probably generate future economic benefits;
- the expenditure attributable to the software product during its development can be reliably measured; and
- that there are adequate technical and finance resources available to complete this development.

Notes to the consolidated financial statements continued

3. Summary of significant accounting policies continued

Costs capitalised in relation to computer software development may relate to either:

- completely separable software; or
- enhancements of existing software which are clearly identifiable as new modules within the system or new features which enable the asset to generate additional future economic benefit. For the avoidance of doubt this excludes the ongoing maintenance to the existing software.

Directly attributable costs that are capitalised as part of the software product include the employee costs and an appropriate portion of the relevant overheads. Computer software development recognised as assets are amortised over their estimated useful lives, which are determined by the Directors.

Costs for development initiatives that the CentralNic Group undertakes that are not otherwise allocable to specific domain names or projects are charged to expense through profit and loss when incurred.

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is their fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses. Internally generated intangibles, excluding capitalised development costs, are not capitalised and the related expenditure is reflected in profit or loss in the period in which the expenditure is incurred. The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets are tested for impairment annually if facts and circumstances indicate that impairment may exist. In the event that the expected future economic benefits of the intangible assets are no longer probable or expected to be recovered, the capitalised amounts are written down to their recoverable amount through profit and loss.

(g) Impairment of non-financial assets

The carrying values of non-financial assets, other than deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. The recoverable amount of the asset is the higher of the asset's fair value less cost to sell and their value-in-use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised if the carrying value of the asset exceeds its recoverable amount.

An impairment loss is recognised in profit or loss immediately.

In respect of assets other than goodwill, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately.

(h) Cash and cash equivalents

Cash and bank balances comprise of cash in hand, bank balances, deposits with financial institutions and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Employee benefits

Short-term employee benefits, including wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the CentralNic Group.

(j) Leases

Assets held under leases are classified as operating leases and are not recognised in the CentralNic Group's statement of financial position. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as part of the total lease expense, over the term of the lease.

(k) Taxation

Taxation for the year comprises of current and deferred tax.

Current tax is the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted at the end of the reporting period.

3. Summary of significant accounting policies continued

Deferred tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements.

Deferred tax liabilities are recognised for all taxable temporary differences other than those that arise from goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient future taxable profits will be available to allow all or part of the deferred tax assets to be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

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 the deferred income taxes relate to the same taxation authority.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from a business combination is included in the resulting goodwill or excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the business combination costs.

(l) Share based payments

Employees (including Directors and Senior Executives) of the Group receive remuneration in the form of share based payment transactions, whereby these individuals render services as consideration for equity instruments (equity-settled transactions). These individuals are granted share option rights approved by the Board which can only be settled in shares of the respective companies that award the equity-settled transactions. Share option rights are also granted to these individuals by majority Shareholders over their shares held. No cash settled awards have been made or are planned.

The cost of equity-settled transactions is recognised, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant individuals become fully entitled to the award (vesting point). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments and value that will ultimately vest. The statement of comprehensive income charge for the year represents the movement in the cumulative expense recognised as at the beginning and end of that period.

The fair value of share based remuneration is determined at the date of grant and recognised as an expense in the statement of comprehensive income on a straight-line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of Black Scholes model method.

(m) Provisions, contingent liabilities and contingent assets

Provisions are recognised if, as a result of a past event, the CentralNic Group has a present legal or constructive obligation, when it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and when a reliable estimate of the amount can be made. Provisions are reviewed at the end of each financial reporting period and adjusted to reflect the current best estimate. Where effect of the time value of money is material, the provision is the present value of the estimated expenditure required to settle the obligation.

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the CentralNic Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised in the financial statements but is disclosed in the notes to the financial statements. When a change in the probability of a contingent outflow occurs so that the outflow is probable, a liability will be recognised as a provision.

Notes to the consolidated financial statements continued

3. Summary of significant accounting policies continued

A contingent asset is a probable asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain events not wholly within the control of the CentralNic Group. The CentralNic Group does not recognise contingent assets but discloses their existence where inflows of economic benefits are probable, but not virtually certain.

(n) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the course of ordinary activities, net of discounts and sales related taxes.

Revenue from the sale of services is recognised when the performance obligations are met under the customer contract. In particular:

(i) Sale of Reseller services for domain names to registrars

Reseller revenues are derived from their customer base, registrars, via the following three channels:

a) Registry channel – These revenues are being generated from the provision of services through the registry service provider mechanism. CentralNic operates as a back end service provider for third party Top Level Domains on an exclusive basis, enabling the registrars to sell domain names to registrants.

b) Reseller channel – Revenues are derived by facilitating the sale of domain names to registrars by acting as a reseller platform provider.

c) Registry Operator channel – CentralNic is an asset holder for Country Code TLD .SK, and therefore generates revenues through sale of domain names of .SK extension to registrars.

In accordance with IFRS 15, each segment evaluates the representation of the underlying customer contracts with the registrars, and identifies the performance obligation that are required to be met under the customer contract. Determining the transaction price and allocating the transaction price to the performance obligation is done is also considered, followed by the fulfilment of the performance obligation, therefore leading to the revenue recognition of the sale.

For the Registry revenues and Registry operator channels, upon evaluation of the customer contract, the registry channel has several performance obligations that need to be met over the term of the domain name sale. An invoice under these divisions could cover the sale of a domain name for a fixed term period which could vary between one and ten years, and the performance obligations are expected to be fulfilled over the course of this term on a straight-line basis. Revenues that relate to the period in which the services are performed are recognised in the income statement of that period, with the amounts relating to future periods being deferred into 'Deferred revenues'.

For the Reseller channel, upon evaluation of the customer contract, the registry channel has performance obligations that are met at point of sale of the domain name. An invoice under this division could cover the licence to utilise the domain name for a fixed term period which could vary between one and ten years, however, all performance obligations are met at the point of sale, and therefore no revenue is deferred.

(ii) Sale of Small business services for domain names to domain registrants

Small business revenues are generated from the provision of retail and similar services to domain registrants. The sub revenue streams would be those of new registrations and renewals. Revenue originates when a transaction is generated on the service registry platform by the customer.

For the small business division, upon evaluation of the customer contract, the registry channel has performance obligations that are met at point of sale of the domain name. An invoice under this division could cover the licence to utilise the domain name for a fixed term period which could vary between one and ten years, however, all performance obligations are met at the point of sale, and therefore no revenue is deferred.

(iii) Sale of Corporate services

Revenue from the provision of computer software to a customer is recognised when the Group has delivered the related software and completed all of the adaptions required by the customer for either the whole contract or for a specific milestone deliverable within the contract. The revenue is recognised at the point of fulfilment of the performance obligation, in line with the customer contract.

Revenue from strategic consultancy and similar services is recognised in profit and loss in proportion to the stage of completion of the performance obligation at the reporting date. The stage of performance obligation fulfilment is determined based on completion of work performed to date as a percentage of total services to be performed.

(iv) Changes during the year

By exception, due to the refund policy which has been amended on 1 November 2018 as part of the integration, revenues of Instra (Small business and Reseller segments) and UK (small business segments) billed before the 1 November 2018 have been recognised over the course fixed term period of domain name sale, with the amounts relating to future periods being deferred into 'Deferred revenues' which are effectively customer payments on account in advance of satisfaction of the performance obligations.

3. Summary of significant accounting policies continued

(o) Inventories
Inventories consists of Domain Names which are initially recognised at cost, and subsequently at the lower of cost and net realisable value. Cost comprises all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Weighted average cost is used to determine the cost of ordinarily interchangeable items.

(p) Associates
Where the Group has the power to participate in (but not control) the financial and operating policy decisions of another entity, it is classified as an associate. Associates are initially recognised in the consolidated statement of financial position at cost. Subsequently associates are accounted for using the equity method, where the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of profit and loss and other comprehensive income (except for losses in excess of the Group's investment in the associate unless there is an obligation to make good those losses).

Profits and losses arising on transactions between the Group and its associates are recognised only to the extent of unrelated investors' interests in the associate. The investor's share in the associate's profits and losses resulting from these transactions is eliminated against the carrying value of the associate.

Any premium paid for an associate above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is capitalised and included in the carrying amount of the associate. Where there is objective evidence that the investment in an associate has been impaired, the carrying amount of the investment is tested for impairment in the same way as other non-financial assets.

4. Critical accounting judgments and key sources of estimating uncertainty

In the application of the CentralNic Group's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities in the financial statements:

Impairment testing and fair value assessment
The recoverable amounts of individual non-financial assets are determined based on the higher of the value-in-use and the fair value less costs to sell. These calculations will require the use of estimates and assumptions. It is reasonably possible that assumptions may change, which may impact the Directors' estimates and may then require a material adjustment to the carrying value of investments, tangible and intangible assets.

The Directors review and test the carrying value of investments, tangible and intangible assets when events or changes in circumstances suggest that the carrying amount may not be recoverable. For the purposes of performing impairment tests, assets are grouped at the lowest level for which identifiable cash flows are largely independent of cash flows of other assets or liabilities. If there are indications that impairment may have occurred, estimates will be prepared of expected future cash flows for each group of assets.

For fair value through other comprehensive income financial assets, the Directors review the appropriateness and reasonableness of (i) the valuation technique(s) followed to determine the fair value and corroborative support (ii) the assumptions used in preparing such valuations and the evaluation of the sensitivity in such assumptions (iii) the evidence of indicators of a change in fair value and (iv) the adjustments required if there are indications that a change in fair value has arisen.

Expected future cash flows used to determine the value in use of tangible and intangible assets will be inherently uncertain and could materially change over time. The carrying value of the Group's tangible, intangible and investment assets are disclosed in notes 13, 14 and 16 respectively.

Notes to the consolidated financial statements continued

4. Critical accounting judgments and key sources of estimating uncertainty continued

Acquisition accounting and goodwill

Where the Group undertakes business combinations, the cost of acquisition is allocated to identifiable net assets and contingent liabilities acquired and assumed by reference to their estimated fair values at the time of acquisition. The remaining amount is recorded as goodwill. The valuation of identifiable net assets involves an element of judgment related to projected results. Fair values that are stated as provisional are not finalised at the reporting date and final fair values may be determined that are materially different from the provisional values stated.

In addition, the fair value of the deferred consideration arising on the business combination/acquisition is a key area of accounting estimate.

Judgment was exercised in determining the fair value of the assets and liabilities and the deferred consideration in the KeyDrive acquisition. Further details are set out in note 25.

5. Segment analysis

CentralNic is an independent global domain name service provider. It provides Reseller, Small business and Corporate services and is the owner and registrant of a portfolio of domain names. Operating segments are prepared in a manner consistent with the internal reporting provided to the management as its chief operating decision maker in order to allocate resources to segments and to assess their performance. The Directors do not rely on segmental cash flows arising from the operating, investing and financing activities for each reportable segment for their decision making and have therefore not included them. There was a change in the composition in the segmental analysis and the comparatives have been updated. The segmental analysis is organised around the products and services of the business.

The Reseller division is a global distributor of domain names and provides consultancy services to retailers. The Small business division provides domain names and ancillary services to end users, also on a global basis. The Corporate division represents revenue generated by providing technical and consultancy services to corporate clients, licencing of the Group's in house developed registry management platform, and selling premium domain names.

Management reviews the activities of the CentralNic Group in the segments disclosed below:

	2018			
	Reseller £000	Small business £000	Corporate £000	Total £000
Revenue	20,881	18,344	3,447	42,672
Gross profit	9,730	7,461	2,482	19,673
Total administrative expenses				(22,058)
Share based payments expense				(360)
Operating loss				(2,745)
Adjusted EBITDA				6,957
Depreciation				(250)
Amortisation of intangibles assets				(4,230)
Fair value movement of investment				(997)
Non core operating expenses				(4,485)
Foreign exchange				631
Premium domain sales				23
Share of associate income				(34)
Share based payment expense				(360)
Operating loss				(2,745)
Finance cost (net)				(1,092)
Share of associate income				34
Loss before taxation				(3,803)
Income tax expense				(1,064)
Loss after taxation				(4,867)

5. Segment analysis continued

	2017			
	Reseller £000	Small business £000	Corporate £000	Total £000
Revenue	5,743	14,736	3,869	24,348
Gross profit	4,856	5,978	3,794	14,628
Total administrative expenses				(12,287)
Share based payments expense				(453)
Operating profit				1,888
Adjusted EBITDA				4,203
Depreciation				(100)
Amortisation of intangibles assets				(2,184)
Non core operating expenses				(1,982)
Foreign exchange				(588)
Premium domain sales				2,992
Share based payment expense				(453)
Operating profit				1,888
Finance cost (net)				(517)
Profit before taxation				1,371
Income tax expense				(349)
Profit after taxation				1,022

The geographical locations of the non-current and current assets and non-current and current liabilities are located in the following territories.

	2018			
	Non-current assets £'000	Current assets £'000	Non-current liabilities £'000	Current liabilities £'000
UK	4,996	12,626	28,532	19,907
North America	862	3,367	–	1,226
Europe	73,725	13,882	5,218	19,135
Australasia	21,013	7,121	–	6,020
ROW	2,781	3,142	–	2,495
	103,377	**40,138**	**33,750**	**48,783**

	2017			
	Non-current assets £'000	Current assets £'000	Non-current liabilities £'000	Current liabilities £'000
UK	3,826	14,817	16,346	18,257
North America	–	117	–	(12)
Europe	25,970	689	5,857	2,623
Australasia	24,385	5,824	4,491	5,766
ROW	3,036	3,796	–	2,680
	57,217	25,243	26,694	29,314

Notes to the consolidated financial statements continued

6. Revenue

The Reseller division generated its revenue from reselling domain names totaling £19,325,000 (2017: £4,946,000), £1,386,000 (2017: £601,000) from consultancy and £170,000 (2017: £196,000) from DotBrand revenues. The Small Business division wholly represents revenue from provision of domain names sales totaling £18,344,000 (2017: £14,736,000). The Corporate division generated its revenue from premium domain sales of £23,000 (2017: £2,992,000), corporate revenues of £3,096,000 (2017: £590,000), and software licensing revenues of £328,000 (2017: £287,000). As part of the streamlining of the segmental analysis in 2018, DotBrand revenues are now included in the Reseller segment from the Corporate segment in 2017.

For revenues recognised in accordance with note 3 (n) (iv) there was a net increase in deferred revenue during 2018 of £447,000.

The CentralNic Group's revenue is generated from the following geographical areas:

	2018 £'000	2017 £'000
Reseller domain sales		
UK	**505**	527
North America	**4,053**	1,317
Europe	**13,536**	1,491
ROW	**2,787**	2,408
	20,881	5,743
Small business domain sales		
UK	**1,453**	1,326
North America	**4,578**	3,036
Europe	**4,396**	4,054
ROW	**7,917**	6,320
	18,344	14,736
Corporate sales		
UK	**523**	–
North America	**1,101**	2,645
Europe	**1,743**	811
ROW	**80**	413
	3,447	3,869

Corporate sales including premium domain name sales by nature are subject to annual variation depending on customer demand.

The Reseller division had no one customer that representing more than 10% of the division's revenue (2017: £613,000). No single customer contributes greater than 10% or more of the Small business sales.

The Corporate division has one customer that represented more than 10% of the division's revenue in the year of £466,000 (2017: £2,992,000 which principally represented one premium domain customer).

6. Revenue continued

The CentralNic Group's revenue is generated from the following countries:

	2018 £'000	2017 £'000
Revenue by customer location		
United States of America	**9,085**	6,054
Germany	**7,259**	866
United Kingdom	**1,875**	1,603
Switzerland	**1,771**	232
Australia	**1,610**	1,434
China	**1,065**	1,369
United Arab Emirates	**758**	687
France	**963**	562
Singapore	**656**	523
Italy	**801**	508
Hong Kong	**476**	452
New Zealand	**408**	404
Canada	**561**	402
Russian Federation	**563**	341
Chile	**90**	268
India	**291**	226
Other	**14,440**	8,417
	42,672	24,348

7. Profit before taxation

The profit before taxation is stated after charging the following amounts.

	2018 £'000	2017 £'000
Employee benefit expense – wages and salaries	**6,518**	3,788
Employee benefit expense – social security	**947**	354
Employee benefit expense – pension	**177**	178
Employee benefit expense – share based payments	**112**	136
Staff consultancy fees	**723**	468
Directors' remuneration – fees and salaries	**1,140**	843
Directors' remuneration – share based payments	**232**	317
Operating leases – land & buildings	**315**	162
Operating leases – equipment	**493**	451
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements – UK auditor office	**63**	55
Fees payable to the Company's auditor for the audit of subsidiary companies – Overseas auditor associates	**50**	50
Fees payable to Company's auditors for due diligence and other acquisition costs	**506**	102
Net loss/(gain) on foreign currency translation	**(631)**	588
Depreciation and amortisation expense	**4,480**	2,284

Notes to the consolidated financial statements continued

8. Employee information

The average number of persons employed by the Group (excluding Directors) during the year were 217 (2017: 92), analysed by category, as follows:

	2018 £'000	2017 £'000
Management and finance	**31**	10
Technical	**67**	28
Sales and marketing	**42**	23
Administrative	**30**	5
Operations	**47**	26

Key management personnel

Total remuneration of key management personnel being the Directors and key senior personnel is £2,546,000 (2017: £2,360,000) and is set out below in aggregate for each of the categories specified in IAS24, related party disclosures.

Key management are considered to be the Directors and key management personnel. Compensation has been disclosed in this note 8, while further information can be found in the Remuneration report on pages 29 to 31.

	2018			2017		
	Directors £'000	Senior key personnel £'000	Total £'000	Directors £'000	Senior key personnel £'000	Total £'000
Wages and salaries	**755**	**996**	**1,751**	621	743	1,364
Social security	**67**	**118**	**185**	68	70	138
Pension	**13**	**26**	**39**	21	37	58
Share based payments	**232**	**34**	**266**	317	35	352
Directors consultancy fees	**305**	**–**	**305**	133	–	133
Settlements	**–**	**–**	**–**	315	–	315
	1,372	**1,174**	**2,546**	1,475	885	2,360

The Group made contributions to defined contribution personal pension schemes for three Directors in the period (2017: six). The number of individuals included within the senior key personnel was 10 (2017: eight). Included in the above tables, the highest paid Director had wages and salaries including pensions of £241,000 (2017: £90,000), a special bonus of £297,000 (2017: nil), no settlement payments (2017: £234,000), no amounts attributable to share based payment (2017: £29,000) totaling to £538,000 (2017: £353,000).

The Group operates payrolls in several foreign subsidiaries and fully complies with local jurisdiction obligations. Directors and key personnel are compensated through the payroll of the country in which those individuals fulfill their duties.

9. Non core operating expenses

	2018 £'000	2017 £'000
Acquisition related costs	**3,675**	1,554
Costs in relation to Director and employee settlements	**–**	428
Integration and streamlining	**810**	–
	4,485	1,982

10. Finance income and costs

	2018 £'000	2017 £'000
Interest income on loans to Shareholders	–	17
Interest income on loans to Accent Media Ltd (related party)	2	2
Finance income	2	19
Unwinding of deferred consideration	(117)	–
Interest expense on loans to Shareholders	(4)	–
Interest expense on short-term borrowings	(62)	(7)
Interest expense on long-term bank borrowings	(911)	(529)
Finance costs	(1,094)	(536)
Net finance costs	(1,092)	(517)

11. Income tax expense

	2018 £'000	2017 £'000
UK corporation tax		
Current tax on profits for the year	1,074	887
Adjustments in respect of prior years	242	(45)
Current income tax	1,316	842
Foreign tax		
Current tax on profits for the year	149	–
Adjustments in respect of prior years	130	–
	279	–
Total current tax	1,595	842
Deferred income tax (note 22)	(531)	(493)
Income tax expense	1,064	349

A reconciliation of the current income tax expense applicable to the profit before taxation at the statutory tax rate to the current income tax expense at the effective tax rate of CentralNic is as follows:

	2018 £'000	2017 £'000
(Loss)/profit before taxation	(3,803)	1,371
Tax calculated at domestic tax rates applicable to profits in the respective countries	(632)	204
Tax effects of:		
– Expenses not deductible for tax purposes	1,283	199
– Tax losses movement	386	484
– Share based payment	70	–
– Deferred tax	(531)	(493)
– Withholding tax	279	–
– Other adjustments	(4)	–
Adjustment in respect of prior years	242	(45)
Irrecoverable foreign tax	(29)	–
Current income tax	1,064	349

The Company provides for income taxes on the basis of its income for financial reporting purposes, adjusted for items that are not assessable or deductible for income tax purposes, in accordance with the regulations of domestic tax authorities.

The effective rate of tax for the year is 27.9% (2017: 25.4%).

Notes to the consolidated financial statements continued

11. Income tax expense continued

In the UK, the applicable statutory tax rate for 2018 is 19% (2017: 19%).

In the USA, federal taxes are due at 21% on taxable income. Under California tax legislation a statutory minimum of US$800 of state tax is due.

In Germany, federal taxes are due at 15% on taxable income. Further, a community business tax of c.14%-17% is also levied with rates determined by the municipality. An additional 5.5% solidarity surcharge is due on the federal and municipal tax, taking the total effective tax charge to c.30%-34%.

In addition, for the current year, included within the domestic tax rates applicable to profits are Australia where income tax is due at 30% of taxable income and New Zealand, where income tax is due at 28% on taxable income.

In Slovakia, income tax is due at 21% of taxable income.

12. Earnings per share

Earnings per share has been calculated by dividing the consolidated profit after taxation attributable to ordinary Shareholders by the weighted average number of ordinary shares in issue during the period.

Diluted earnings per share has been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of the dilutive potential ordinary shares as calculated using the treasury stock method (arising from the Group's share option scheme and warrants) into ordinary shares has been added to the denominator. There are no changes to the profit (numerator) as a result of the dilutive calculation. Due to the loss made in the year ended 31 December 2018, the impact of the potential shares to be issued on exercise of share options and warrants would be anti-dilutive and therefore diluted earnings per share is reported on the same basis on earnings per share.

	2018	2017
Profit after tax attributable to owners (£'000)	(4,867)	1,022
Weighted average number of shares:		
Basic	127,515,308	95,894,348
Effect of dilutive potential ordinary shares	–	2,922,785
Diluted	127,515,308	98,817,133
Earnings per share:		
Basic (pence)	(3.82)	1.07
Diluted (pence)	(3.82)	1.04

13. Property, plant and equipment

	Motor vehicles £'000	Computer equipment £'000	Furniture and fittings £'000	Total £'000
Cost				
At 1 January 2017	–	565	101	666
Additions	–	103	1	104
Acquisition of subsidiary	–	47	–	47
Exchange differences	–	(7)	(6)	(13)
Disposals	–	(1)	–	(1)
At 31 December 2017	–	707	96	803
Additions	–	293	6	299
Acquisition of subsidiary	23	366	109	498
Exchange differences	1	(21)	(10)	(30)
At 31 December 2018	**24**	**1,345**	**201**	**1,570**
Accumulated depreciation				
At 1 January 2017	–	442	63	505
Charge for the year	–	91	9	100
Exchange differences	–	(2)	(7)	(9)
Disposals	–	(1)	–	(1)
At 31 December 2017	–	530	65	595
Charge for the year	8	221	21	250
Exchange differences	1	(3)	(1)	(3)
At 31 December 2018	**9**	**748**	**85**	**842**
Property, plant and equipment, net				
At 31 December 2018	**15**	**597**	**116**	**728**
At 31 December 2017	–	177	31	208

Depreciation of property, plant and equipment is included in administrative expenses in the consolidated statement of comprehensive income.

Notes to the consolidated financial statements continued

14. Intangible assets

	Domain names £'000	Software £'000	Customer list £'000	Patents & trademarks £'000	Goodwill £'000	Total £'000
Cost or deemed cost						
At 1 January 2017	1,166	3,294	12,716	–	15,303	32,479
Additions	–	415	–	–	–	415
Acquisition of subsidiary	–	132	11,709	–	13,839	25,680
Reclassification	(25)	–	–	–	–	(25)
Exchange differences	–	(36)	(87)	–	(134)	(257)
At 31 December 2017	1,141	3,805	24,338	–	29,008	58,292
Additions	–	377	1,150	249	1,613	3,389
Acquisition of subsidiary	9	7,017	7,014	2,183	29,056	45,279
Exchange differences	–	238	268	76	948	1,530
At 31 December 2018	**1,150**	**11,437**	**32,770**	**2,508**	**60,625**	**108,490**
Amortisation						
At 1 January 2017	125	920	1,612	–	–	2,657
Charge for the year	104	761	1,319	–	–	2,184
Reclassification	(9)	–	–	–	–	(9)
At 31 December 2017	220	1,681	2,931	–	–	4,832
Charge for the year	92	1,224	2,845	69	–	4,230
At 31 December 2018	**312**	**2,905**	**5,776**	**69**	**–**	**9,062**
Intangible assets, net						
At 31 December 2018	**838**	**8,532**	**26,994**	**2,439**	**60,625**	**99,428**
At 31 December 2017	921	2,124	21,407	–	29,008	53,460

For the purposes of the impairment evaluation, the intangible assets are evaluated according to their cash generating units (CGUs) which are the separate identifiable entities acquired in each of the Instra, SK Nic, Internet.bs, and KeyDrive acquisitions.

Amortisation of intangible assets is included in administrative expenses in the consolidated statement of comprehensive income.

Certain domain names previously held as intangible assets were reclassified to stock held for resale in 2017.

The purchase of GlobeHosting, an asset acquisition is included in the additions line of the note above. The acquisition was completed on 6 September 2018. The total consideration of €2,558,000 comprises an initial consideration of €1,500,000, coupled with a deferred payment of €608,000 due on the first anniversary of completion and €450,000 due on the second anniversary of completion. The total consideration of €2,558,000 represents 3.0x of GlobeHosting's revenues of €849,000 for the 12 months to 31 July 2018 and 6.1x of its EBITDA of €419,000. The total consideration was reflected after price adjustments on the initial consideration and discounting factors on the deferred consideration. The list of Globehosting asset acquisition is as follows: a) customer list of €1,308,000, b) Goodwill of €735,000, c) Patents and trademark of €283,000, d) domain names of €93,000, and tangible fixed assets of €28,000. For future impairment evaluation of intangibles acquired in respect of the GlobeHosting acquisition, these will be considered within the KeyDrive cash generating unit in which the acquisition has been made.

Goodwill and customer list

The Group tests goodwill recognised through business combinations annually for impairment. Additions to goodwill arose through the business combinations outlined in note 25. The carrying value of goodwill and the customer list is allocated to the respective segments within the CGUs as follows:

	Customer list		Goodwill	
	2018 £'000	2017 £'000	**2018 £'000**	2017 £'000
Reseller division	**16,458**	12,335	**36,288**	14,985
Small business division	**9,412**	9,072	**19,800**	13,905
Enterprise division	**1,124**	–	**4,537**	118
Total carrying value	**26,994**	21,407	**60,625**	29,008

14. Intangible assets continued

The recoverable amount of goodwill of £60,625,000 (2017: £29,008,000) at 31 December 2018 is determined based on a value in use using cash flow projections from financial budgets approved by senior management covering a one to three years period. Cash flow projections beyond the one to three year time frame are extrapolated by applying a flat growth rate in perpetuity per the table below which is based on management judgment, historical trends, expected return on investment, experience and discretion. The pre-tax discount rate applied to the cash flow projections is 8.5%-10.3% depending on the segment within each CGU. As a result of the analysis, management did not identify any impairment of goodwill.

The assumptions used in the cash flow projections were as follows:

	Growth rates
Reseller division	1-5%
Small business division	1%
Corporate division	–%

Discount rates

Discount rates represent the current market assessment of the risks specific to the CGU, taking into consideration the time value of money and individual risks of the underlying assets that have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and is derived from its WACC, with appropriate adjustments made to reflect the risks specific to the CGU and to determine the pre-tax rate. The cost of equity is derived from the expected return on investment by the Group's investors.

Management considers that no reasonable change in these key assumptions would cause the carrying amount of this asset to exceed its value in use.

15. Deferred receivables

	2018 £'000	2017 £'000
Deferred costs	787	976
Amounts due from related parties	78	74
	865	1,050

In June 2017 the Company loaned Accent Media Ltd US$100,000 (2018: £78,000, 2017: £74,000). The loan is due for repayment in two years and accruals interest at 5% which is payable quarterly in arrears.

The deferred costs are prepaid invoices for a period over 12 months relating to domain name purchases from wholesalers.

16. Investments

(a) Fair value through other comprehensive income

	£'000
At 31 December 2016 and 31 December 2017	997
Fair value movement	(997)
At 31 December 2018	–

The Company owns less than 20% of the following undertaking which is incorporated in the United Kingdom (UK):

Name	Place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital	Effective interests
Accent Media Ltd	UK	Domain registry operator	Ordinary shares	10.4%

Notes to the consolidated financial statements continued

16. Investments continued

This investment is categorised in the fair value hierarchy under Level 3 as no observable market data was available.

The fair value of the investment at 31 December 2018 continues to be assessed using a price of recent investment valuation technique, supported by a DCF valuation technique to corroborate the measure of fair value of the investment. The valuation method applied to this investment is considered the most appropriate with regard to the stage of the development of the business and the IPEVCV guidelines. In applying the price of recent investment valuation methodology, the basis used is the initial cost of the investment.

In deriving the price of recent investment the Directors have given consideration to the cost of investment arising from transactions involving both the Company and (subsequently) third parties. In determining the continued use of the price of recent investment valuation the Directors have considered the continued validity of this method by reference to the timing of the most recent transactions, the existence of indicators of change in fair value and the appropriateness of alternative valuation techniques. Whilst the Directors accept that Accent Media continues to be at an early stage, and envisage its profitability to improve, due to the business's current profitability, a prudent approach of applying a full impairment in 2018 has been adopted of £997,000.

The net assets of Accent Media Limited (in which the Group has 10.4% shareholding) in the most recently publicly available unaudited financial statements for the year ended 31 March 2017 were £3,619,466.

(b) Investments in associates

	£'000
At 31 December 2017	–
Additions	1,016
Share on profit on associate	34
Foreign exchange movement	36
At 31 December 2018	**1,086**

The Company owns the following investment in associates:

Name	Place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital	Effective interests
Thomsen Trampedach GmbH	Germany	Domain registry operator	Ordinary shares	26.5%

	2018 £'000
% of ownership interests/voting rights held by the Group	
At 31 December:	
Non-current assets	221
Current assets	1,150
Current liabilities	(735)
Net assets	636
Group's share of net assets	168
Others	468
Year ended 31 December 2018:	
Revenue	2,558
Profit from continuing operations	309
Post-tax profit or loss from continuing operations	270
Total comprehensive income	270

17. Trade and other receivables

	2018 £'000	2017 £'000
Trade receivables	**9,682**	3,826
Accrued revenue	**4,016**	3,056
Deferred costs	**2,778**	3,435
Supplier payments on account	**1,212**	563
Amounts due from Shareholders	**–**	764
Prepayments and other receivables	**1,359**	2,410
	19,047	14,054

As of 31 December 2018, trade receivables of £502,000 (2017: £294,000) were past due but not impaired. These primarily relate to several customers for whom there is considered a low risk of default.

The ageing of the trade receivables past due but not impaired is as follows; 0-30 days £124,000 (2017: £3,000), 30-60 days £91,000 (2017: £46,000), 60-90 days £68,000 (2017: £20,000), and over 90 days £267,000 (2017: £225,000).

The deferred costs are prepaid invoices for a period within 12 months relating to domain name purchases from wholesalers. Supplier payments on account reflect payments to domain name registries for use against future wholesale domain purchases within the Internet.BS and Instra retail businesses. Other receivables primarily relate to rebates due from registries in the KeyDrive and UK businesses.

Amounts due from Shareholders for 2017 represented amounts due from Jabella Group Limited, a Shareholder during the period. Amounts due from Jabella Group Limited bore interest at 2% above LIBOR. Interest receivable is disclosed in note 26. The loan was repaid in the year (2017: £764,000).

These are no contract assets within trade and other receivables.

18. Cash and cash equivalents

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following:

Amounts held on deposit	2018 £'000	2017 £'000
GBP	**986**	1,530
USD	**9,679**	7,202
EUR	**6,705**	1,884
AUD	**153**	157
NZD	**187**	32
CAD	**42**	54
Other	**287**	3
	18,039	10,862

Notes to the consolidated financial statements continued

19. Share capital

The Company's issued and fully paid share capital is as follows:

Ordinary shares of 0.1 pence each	Number	Share capital £'000	Share premium £'000	Merger relief reserve £'000
At 31 December 2017	95,894,348	96	16,545	1,879
Issued in the year	74,758,454	75	37,628	–
At 31 December 2018	**170,652,802**	**171**	**54,173**	**1,879**

On 9 February 2018 598,000 options were exercised for a £184,800 and on 1 August 2018 the Group issued 74,160,454 Ordinary shares of 0.1 pence for £37,518,582, net of share issue cost.

The Company has no authorised share capital.

20. Non-current other payables

	2018 £'000	2017 £'000
Deferred revenue	**2,460**	2,282
Deferred consideration	**3,534**	3,352
	5,994	5,634

Deferred revenue represents amounts billed on account of revenues where performance obligations have not been met for recognition of revenue.

21. Reserves

Share capital represents the nominal value of the Company's cumulative issued share capital.

Share premium represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable share issue costs and other permitted reductions.

Merger relief reserve represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable share issue costs and other permitted reductions. Where the consideration for shares in another company includes issued shares, and 90% of the equity is held in the other company.

Retained earnings represent the cumulative value of the profits not distributed to Shareholders, but retained to finance the future capital requirements of the CentralNic Group.

Share based payments reserve represents the cumulative value of share based payments recognised through equity.

Foreign exchange translation reserve represents the cumulative exchange differences arising on Group consolidation.

22. Deferred tax

Deferred tax assets	Share based payments £'000	Losses £'000	Other temporary differences £'000	Total £'000
At 1 January 2017	273	194	654	1,121
Acquisition of subsidiary	–	–	95	95
(Charge)/credit to income	205	27	17	249
(Charge)/credit to equity	60	–	–	60
Exchange differences	–	–	(23)	(23)
At 31 December 2017	538	221	743	1,502
(Charge)/credit to income	78	(6)	(241)	(169)
(Charge)/credit to equity	(47)	–	–	(47)
Exchange differences	(4)	(14)	2	(16)
At 31 December 2018	**565**	**201**	**504**	**1,270**

Deferred tax liabilities	KeyDrive intangible assets £'000	SK-NIC intangible assets £'000	Instra intangible assets £'000	Other temporary differences £'000	Total £'000
At 1 January 2017	–	–	3,235	47	3,282
Acquisition of subsidiary	–	2,451	–	–	2,451
(Credit)/charge to income	–	(5)	(286)	47	(244)
(Credit)/charge to other comprehensive income	–	–	–	(53)	(53)
Exchange differences	–	23	60	–	83
At 31 December 2017	–	2,469	3,009	41	5,519
Acquisition of subsidiary	4,291	–	–	1,156	5,447
(Credit)/charge to income	(206)	(166)	(385)	(1)	(758)
(Credit)/charge to other comprehensive income	–	–	–	–	–
Exchange differences	153	(133)	(410)	21	(369)
At 31 December 2018	**4,238**	**2,170**	**2,214**	**1,217**	**9,839**

23. Trade and other payables and accruals

	2018 £'000	2017 £'000
Trade payables	**7,225**	3,091
Accrued expenses	**9,487**	7,024
Other taxes and social security	**255**	208
Deferred consideration	**5,923**	523
Deferred revenue (note 20)	**7,806**	9,218
Customer payments on account	**15,385**	6,877
Accrued interest	**179**	70
Other liabilities	**395**	36
	46,655	27,047

Notes to the consolidated financial statements continued

24. Borrowings

	2018 £'000	2017 £'000
Non-current		
Bank borrowings	**18,517**	16,078
Prepaid finance costs	**(600)**	(537)
	17,917	15,541
Current		
Bank borrowings	**2,000**	2,000
Prepaid finance costs	**(225)**	(146)
	1,775	1,854
Total borrowings	**19,692**	17,395

	Bank borrowings £'000	Prepaid finance costs £'000	Total £'000
Bank borrowings 1 January 2017	2,625	(268)	2,357
Repayment of initial loan	(2,625)	268	(2,357)
New financing drawdown (August 2017)	1,750	–	1,750
New financing drawdown (November 2017)	16,250	(732)	15,518
Repayment of new financing	–	49	49
Exchange differences	78	–	78
Total borrowing as at 31 December 2017	18,078	(683)	17,395
New financing drawdown	4,342	(310)	4,032
Repayment of new financing	(2,000)	168	(1,832)
Exchange differences	97	–	97
Total borrowing as at 31 December 2018	**20,517**	**(825)**	**19,692**

Bank borrowings relate to the £20.5m secured debt facility entered into with Silicon Valley Bank (SVB) on 29 August 2017 as amended and restated on 30 November 2017 and August 2018. The debt facility refinanced the remaining £1.75m due in relation to the original debt facility entered into with SVB on 8 December 2015, with the remaining £16.25m being drawn down on 30 November 2017 to fund the initial cash consideration of the SK-NIC acquisition. In August 2018, £3m was drawn down and in September an additional €1.5m was drawn down from the SVB facility.

Interest for the period has been accrued at the applicable margin plus LIBOR. The term of the loan is five years with quarterly loan and interest repayments.

25. Business combinations

KeyDrive acquisition

On 2 August 2018 CentralNic Group completed the acquisition of the entire share capital of KeyDrive S.A. for an initial consideration of US$35.8m plus a performance based deferred consideration of US$10.5m (discounted at US$6.5m). The enterprise value of US$44.5m was adjusted for settlement of debt like items of US$16.0m, offset by the impact of cash and working capital adjustments for US$7.3m, and after taking the discounted deferred consideration into account of US$6.5m, this resulted in the total consideration of US$42.3m.

The primary reason for the business combination is to substantially increase CentralNic's scale and product range, adding KeyDrive's strength in the domain reseller and corporate services market to CentralNic's existing expertise in the domain registry and retail registrar segments.

The enlarged Group will rank as the 11th largest domain name registrar globally by gTLD volume and be among the top five registry service providers by number of registry clients.

25. Business combinations during the period continued

The following table summarises the consideration to acquire the share capital of KeyDrive S.A. and the provisional fair value of the assets and liabilities at the acquisition date in line with Group accounting policies.

Consideration	US$'000	£'000
Initial cash consideration	16,477	12,426
Deferred consideration	6,513	4,912
Total cash consideration	22,990	17,338
Initial share consideration	19,311	14,563
Total consideration	**42,301**	**31,901**

Fair value recognised on acquisition	US$'000	£'000
Assets		
Intangible assets – customer list	9,300	7,014
Software platform technology	9,105	7,017
Other intangible assets	2,907	2,192
Property, plant and equipment	661	498
Investment in associate	1,347	1,016
Deferred tax on acquisition related intangibles	(5,690)	(4,291)
Other long-term assets	4	3
Other receivables	8,921	6,728
Cash	4,583	3,457
	31,338	**23,634**
Liabilities		
Trade payables	795	599
Other payables and accruals	18,780	14,164
Debt like liability	5,767	4,349
Other deferred tax liability	1,533	1,156
Other income tax liabilities	691	521
	27,566	**20,789**
Total identifiable net liabilities at fair value	3,772	2,845
Goodwill arising on acquisition	38,529	29,056
Purchase consideration	**42,301**	**31,901**

The initial cash consideration and associated expenses were funded through the Placing, raising gross proceeds of £24m, its own cash resources and debt. SVB will be providing debt of c.£6m, which is an extension of the current facilities entered in to for the SK.NIC acquisition.

In addition to the cash and Consideration Shares, if certain financial performance tests are met, CentralNic will pay Inter.Services a performance-based earn-out of up to US$10.5m, a minimum of 15% of which shall be settled in cash and up to 85% of which may be settled by the issue of additional consideration shares, taking the total maximum enterprise value to US$55.0m. If the performance-based earn-out pays out less than US$10.5m in total, CentralNic will pay for certain tax losses within the KeyDrive Group on the same basis as the payment of the performance-based earn-out but only to the extent that such tax losses are used by the enlarged Group and provided that the aggregate consideration for the earn-out and the tax losses does not exceed US$10.5m. As at 31 December 2018, the deferred consideration of US$10.5m was discounted to US$6.5m using the discount rate outlined in note 14.

Notes to the consolidated financial statements continued

25. Business combinations during the period continued

Management has evaluated the value of the acquired customer list in relation to the domains under management at the time of acquisition and the expected discounted future cash flow that is expected to derive from the existing customer base, with the residual intangible classed as goodwill. Goodwill arising on acquisition primarily relates to the inherent value of the acquired KeyDrive gTLD and goodwill in relation to employees.

Acquisition related costs of £2,443,000 (2017: £883,000) have been recognised in the income statement, which are included in note 9.

For the post-completion period to 31 December 2018 revenues of US$26.2m and Adjusted EBITDA of US$3,868,000 have been generated by KeyDrive. KeyDrive's revenue for the year ended 31 December 2018 was US$62,547,000 and Adjusted EBITDA was US$6,724,000, with profit before tax of US$2,148,000. US$14,081,000 of debt like items have also been settled in cash and US$750,000 of debt like item have been settled in shares.

The trade and other receivables are stated at gross valuation which equates to the contractual amounts with no provisions being made against them in line with the Directors' expectations.

GlobeHosting acquisition

The GlobeHosting acquisition which completed on 6 September 2019 is summarised in note 14.

SK NIC acquisition in 2017

On 5 December 2017 Centralnic Group completed the acquisition of the entire share capital of SK-NIC a.s. for a total consideration of €28.1m, consisting of €26.1m in cash less a cash adjustment for working capital at completion of (€0.4m), plus a fair value adjustment relating to the deferred and contingent consideration which is due for payment by 2024 (€1.1m) and an assumption of loans due from the vendor on completion of €3.4m.

The primary reason for the business combination was to acquire the manager of the exclusive country code top-level domain for Slovakia, .SK. The business exhibits a high level of recurring earnings and provides access to a new international market with sustainable growth characteristics in line with the Group strategy.

The following table summarises the consideration to acquire the share capital of the SK-NIC a.s. and the provisional fair value of the assets and liabilities at the acquisition date in line with Group accounting policies.

Consideration	€'000	£'000
Initial cash consideration	20,273	17,843
Contingent consideration	4,850	4,269
Deferred consideration	1,000	880
Maximum cash consideration	26,123	22,992
Adjustment for working capital	(421)	(371)
Total cash consideration	**25,702**	**22,621**
Fair value adjustment for deferred and contingent consideration	(1,064)	(937)
Assumption of loans due from the vendor DanubiaTel a.s.	3,413	3,004
Total consideration	**28,051**	**24,688**

25. Business combinations during the period continued

Fair value recognised on acquisition	€'000	£'000
Assets		
Intangible assets – customer list	13,304	11,709
Other intangible assets	150	132
Property, plant & equipment	53	47
Trade receivables	244	215
Other receivables	3,905	3,436
Deferred income tax asset	108	95
Cash	539	474
	18,303	**16,108**
Liabilities		
Trade payables	751	661
Other payables and accruals	571	502
Deferred revenue	2,028	1,785
Deferred income tax liability	2,785	2,451
Other income tax liabilities	(159)	(140)
	5,976	**5,259**
Total identifiable net liabilities at fair value	**12,327**	**10,849**
Goodwill arising on acquisition	15,724	13,839
Purchase consideration	**28,051**	**24,688**

The initial cash consideration of €20.3m was funded by an increase in the SVB term loan and RCF of €18.4m and existing cash balances held by the Group of €1.9m.

The deferred of €1m and contingent consideration of €4.85m, totaling €5.85 has been placed in to an escrow account and subject to any claims will be released to the vendor in tranches until 2024. Deferred contingent cash consideration of €4.85m is dependent on SK-NIC attaining defined growth targets over the next three years, with the remaining deferred cash consideration being payable in 2024. At 2017 year-end, the deferred cash consideration has been accounted for in the consolidated statement of financial position at fair value, using a discount factor of 10%, which has amounted to €1.06m. This will unwind as the payment stages become due through the consolidated statement of comprehensive income.

The growth rates in relation to the contingent consideration are calculated on the number of registered domains at the end of each financial year over the next 3 years (post completion) with the payment profile being spread over 8 years. The last payment on the profile is not subject to the defined growth rates. The Directors have considered the range of outcomes on the target growth rate which would trigger the unwinding of the deferred consideration and on the basis that there exists sufficient headroom against management sensitivity to attain these domain name growth rates, they have concluded that the deferred consideration will be payable in full over the agreed period, with the first payment from the profile having been settled in April 2018 of €1.02m.

Management have evaluated the value of the acquired customer list in relation to the domains under management at the time of acquisition and the expected discounted future cash flow that is expected to derive from the existing customer base, with the residual intangible classed as goodwill. Goodwill arising on acquisition primarily relates to the inherent value of the acquired .sk ccTLD and goodwill in relation to employees.

Notes to the consolidated financial statements continued

26. Related party disclosures

(a) Ultimate controlling party

The Company is not controlled by any one party.

(b) Related party transactions

Key management are considered to be the Directors and key management personnel. Compensation has been disclosed in note 8, while further information can be found in the Remuneration report on pages 29 to 31.

(i) Shareholders

Balances outstanding with Shareholders:

	2018 £'000	2017 £'000
Jabella Group Limited	–	764

Amounts due from Jabella Group Limited were interest free until 31 August 2013, from which time the balance accrued interest at 2% above LIBOR. Following the loan repayment, there was no interest received in the year. An amount of £4,000 interest income over accrued in the previous year was released in the year (2017: £17,000).

During the year Inter.Services GmbH, a company of which A Siffrin is a Shareholder provided services totaling £170,000 (2017: nil) to the Group. £12,000 (2017: nil) was outstanding at the year-end.

During the year the Group incurred rental costs of £2,000 (2017: nil) from H Siffrin, a close relative of A Siffrin is a Director. There were no balances outstanding for the year-ended 2018 and 2017.

The Group provided services amounting to £11,000 (2017: nil) to Shortdot S.A., a company of which M Riedl is a Director and Shareholder. The amount outstanding at the year-end amounted to £5,000 (2017: nil).

Operating lease payable to Erin Investments & Finance Limited of which S Dayani is a member, amounted to £64,000 (2017: £64,000) for the year. The Company was recharged £27,000 for the service charges. £26,000 (2017: nil) was payable at the year-end.

(ii) Non-Executive Directors

During the year, CentralNic engaged with Rickert Rechtsanwaltsgesellschaft GmbH, of which Thomas Rickert has a controlling interest, to provide legal services in relation to the purchase of intangible assets and advise on potential acquisitions and other legal works. The fees were £5,000 (2017: £9,000) and no amounts were outstanding as at 2018 and 2017 year-ends.

(iii) Other related parties

Balances outstanding with other related parties:

	2018 £'000	2017 £'000
Accent Media Ltd	78	74

In June 2017 the Company loaned Accent Media Ltd US$100,000 (2018: £78,000 and 2017: £74,000). The loan is due for repayment in three years from the date of advance and accrues interest at 5% which is payable quarterly in arrears. Interest receivable in the year amounted to £2,000 (2017: £2,000).

27. Commitments

Operating lease commitments

At the end of each of the reporting periods, the minimum lease payments under non-cancellable leases are payable as follows:

Land and buildings	2018 £'000	2017 £'000
Less than one year	410	88
Between one and five years	567	11
	977	99

Motor vehicles	2018 £'000	2017 £'000
Less than one year	39	–
Between one and five years	16	–
	55	–

The Group leases office space at the following locations, all of which are operating leases:

Moorgate London, UK. The lease agreement was entered into on 1 January 2010 for an initial term of six years, extended to 1 April 2018, and subsequently extended on a month by month basis. The property was vacated on 30 April 2019.

Bank London, UK. The lease agreement was entered into on 7 March 2019 with a break clause on 6 March 2024 and an expiry date of 6 March 2029. The post balance sheet lease commitment to the break clause date is £1,210,000.

Melbourne, Australia. The original lease agreement expired on 30 November 2016, with the lease being extended on a month by month basis with a three month notice period.

Napier, New Zealand. The lease agreement was entered into on 1 August 2012 for an initial term of three years, with the right to renew every 3 years. The property was vacated on 15 April 2019.

Marine Parade, Napier, New Zealand. The lease agreement was entered into on 16 April 2019 for an initial term of three years with the right to renew every three years. The final expiry date is 31 July 2027.

Bonn, Germany. The lease agreement was entered into on 1 January 2015 for an initial term of three years. The lease will renew each year for a further year unless either party terminates with six months notice.

Munich Germany. The Group also acquired several leases on its acquisition of KeyDrive Group for a period of 36 months from August 2012. The leases are renewed automatically and cancellation is subject to a months notice by either party.

Köln Germany. The lease agreement was entered into on 1 July 2018 for an initial term of five years. The lease will then be renewed for two years after the lease date unless a year's notice is provided.

Bratislava, Slovakia. The lease agreement was acquired on acquisition and can be terminated at any point in time with immediate effect and as there exists no minimum commitment period, the above table excludes these amounts.

Luxembourg. The lease agreement was acquired on acquisition of the KeyDrive Group. The contracts are renewed by tacit agreement for a period of 12 months subject to a notice period either side of three months.

Leesburg, Virginia, USA. The lease agreement was entered into on 1 October 2013 for an initial term of 3 years. The lease will renew each year for a further year unless either party terminates with 6 months notice.

Motor vehicles

The Group also acquired several motor vehicle leases on its acquisition of the KeyDrive Group. These leases run for a period of 36 months.

The Group leases equipment under various operating leases, the majority of which can be terminated immediately, and equate to immaterial sums.

Notes to the consolidated financial statements continued

28. Share options and warrants

Share Options

The share option scheme, which was adopted by CentralNic during 2013, was established to reward and incentivise the executive management team and staff for delivering share price growth. The option schemes are all equity settled.

The share option scheme is administered by the Remuneration committee.

No options were granted during 2018 (2017: 0,00). Out of the 6,287,166 outstanding options (2017: 6,929,166), 3,607,166 options (2017: 3,730,166) were exercisable.

598,000 share options were exercised in 2018 (2017: nil), with 44,000 options lapsing during the year (2017: 115,000).

A charge of £359,537 (2017: £452,989) has been recognised in the statement of comprehensive income for the year relating to these options.

These fair values were calculated using the Black Scholes option pricing model. The inputs into the model were as follows:

Date of options grant	4 Feb 2016	4 Feb 2016	4 Feb 2016	4 Feb 2016	4 Feb 2016	29 August 2016	29 August 2016
Options granted	700,000	750,000	350,000	48,000	419,000	318,000	235,000
Stock price	51p	51p	51p	51p	51p	43p	43p
Exercise price	40p	40p	40p	51p	40p	40p	40p
Interest rate	5%	5%	5%	5%	5%	4%	4%
Volatility	75%	75%	75%	75%	75%	52%	52%
Vesting period	3 years from the date of grant	15 Sept 2018	26 Oct 2018	3 years from the date of grant	14 Jan 2019	14 Jan 2019	3 years from the date of grant
Time to maturity	10 years	10 years	10 years	10 years	10 years	10 years	10 years

Options are exercisable in accordance with the contracted vesting schedules, if the employee leaves the employment of the Group prior to the options vesting then the share options previously granted will lapse. The expected volatility was determined with reference to similar entities trading on AIM.

Details of the share options outstanding at the year-end are as follows:

	Number 31 Dec 2018	**WAEP* 31 Dec 2018**	Number 31 Dec 2017	WAEP* 31 Dec 2017
Outstanding at 1 January	**6,929,166**	**32p**	7,044,166	32p
Granted during year	**–**	**–**	–	–
Exercised during year	**(598,000)**	**31p**	–	–
Lapsed during year	**(44,000)**	**40p**	(115,000)	40p
Outstanding at 31 December	**6,287,166**	**32p**	6,929,166	32p
Exercisable at 31 December	**3,607,166**	**27p**	3,730,166	26p

* weighted average exercise price.

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 5.8 years.

Warrants

On 12 August 2013, CentralNic Group executed a warrant instrument to create and issue warrants to Zeus Capital to subscribe for an aggregate of 1,772,727 ordinary shares. The warrants will expire six years after admission and were exercisable after the first anniversary of admission (2 September 2014) at the Placing price of 55p. The ordinary shares to be allotted and issued on the exercise of any or all of the warrants will rank for all dividends and other distributions declared after the date of the allotment of such shares but not before such date and otherwise pari passu in all respects with the ordinary shares in issue on the date of such exercise allotment.

29. Financial instruments

The CentralNic Group is exposed to market risk, credit risk and liquidity risk arising from financial instruments. The CentralNic Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the CentralNic Group's financial performance. The Group does not trade in financial instruments.

The principal financial instruments used by the CentralNic Group, from which financial instrument risk arises, are as follows:

	2018 £'000	2017 £'000
Financial assets measured at amortised cost		
Trade and other receivables	**14,808**	9,835
Cash and cash equivalents	**18,039**	10,862
	32,847	20,697
Financial liabilities measured at amortised costs		
Trade and other payables and accruals	**17,483**	10,432
Loan and borrowing (current liabilities)	**1,775**	1,854
	19,258	12,286

Current and non-current loans and borrowings are included within section (ii), credit risk below.

(a) Financial risk management framework

The Directors' risk management policies are established to identify and analyse the risks faced by the CentralNic Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

(i) Market risk

Foreign currency risk

The CentralNic Group is exposed to foreign currency risk on transactions and balances that are denominated in a currency other than its functional currency, primarily US$ and Euros. Foreign currency risk is monitored on an on-going basis to ensure that the net exposure is at an acceptable level.

The CentralNic Group's exposure to foreign currency risk is minimal as it trades predominantly in US$, Euros, GB Pound Sterling and Australian Dollars. Exposure to currency risk is negated by the CentralNic Group holding adequate reserves in these four currencies to meet trading and provisioned obligations as the need arises.

As the Group evolves, foreign currency risk will be monitored more closely given exposure to additional markets and currencies.

The carrying amounts of the CentralNic Group's financial instruments are denominated in the following currencies at 31 December 2018:

	GBP £'000s	US$ £'000s	Euro £'000s	AUS$ £'000s	Other currencies £'000s	Total £'000s
Current financial assets						
Loan and receivables						
Trade and other receivables	8,567	3,062	2,835	62	282	14,808
Cash and cash equivalents	986	9,679	6,706	153	515	18,039
	9,553	12,741	9,541	215	797	32,847
Current Financial liabilities measured at amortised costs						
Trade and other payables	12,648	3,408	952	458	17	17,483
Loan and borrowing	(225)	–	2,000	–	–	1,775
	12,423	3,408	2,952	458	17	19,258

The sensitivity analyses in the table below details the impact of changes in foreign exchange rates on the CentralNic Group's post-tax profit or loss for the year ended 31 December 2018.

Notes to the consolidated financial statements continued

29. Financial instruments continued

It is assumed that the named currency is strengthening or weakening against all other currencies, while all the other currencies remain constant.

If the GBP strengthened or weakened by 10% against the other currencies, with all other variables in each case remaining constant, then the impact on the CentralNic Group's post-tax profit or loss would be gains or losses as follows:

	2018 Strengthen/ weaken £'000	2017 Strengthen/ weaken £'000
USD	+/– 943	+/– 378
EUR	+/– 665	+/– 225
AUD	+/– 25	+/– 337

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The CentralNic Group's exposure to interest rate risk arises mainly from interest-bearing financial assets and liabilities. The Directors' policy is to obtain the most favourable interest rates available.

As at each of 31 December 2017 and 2018, CentralNic Group's long-term debt facility entered into with SVB bearing interest at a margin plus LIBOR.

	2018 £'000	2017 £'000
Cash and bank balances	18,039	10,862
Effect of interest rate change of 100 basis points on cash and bank balances	+/– 180	+/– 109
SVB Bank Facilities	19,692	17,395
Effect of interest rate change of 100 basis points on cash and bank balance	+/– 197	+/– 174

Equity price risk

The CentralNic Group does not have any quoted investments as at each of 31 December 2017 and 2018 and as such does not have significant exposure to equity price risk. At 31 December 2017 CentralNic Group held an unquoted investment in Accent Media of £1.0m which represents a shareholding of 10.4% of the share capital. The investment has been fully written off as at 31 December 2018.

(ii) Credit risk

The CentralNic Group's exposure to credit risk arises mainly from counterparty's failure to meet its obligation to settle a financial asset. The Directors consider the CentralNic Group's exposure to credit risk arising from trade receivables to be minimal as the CentralNic Group is often paid at the outset or in advance. Credit risk arising from other receivables is controlled through monitoring procedures, including credit approvals and credit limits, with the balance largely offset by separate liabilities held on the balance sheet relating to the same party.

The CentralNic Group uses ageing analysis to monitor the credit quality of the trade receivables. Any receivables having significant balances past due or more than 90 days, which are deemed to have higher credit risk, are monitored individually. Analysis of the trade receivables past due is disclosed in note 17 and analysis of trade and other receivables by foreign currency exposure is noted above. There have been no material changes in the credit risk profile of the Group during the year.

For cash and bank balances, the Directors minimise the CentralNic Group's credit risk by dealing exclusively with banks and financial institution counterparties with high credit ratings.

The carrying amounts of financial assets at the end of the reporting periods represent the maximum credit exposure.

	2018 £'000	2017 £'000
Deferred receivables	78	74
Trade and other receivables	14,808	9,835
Investments	–	997
Cash and bank balances	18,039	10,862
	32,925	21,768

29. Financial instruments continued

(iii) Liquidity risk

Liquidity risk is the risk that the CentralNic Group will encounter difficulty in settling its financial obligations that are settled with cash or another financial asset. The Directors' objective is to maintain, as much as possible, a level of its cash and bank balances adequate enough to ensure that there will be sufficient liquidity to meet its liabilities when they fall due.

The following set forth the remaining contractual maturities of financial liabilities as at:

£'000	Carrying amount	Total	Within 1 year	1 – 5 years
31 December 2018				
Trade and other payables and accruals	**17,483**	**17,483**	**17,483**	**–**
Borrowings	**19,692**	**19,692**	**1,775**	**17,917**
	37,175	**37,175**	**19,258**	**17,917**

£'000	Carrying amount	Total	Within 1 year	1 – 5 years
31 December 2017				
Trade and other payables and accruals	10,432	10,432	10,432	–
Borrowings	17,395	17,395	1,854	15,541
	27,827	27,827	12,286	15,541

(b) Capital risk management

The Directors define capital as the total equity of CentralNic. The Directors' objectives when managing capital are to safeguard the CentralNic Group's ability to continue as a going concern in order to provide returns for Shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Directors may adjust the amount of dividends paid to Shareholders, return capital to Shareholders, issue new shares or sell assets to reduce debt.

The Directors manage CentralNic's capital based on debt-to-equity ratio. The debt-to-equity ratio is calculated as net debt divided by total equity. Net debt is calculated as total liabilities less cash and cash equivalents.

The debt-to-equity ratio of the CentralNic Group as at the end of each of the reporting periods was as follows:

	2018 £'000	2017 £'000
Total liabilities	**37,175**	27,827
Less: cash and bank balances	**(18,039)**	(10,862)
Financial instruments – net debt/(cash)	**19,136**	16,965
Total equity	**60,982**	26,452
Debt-to-equity ratio	**0.31**	0.64

The net cash of the CentralNic Group as at the end of each of the reporting periods was as follows:

	2018 £'000	2017 £'000
Cash and bank balances	**18,039**	10,862
Less: borrowings (excluding prepaid finance costs)	**(20,517)**	(18,078)
Net (debt)/cash	**(2,478)**	(7,216)

Notes to the consolidated financial statements continued

29. Financial instruments continued

(c) Fair values of financial instruments

In addition to the fair value of financial instruments disclosed elsewhere in the financial statements, the following carrying amounts of the financial assets and liabilities reported in the consolidated financial statements approximate their fair values:

	2018		2017	
£'000	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	14,808	14,808	9,835	9,835
Deferred receivables	78	78	74	74
Investments	–	–	997	997
Cash and bank balances	18,039	18,039	10,862	10,862
	32,925	32,925	21,768	21,768
Trade and other payables and accruals	17,483	17,483	10,432	10,432
	15,442	15,442	11,336	11,336

The SK-NIC acquisition on 5 December 2017 had an element of deferred and contingent consideration of €5.85m that has been placed in to an escrow account and subject to any claims will be released to the vendor in tranches until 2024. Deferred cash consideration of €5.85m is dependent on SK-NIC attaining defined growth targets from 2018 to 2020. At 2018 year-end, the deferred cash consideration has been accounted for in the consolidated statement of financial position at fair value, using a discount factor of 10%, which has amounted to €918,000. This will unwind as the payment stages become due through the consolidated statement of comprehensive income.

The growth rates in relation to the contingent consideration are calculated on the number of registered domains at the end of each financial year over the next three years (post completion) with the payment profile being spread over eight years. The last payment on the profile is not subject to the defined growth rates. The Directors have considered the range of outcomes on the target growth rate which would trigger the unwinding of the deferred consideration and on the basis that there exists sufficient headroom against management sensitivity to attain these domain name growth rates, they have concluded that the deferred consideration will be payable in full over the agreed period.

In addition, the KeyDrive Group acquisition on 2 August 2018 included earn-out commitments, if certain financial performance tests are met, CentralNic will pay Inter.Services a performance-based earn-out of up to US$6.5m, a minimum of 15% of which shall be settled in cash and up to 85% of which may be settled by the issue of Additional Consideration Shares. If the performance-based earn-out pays out less than US$6.5m in total, CentralNic will pay for certain tax losses within the KeyDrive Group on the same basis as the payment of the performance-based earn-out but only to the extent that such tax losses are used by the Enlarged Group and provided that the aggregate consideration for the earn-out and the tax losses does not exceed US$6.5m. At 2018 year-end, the earn-out element has been accounted for in the consolidated statement of financial position at fair value, using a discount factor of 1-10%, which has amounted to £4,912,000.

(d) Fair value hierarchy

The different levels are defined as follows:

Level 1: Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and

Level 3: Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

30. Post balance sheet events

The Group also upgraded our United Kingdom corporate headquarters and New Zealand office in the beginning of 2019.

The UK lease agreement was entered into on 7 March 2019 with a break clause on 6 March 2024 and an expiry date of 6 March 2029. The post balance sheet lease commitment to the break clause date is £1,210,000. The New Zealand lease agreement was entered into on 16 April 2019 for an initial term of 3 years with the right to renew every three years. The final expiry date is 31 July 2027.

Company statement of financial position

as at 31 December 2018

	Note	2018 £'000	2017 £'000
ASSETS			
Fixed assets			
Investments	7	**52,413**	13,528
Deferred tax asset	8	**377**	361
		52,790	13,889
Current assets			
Other debtors, deposits and prepayments	9	**32,128**	27,148
Cash and bank balances		**667**	127
		32,795	27,275
Total assets		**85,585**	41,164
LIABILITIES			
Current liabilities			
Creditors – amounts falling due within one year	11		
Trade and other payables and accruals		**10,160**	1,229
Borrowings		**1,775**	1,854
		11,935	3,083
Non-current liabilities			
Creditors – amounts falling due after one year			
Borrowings		**17,917**	15,541
		17,917	15,541
Total liabilities		**29,852**	18,624
Net assets		**55,733**	22,540
CAPITAL AND RESERVES			
Share capital	10	**171**	96
Share premium	10	**54,173**	16,545
Merger relief reserve	10	**1,879**	1,879
Share based payments reserve		**2,098**	2,038
Retained earnings/(accumulated losses)		**(2,588)**	1,982
Shareholders funds		**55,733**	22,540

The loss for the year, including Other Comprehensive Income was £4,713,000 (December 2017: loss £1,383,000).

These financial statements were approved and authorised for issue by the Board of Directors on 12 May 2019 and were signed on its behalf by:

Mike Turner
Chairman

Company Number: 08576358

The notes on pages 77 to 82 form an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2018

	Share capital £'000	Share premium £'000	Share based payments reserve £'000	Merger relief reserve £'000	Retained earnings/ (accumulated losses) £'000	Total £'000
Balance as at 1 January 2017	96	16,545	1,720	1,879	3,365	23,605
Loss for the year	–	–	–	–	(1,383)	(1,383)
Share based payments	–	–	282	–	–	282
Share based payments – Deferred tax asset	–	–	36	–	–	36
Balance as at 31 December 2017	96	16,545	2,038	1,879	1,982	22,540
Loss for the year	–	–	–	–	(4,713)	(4,713)
Share issue	75	38,673	–	–	–	38,748
Share issue costs	–	(1,045)	–	–	–	(1,045)
Share based payments	–	–	232	–	–	232
Share based payments – deferred tax asset	–	–	(29)	–	–	(29)
Share based payments – reclassify lapsed options	–	–	(143)	–	143	–
Balance as at 31 December 2018	**171**	**54,173**	**2,098**	**1,879**	**(2,588)**	**55,733**

- Share capital represents the nominal value of the Company's cumulative issued share capital.
- Share premium represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable share issue costs and other permitted reductions.
- Merger relief reserve represents the cumulative excess of the fair value of consideration received for the issue of shares in excess of their nominal value less attributable share issue costs and other permitted reductions. Where the consideration for shares in another company includes issued shares, and 90% of the equity is held in the other company.
- Retained earnings represent the cumulative value of the profits not distributed to Shareholders, but retained to finance the future capital requirements of the Company.
- Share based payments reserve represents the cumulative value of share based payments recognised through equity.

The notes on pages 77 to 82 form an integral part of these financial statements.

Notes to the Company financial statements

for the year ended 31 December 2018

1. General information

Nature of operations
CentralNic Group Plc (the Company) is the UK holding company of a group of companies which are engaged in the provision of global domain name services. The Company is registered in England and Wales. Its registered office and principal place of business is 35-39 Moorgate, London EC2R 6AR.

2. Basis of preparation

The financial statements have been prepared in accordance with the historical cost convention as modified by the revaluation of certain fixed assets. The financial statements have been prepared in accordance with FRS 102 – The Financial Reporting Standard applicable in the UK and Republic of Ireland and the Companies Act 2006. The principal accounting policies are described below. They have all been applied consistently throughout the period.

3. Significant accounting policies

(a) Going concern
At 31 December 2018, the Company had net current assets of £20,860,000 (2017: £24,192,000) with the main current asset being amounts owed from its subsidiaries amounting to £32,018,000 (2017: £27,121,000). The Company has assessed its ongoing costs with cash generated by its subsidiaries to ensure that it can continue to settle its debts as they fall due.

The Directors have, after careful consideration of the factors set out above, concluded that it is appropriate to adopt the going concern basis for the preparation of the financial statements and the financial statements do not include any adjustments that would result if the going concern basis was not appropriate.

(b) Investments
Investments held as fixed assets are stated at cost less provision for impairment.

(c) Taxation
Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Taxation arising on disposal of a revalued asset is split between the profit and loss account and the statement of changes in equity on the basis of the tax attributable to the gain or loss recognised in each statement.

Notes to the Company financial statements continued

3. Significant accounting policies continued

(d) Financial instruments

Financial assets and liabilities are recognised in the statements of financial position when the Company has become a party to the contractual provisions of the instruments.

The Company's financial assets and liabilities are initially measured at fair value plus any directly attributable transaction costs. The carrying value of the Company's financial assets, primarily cash and bank balances, and liabilities, primarily the Company's payables and other accrued expenses, approximate their fair values.

(i) Financial assets

On initial recognition, financial assets are classified as either financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables financial assets, or available-for-sale financial assets, as appropriate.

Trade and other receivables

Trade and other receivables (including deposits and prepayments) that have fixed or determinable payments that are not quoted in an active market are classified as other receivables, deposits, and prepayments. Other receivables, deposits, and prepayments are measured at amortised cost using the effective interest method, less any impairment loss. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial.

(ii) Financial liabilities and equity instruments

Financial liabilities are classified as liabilities or equity in accordance with the substance of the contractual arrangement. Interest, dividends, gains and losses relating to financial liabilities are reported in profit or loss. Distributions to holders of financial liabilities are classified as equity and charged directly to equity.

Financial liabilities

Financial liabilities comprise long-term borrowings, short-term borrowings, trade and other payables and accruals, measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability or where appropriate, a shorter period to the net carrying amount on initial recognition.

Equity instruments

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

(e) Debtors

Short-term debtors are measured at transaction price, less any impairment. Loans receivable are measured initially at fair value net of transaction costs and are measured subsequently at amortised cost using the effective interest method, less any impairment.

(f) Creditors

Short-term creditors are measured at the transaction price. Other financial liabilities including bank loans, are measured initially at fair value net of transaction costs and are measured subsequently at amortised cost using the effective interest method.

3. Significant accounting policies continued

(g) Parent Company disclosure exemptions

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available in FRS 102:

- only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group (see note 19 in the notes to the Group financial statements) and the Parent Company would be identical. Hence, the Parent Company has not disclosed this reconciliation in its notes to the financial statements;
- disclosures in respect of the Parent Company's financial instruments and share based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- no disclosure has been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Group as a whole;
- no cash flow statement has been presented for the Parent Company;
- disclosure of related party transactions with wholly owned fellow Group companies; and
- the effect of future accounting standards not yet adopted.

4. Critical accounting judgments and key sources of estimation uncertainty

In the application of the Company's accounting policies, which are described in note 3, the Directors are required to make judgments, estimates and assumptions about the carrying amounts of assets and liabilities that are not apparent from other sources. The estimates and assumptions are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future and other key sources of estimation uncertainty at the statement of financial position date that have a significant risk of causing a significant adjustment to the carrying amounts of assets and liabilities in the financial statements:

Share based payment

The fair value of share based remuneration is determined at the date of grant and recognised as an expense in the statement of comprehensive income on a straight line basis over the vesting period, taking account of the estimated number of shares that will vest. The fair value is determined by use of Black Scholes model method.

Recognition of deferred tax assets

The recognition of deferred tax assets is based upon whether it is more likely than not that sufficient and suitable taxable profits will be available in the future against which the reversal of temporary differences can be deducted. To determine the future taxable profits, reference is made to the latest available profit forecasts. Where the temporary differences are related to losses, relevant tax law is considered to determine the availability of the losses to offset against the future taxable profits.

Notes to the Company financial statements continued

5. Profit for the financial period

The Company has taken advantage of section 408 of the Companies Act 2006 and, consequently, a profit and loss account for the Company alone has not been presented. The Company's loss for the financial period was £4,713,000 (2017: loss £1,383,000) which included a net loss on foreign currency translation of £611,000 (2017: loss of £209,000). The Company's loss for the financial year has been arrived at after charging auditor's remuneration payable to Crowe U.K. LLP for audit services to the Company of £63,000 (2017: £60,000).

6. Employees and Directors' remuneration

Staff costs during the period by the Company were as follows:

	2018 £'000	2017 £'000
Wages and salaries	**755**	621
Social security	**67**	68
Pension	**13**	21
Share based payments	**232**	317
Directors consultancy fees	**305**	133
Settlements	**–**	315
	1,372	1,475

The average number of employees of the Company including Directors performing under a service contract during the period was:

	2018 Number	2017 Number
Directors under employment contracts only	**4**	7
Directors under service contracts only	**2**	2
Directors under a combination of employment and service contracts	**1**	–
	7	9

The Group made contributions to defined contribution personal pension schemes for three Directors in the period (2017: six). The number of individuals included within the senior key personnel was 10 (2017: eight). Included in the above tables, the highest paid Director had wages and salaries including pensions of £241,000 (2017: £90,000), a special bonus of £297,000 (2017: nil), no settlement payments (2017: £234,000), no amounts attributable to share based payment (2017: £29,000) totaling to £538,000 (2017: £353,000).

7. Investments

The amount invested by the Company relates to the direct investment made in CentralNic (Ireland) Limited. The funds received by CentralNic (Ireland) Limited was used to acquire KeyDrive via CentralNic Germany GmbH. A summary of consideration to acquire the share capital of KeyDrive S.A. and the provisional fair value of the assets and liabilities at the acquisition date in line with Group accounting policies are provided in note 25.

	£'000
At 1 January 2017	4,575
Additions – acquisition of Instra Group of companies	8,826
Share Options issued on behalf of subsidiaries	171
Share Options – deferred tax	(44)
At 31 December 2017	13,528
Share Options issued on behalf of subsidiaries	91
Share Options – deferred tax	(23)
Additions – investment in CentralNic (Ireland) Limited	38,817
At 31 December 2018	**52,413**

8. Deferred tax

Deferred tax assets	Share based payments £'000
At 1 January 2017	181
Credit to income	180
At 31 December 2017	361
Credit to income	16
At 31 December 2018	**377**

9. Debtors

	2018 £'000	2017 £'000
Amounts owed by Group undertakings	32,017	27,121
Other debtors	76	27
Taxation receivable	35	–
	32,128	27,148

Notes to the Company financial statements continued

10. Share capital and share premium

Details of the Company's share capital are set out in note 19 to the consolidated financial statements.

11. Creditors: amounts falling due within one year

	2018 £'000	2017 £'000
Bank overdraft	1,807	–
Trade creditors	378	477
Amounts owed to Group undertakings	7,388	–
Accruals and deferred income	408	675
Accrued interest	179	70
Taxation payable	–	7
	10,160	1,229

Particulars of subsidiaries and associates

The companies listed below are 100% subsidiaries of Group Companies and only have ordinary share capital unless otherwise stated.

Parent Company	Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
CentralNic Limited	CentralNic USA Limited	USA	US sales office	c/o C T Corporation System, 818 West 7th Street, Los Angeles, CA 90017
CentralNic Limited	GB.com Limited	England and Wales	Dormant – holds domain name	35-39 Moorgate, London, EC2R 6AR
CentralNic Limited	Whois Privacy Limited	England and Wales	Dormant	35-39 Moorgate, London, EC2R 6AR
CentralNic Limited	dnsXperts UG	Germany	Domain management software services	Beueler Bahnhofsplatz 18, 53225 Bonn
CentralNic Limited	Dot Fan Ltd	England and Wales	Dormant	35-39 Moorgate, London, EC2R 6AR
CentralNic Limited	FANS TLD Limited	England and Wales	Dormant	35-39 Moorgate, London, EC2R 6AR
CentralNic Limited	CNIC Services Private Limited	India	Domain management software services	818, Indraprakash Building 21, Barakhamba Road New Delhi New Delhi DI 110001
TLD Registrar Solutions Limited	Internet Domain Service BS Corp	Commonwealth of The Bahamas	Domain registrar services provider	PO Box SS-19084, Ocean Centre, Montagu Foreshore, East Bay Street, Nassau, New Providence, The Bahamas.
TLD Registrar Solutions Limited	Whois Privacy Corp	Commonwealth of The Bahamas	Domain registrar services provider	PO Box SS-19084, Ocean Centre, Montagu Foreshore, East Bay Street, Nassau, New Providence, The Bahamas.
Instra Holdings (UK) Ltd	Domain Directors (Europe) Ltd	England and Wales	Domain registrar services provider	35-39 Moorgate, London, EC2R 6AR
Instra Holdings (UK) Ltd	Europe Registry Ltd	England and Wales	Domain registrar services provider	35-39 Moorgate, London, EC2R 6AR
Instra Holdings (UK) Ltd	Instra Corporation (Europe) Ltd	England and Wales	Domain registrar services provider	35-39 Moorgate, London, EC2R 6AR
Instra Holdings (UK) Ltd	White Label Domains SDN BHD B12	Malaysia	Domain registrar services provider	No/ 36B, 2nd floor, Jalan Tun Mohd Fuad 2. Taman Tun Dr Ismail, Kuala Lumpur, 60000, Malaysia
Instra Holdings (UK) Ltd	Domain Directors (Finland) Oy	Finland	Domain registrar services provider	5th floor, Keilaranta 16, Espoo, 02150, Finland
Instra Holdings (UK) Ltd	Sublime Technologies (France) Sarl	France	Domain registrar services provider	2, Rue Robert Geffré Bat n°11- 17000 La Rochelle – France
Instra Holdings (UK) Ltd	Domain Directors (France) Sarl	France	Domain registrar services provider	2, Rue Robert Geffré Bat n°11- 17000 La Rochelle – France
Instra Holdings (UK) Ltd	Tunglim International Pty Limited	Hong Kong	Domain registrar services provider	2003., 20/F Towers China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong
Instra Holdings (UK) Ltd	Sublime Technology Limited	Hong Kong	Domain registrar services provider	2003., 20/F Towers China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong
Instra Holdings (Aus) Pty Ltd	Domain Directors PTY Ltd	Australia	Domain registrar services provider	Level 2, 222 Beach Road, Mordialloc, VIC 3195
Instra Holdings (Aus) Pty Ltd	Ozenum PTY Ltd	Australia	Domain registrar services provider	Level 2, 222 Beach Road, Mordialloc, VIC 3195
Instra Holdings (Aus) Pty Ltd	Instra Corporation PTY Limited	Australia	Domain registrar services provider	Level 2, 222 Beach Road, Mordialloc, VIC 3195
Instra Corporation PTY Limited	Instra Domain Directors B.V.	The Netherlands	Domain registrar services provider	Beechavenue 54-62, 1119PW, Schiphol-Rijk
Instra Corporation PTY Limited	Instra Corporation PTE Ltd	Singapore	Domain registrar services provider	c/o Asiabiz Services PTE Ltd, 30 Cecil Street, #19-08, Prudential Tower, Singapore 049712
Instra Corporation PTY Limited	Domain Escrow Services Limited	England and Wales	Domain registrar services provider	35-39 Moorgate, London, EC2R 6AR
Instra Corporation PTY Limited	Instra-Internet Services One-person LLC	Greece	Domain registrar services provider	1 Dimokraatias Square, Thessaloniki, 54629, Greece
Instra Corporation PTY Limited	Instra Domain Directors Inc	Canada	Domain registrar services provider	Suite 2300 Bentall 5, 550 Burrard Street, Vancouver, British Columbia, V6C 2B5
Instra Holdings (NZ) Ltd	Instra Corporation Limited	New Zealand	Domain registrar services provider	C/o Grant Thornon New Zealand Ltd, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand

Particulars of subsidiaries and associates continued

Parent Company	Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
Instra Holdings (NZ) Ltd	Only Domains Limited	New Zealand	Domain registrar services provider	C/o Grant Thornon New Zealand Ltd, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
Instra Holdings (NZ) Ltd	Private Ranger Limited	New Zealand	Domain registrar services provider	C/o Grant Thornon New Zealand Ltd, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
CentralNic Germany GmbH	KeyDrive S.A.	Luxembourg	Domain registrar services provider	1-3, Boulevard de la Foire, L-1528 Luxembourg
KeyDrive S.A.	Toweb Sarl	Luxembourg	Domain registrar services provider	1-3, Boulevard de la Foire, L-1528 Luxembourg
KeyDrive S.A.	Key-Systems GmbH	Germany	Domain registrar services provider	Im oberen Werk 1, 66386 St. Ingbert, Germany
KeyDrive S.A.	OpenRegistry SA	Luxembourg	Domain registrar services provider	1-3, Boulevard de la Foire, L-1528 Luxembourg
KeyDrive S.A.	Moniker.com Inc	USA	Domain registrar services provider	6301 NW 5th Way, Suite 4500, Ft Lauderdale, FL 33309. Mailing address: 13727 SW 152nd Street #513, Miami, FL 33177
KeyDrive S.A.	Traffic.club Sarl	Luxembourg	Domain registrar services provider	1-3, Boulevard de la Foire, L-1528 Luxembourg
Moniker.com Inc	Moniker Online Services LLC	USA	Domain registrar services provider	6301 NW 5th Way, Suite 4500, Ft Lauderdale, FL 33309. Mailing address: 13727 SW 152nd Street #513, Miami, FL 33177
Moniker.com Inc	Moniker Privacy Services LLC	USA	Domain registrar services provider	6301 NW 5th Way, Suite 4500, Ft Lauderdale, FL 33309. Mailing address: 13727 SW 152nd Street #513, Miami, FL 33177
Key-Systems GmbH	Key-Systems USA Inc	USA	Domain registrar services provider	885 Harrison St. SE, Leesburg, VA 20175
Key-Systems GmbH	PTS GmbH	Germany	Domain registrar services provider	Neunkircher Straße 43, 66299 Friedrichsthal
Key-Systems GmbH	PartnerGate GmbH	Germany	Domain registrar services provider	Wilhelm-Wagenfeld-Str. 16, 80807 Munich
Key-Systems GmbH	KS Internet Solutions S DE RL DE CV	Mexico	Domain registrar services provider	San Pedro Garza García, N.L., Mexico
Key-Systems GmbH	Toweb Brasil LTDA	Brazil	Domain registrar services provider	423, Praia da Costa, Vila Velha, Brazil
Key-Systems GmbH	Skyway Datacenter	Germany	Domain registrar services provider	Im oberen Werk 1, 66386 St. Ingbert
Key-Systems GmbH	Dot Saarland GmbH	Germany	Domain registrar services provider	Im oberen Werk 1, 66386 St. Ingbert
Key-Systems GmbH	KS Domains Ltd	BC, CA	Domain registrar services provider	c/o Stuart A. Moir, Lawyer; 1201-11871 Horseshoe Way; Richmond BC V7A 5H5; Canada
Key-Systems GmbH	AZ.pl Inc	USA	Dormant	no legal domicile
Key-Systems GmbH	KS Registry GmbH	Germany	Domain registrar services provider	Im oberen Werk 1, 66386 St. Ingbert
Key-Systems GmbH	1@1 AZ.pl Inc	USA	Dormant	no legal domicile
Key-Systems GmbH	1 AZ.pl Inc	USA	Dormant	no legal domicile
Key-Systems GmbH	1@3 AZ.pl Inc	USA	Dormant	no legal domicile
Key-Systems GmbH	1@2 AZ.pl Inc	USA	Inactive	no legal domicile
Key-Systems GmbH	1@4 AZ.pl Inc	USA	Dormant	no legal domicile
Key-Systems GmbH	Thomsen-Trampedach GmbH (26.5% associate)	Switzerland	Domain registrar services provider	Riedstrsse 1, 6343 Rotkreuz, Switzerland
PTS GmbH	Local Presence Services Ltd	England and Wales	Domain registrar services provider	Carpenter Court 1 Maple Road, Bramhall, Stockport, Cheshire, SK7 2DH
Key-Systems USA Inc	Key-Systems LLC	Germany	Domain registrar services provider	Im oberen Werk 1, 66386 St. Ingbert
PartnerGate GmbH	RegistryGate GmbH	Germany	Domain registrar services provider	Wilhelm-Wagenfeld-Str. 16, 80807 Munich

CentralNic Group PLC's interest is 100% in the issued ordinary share capital of these undertakings included in the consolidated accounts:

Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
CentralNic Limited	England and Wales	Domain registry services provider	35-39 Moorgate, London, EC2R 6AR
TLD Registrar Solutions Limited	England and Wales	Domain registrar services provider	35-39 Moorgate, London, EC2R 6AR
Hoxton Domains Limited	England and Wales	Aftermarket domain services	35-39 Moorgate, London, EC2R 6AR
Instra Holdings (UK) Ltd	England and Wales	Holding company	35-39 Moorgate, London, EC2R 6AR
Instra Holdings (Aus) Pty Ltd	Australia	Holding company	Level 2, 222-225 Beach Road, Mordialloc, Victoria, VIC3195
Instra Holdings (NZ) Ltd	New Zealand	Holding company	C/o Grant Thornon New Zealand Ltd, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
SK-NIC a.s.	The Slovak Republic	Registry Operator for .SK	Námestie SNP 14 Bratislava - mestská časť Staré Mesto 811 06
CentralNic (Ireland) Limited	Ireland	Holding company	24/26 City Quay, Dublin 2
CentralNic Luxembourg SARL	Luxembourg	Holding company	1-3 boulevard de la Foire 1528 Luxembourg
CentralNic Germany GmbH	Germany	Holding company	Kaiserplatz 7-9, 53113, Bonn

Shareholder information

Financial calendar

Annual General Meeting

The Annual General Meeting will be held on Thursday, 20 June 2019 at 10.00am at the offices of the Company's solicitors:

DWF LLP
20 Fenchurch Street, London EC3M 3AG

Announcements

- Half-year results for 2019 are expected in September 2019.
- Full year results for 2019 are expected in April 2020.

Dates are correct at the time of printing, but are subject to change.

Directors

Mike Turner (Chairman)

Benjamin Crawford (Chief Executive Officer)

Donald Baladasan (Group Managing Director)

Michael Riedl (Chief Financial Officer)

Samuel Dayani (Non-Executive Director)

Thomas Rickert (Non-Executive Director)

Thomas Pridmore (Non-Executive Director)

Iain McDonald (Non-Executive Director)

Registered office

35-39 Moorgate London EC2R 6AR

Company Secretary

DWF LLP

Company website

www.centralnic.com

Nominated Adviser and Broker

Zeus Capital Limited
82 King Street
Manchester M2 4WQ

41 Conduit Street
London W1S 2YQ

3 Brindleyplace
Birmingham B1 2JB

Joint Broker

Stifel Nicolaus Europe Limited (Stifel)
150 Cheapside
London
EC2V 6ET

Auditors

Crowe U.K. LLP
St Bride's House
10 Salisbury Square
London EC4Y 8EH

Solicitors to the Company

DWF LLP
20 Fenchurch Street
London EC3M 3AG

Taylor Wessing LLP
5 New Street Square
London EC4A 3TW

Solicitors to the Nominated Adviser and Broker

DAC Beachcroft LLP
100 Fetter Lane
London EC4A 1BN

Financial PR

Newgate Communications
Sky Light City Tower
50 Basinghall Street
London, EC2V 5DE

Bankers

Silicon Valley Bank
Alphabeta
14-18 Finsbury Square
London EC2A 1BR

HSBC Bank plc
89 Buckingham Palace Road
London SW1W 0QL

Company Registrars

Link Asset Services
The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

Link Asset Services is our registrar and they offer many services to make managing your shareholding easier and more efficient.

Share portal

The Share Portal is a secure online site where you can manage your shareholding quickly and easily. You can:

- View your holding and get an indicative valuation
- Change your address
- Arrange to have dividends paid into your bank account
- Request to receive Shareholder communications by email rather than post
- View your dividend payment history
- Make dividend payment choices
- Buy and sell shares and access a wealth of stock market news and information
- Register your proxy voting instruction
- Download a stock transfer form.

To register for the Share Portal just visit www.signalshares.com. All you need is your investor code, which can be found on your share certificate or your dividend tax voucher.

Customer support centre

Alternatively, you can contact Link's Customer Support Centre which is available to answer any queries you have in relation to your shareholding:

By phone – UK – 0871 664 0300 (UK calls cost 12p per minute plus network extras). From overseas – +44 371 664 0300. Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays.

By email – shareholderenquiries@linkgroup.co.uk

By post – Link Asset Services, The Registry, 34 Beckenham Road, Beckenham, Kent, BR3 4TU.

Sign up to electronic communications

Help us to save paper and get your Shareholder information quickly and securely by signing up to receive your Shareholder communications by email.

Registering for electronic communications is very straightforward. Just visit www.signalshares.com. All you need is your investor code, which can be found on your share certificate or your dividend tax voucher.

Donate your shares to charity

If you have only a small number of shares which are uneconomical to sell you may wish to donate them to charity free of charge through ShareGift (Registered Charity10528686). Find out more at www.sharegift.org.uk or by telephoning 020 7930 3737.

Share fraud warning

Share fraud includes scams where investors are called out of the blue and offered shares that often turn out to be worthless or non-existent, or an inflated price for shares they own. These calls come from fraudsters operating in 'boiler rooms' that are mostly based abroad.

While high profits are promised, those who buy or sell shares in this way usually lose their money.

The Financial Conduct Authority (FCA) has found most share fraud victims are experienced investors who lose an average of £20,000, with around £200m lost in the UK each year.

PROTECT YOURSELF

If you are offered unsolicited investment advice, discounted shares, a premium price for shares you own, or free company or research reports, you should take these steps before handing over any money:

- Get the name of the person and organisation contacting you.
- Check the Financial Services Register at http://www.fca.org.uk/ to ensure they are authorised.
- Use the details on the FCA Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Search our list of unauthorised firms and individuals to avoid doing business with.

REMEMBER: if it sounds too good to be true, it probably is!

If you use an unauthorised firm to buy or sell shares or other investments, you will not have access to the Financial Ombudsman Service or Financial Services Compensation Scheme (FSCS) if things go wrong.

REPORT A SCAM

If you are approached about a share scam you should tell the FCA using the share fraud reporting form at http://www.fca.org.uk/scams, where you can find out about the latest investment scams. You can also call the Consumer Helpline on 0800 111 6768.

If you have already paid money to share fraudsters you should contact Action Fraud on 0300 123 2040.

Identity theft

Tips for protecting your shares in the Company:

- Ensure all your certificates are kept in a safe place or hold your shares electronically in CREST via a nominee.
- Keep correspondence from us and Link in a safe place and destroy any unwanted correspondence by shredding.
- If you change address, inform Link in writing or update your address online via the Shareholder portal. If you receive a letter from Link regarding a change of address but have not moved, please contact them immediately.
- Consider having your dividend paid directly into your bank. This will reduce the risk of the cheque being intercepted or lost in the post. If you change your bank account, inform Link of the details of your new account. You can do this by post or online via the Shareholder portal.
- If you are buying or selling shares, only deal with brokers registered and authorised to carry out that type of business.
- Be wary of phone calls or e-mails purporting to come from us or Link asking you to confirm personal details or details of your investment in our shares. Neither we nor Link will ever ask you to provide information in this way.

Glossary

Top Level Domain or 'TLD'
The suffix attached to internet domain names e.g., .com, .net

Second Level Domain or 'SLD'
A domain that is directly below a top-level domain e.g. uk.com

Country Code Top Level Domain or 'ccTLD'
An Internet top-level domain generally used or reserved for a country, a sovereign state, or a dependent territory e.g., .uk, .jp

Domain Name System or 'DNS'
A hierarchical distributed naming system for computers, services, or any resource connected to the Internet or a private network

Domain Name Registrar
An organisation or commercial entity that manages the reservation of Internet domain names

Registry Service Provider
A company that performs the technical functions of a TLD on behalf of the TLD owner or licensee. The registry service provider keeps the master database and operates DNS servers to allow computers to route Internet traffic using the DNS

Internet Corporation for Assigned Names and Numbers or 'ICANN'
A non-profit private organisation that was created to oversee a number of Internet-related tasks previously performed directly on behalf of the U.S. government

Registry Operator
An entity that maintains the database of domain names for a given top-level domain and generates the zone files which convert domain names to IP addresses. It is responsible for domain name allocation and technically operates its top-level domain, sometimes by engaging a Registry Service Provider

Designed and produced by **fourth**quarter

CentralNic

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London
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www.centralnic.com