



“In this era of unprecedented interruption to business activities, I am pleased to report on another year of outstanding growth for CentralNic Group in 2019, effectively doubling in revenue and adjusted EBITDA while remaining a pure play recurring revenue business.”

Iain McDonald
Chairman

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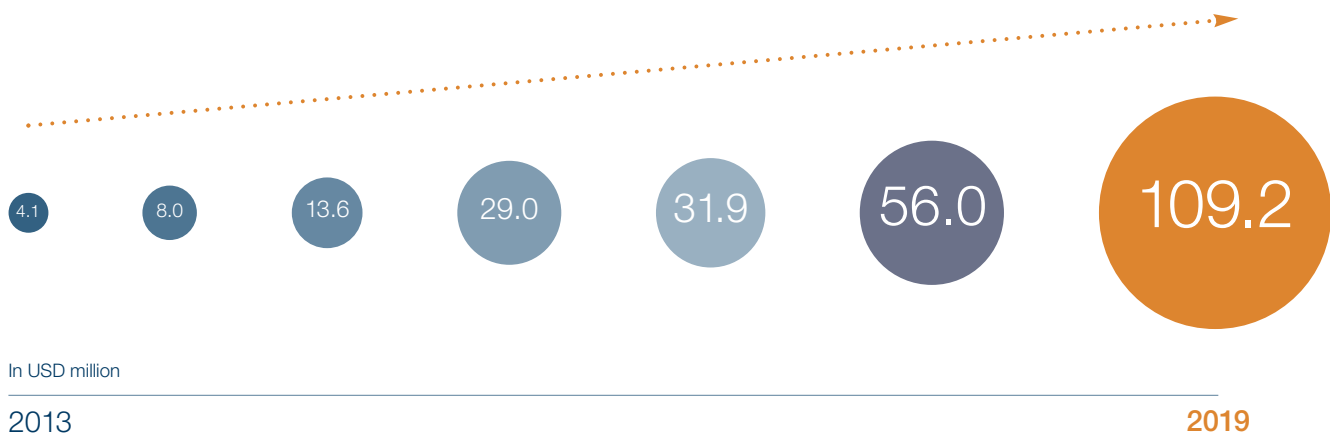
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A year of outstanding growth

Financial highlights

Revenue increased by a factor of **27 times** since flotation in 2013



Revenue **up 95%** to USD 109.2m
(2018: USD 56.0m)

Recurring revenues **at 92%**
(2018: 90%)

Gross profit **up 65%** to USD 42.8m
(2018: USD 25.9m)

Adjusted EBITDA⁽¹⁾ **up 96%** to USD 17.9m
(2018: USD 9.1m)

Cash balance at year end **USD 26.2m**
(2018: USD 23.1m)

(1) Excludes impact of share-based payments expense for options, foreign exchange and non-core operating costs.



Operational highlights

Significant client wins including .blog, the ccTLD .bh, MarkMonitor, ZDNS, and Automattic

Operational efficiencies and **savings of c. USD 1m** achieved through integration of earlier acquisitions

Four further acquisitions strengthening our core offering, facilitating a **strategic expansion** into a new segment with the acquisition of **Team Internet** in December 2019

Augmented CentralNic's market strength, with **+45% growth** of customer base

Post year-end events

Trading proves to be resilient to the global impact of COVID-19

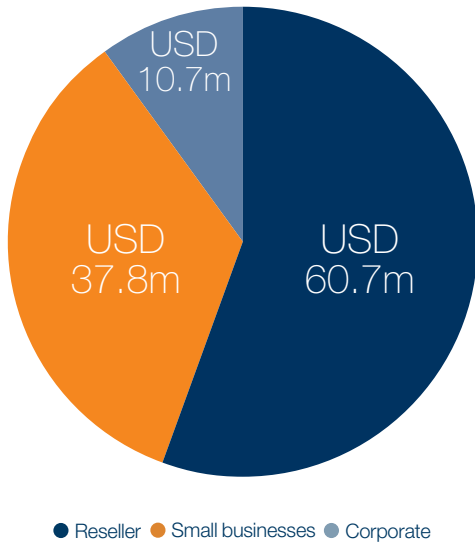
Team Internet integrating to plan with strong fundamentals for FY19 and pleasing contribution to the Group for Q1 2020

Management restructure with new hires

- Chief People Officer, Tracey Hickling
- Head of Reseller segment, Robbie Birkner

Our sales

Who we sell to

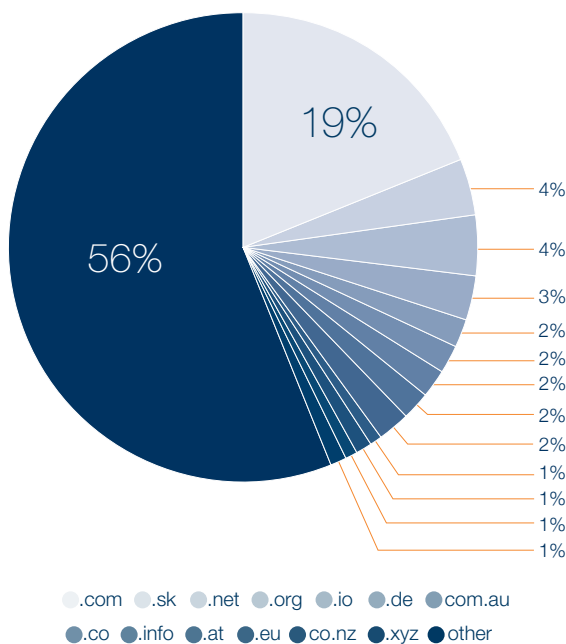


In 2019, CentralNic served more than 370,000 customers within three customer segments

- c.29,000 resellers including all the largest domain retailers in the world
- c.1,000 corporations with up to 56,000 domain names each to protect their brands
- c.340,000 small businesses in almost every country in the world who need domain names for their websites and email

Customer concentration is low with the largest customer representing only c.5.1% of revenues

What we sell



Services offered in 2019

Domain names represented 92% of CentralNic's revenue in 2019, with the long tail of domains (each contributing 1% or less of revenues) accounting for 60% of domain revenues

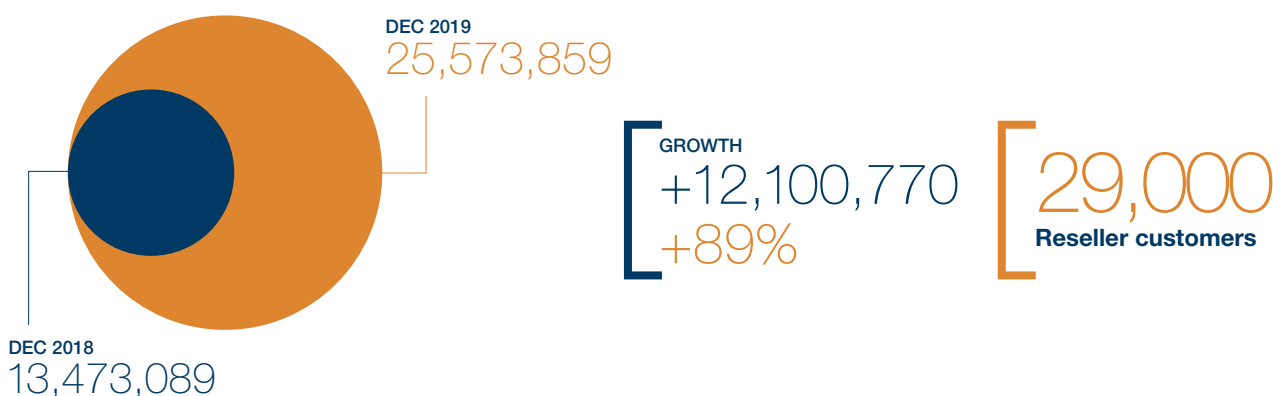
New services

We are scaling up additional services to our customers such as hosting, website building, security certification, domain monetisation, Office 365 software and online brand protection. Up-selling these services to our customer base is a core strategic initiative to accelerate growth

Reseller segment

CentralNic is one of the world's leading domain name reseller platform businesses, supplying domain names to more than 29,000 reseller clients. These include all of the world's largest domain name retailers, and some of the biggest companies in the world. The Reseller segment is comprised of our Reseller business and Registry business.

Our Reseller business was enhanced in 2019 by the acquisition of Hexonet, TPP Wholesale and a full year's contribution from our August 2018 acquisition of KeyDrive.



- Over **29,000 customers**, up 580% from 2018
- **122%** revenue growth to **USD 60.7m** in 2019 (2018: USD 27.3m)
- **53%** gross profit growth to **USD 19.6m** in 2019 (2018: USD 12.9m)
- **32%** gross margin in 2019 (2018: 47%)
- Significant client wins such as Automattic, MarkMonitor, ZDNS among others
- Renewal rate **70-90%**

CUSTOMER CASE STUDY: LEADING US HOSTING COMPANY



CentralNic offering:

- Supplies the domain names that the reseller on-sells to its customers, with over 1,000 different top-level domain extensions, including the long tail of high-margin country-code domain names, sourced from 200+ countries and territories around the world
- Recently started supplying related Internet services such as SSL Certificate and hosting
- Standardises the processes for acquiring those domain names
- Automates all the manual processes required in registering domain names
- Centralises billing and payments 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 340,000 small businesses in almost every country in the world with domain names and value-added services, focusing on high margin, high growth geographies and customer types, not well served by larger competitors.

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

Our Small Business segment revenues for 2019 were USD 37.8m up 56% from USD 24.2m in 2018. Gross profit increased from USD 9.9m in 2018 to USD 16.1m in 2018. The portfolio of Small Business portals was extended during the year to include a small retail offering of Hexonet.



- Over 340,000 customers
- 56% revenue growth to USD 37.8m in 2019 (2018: USD 24.2m)
- 64% gross profit growth to USD 16.1m in 2019 (2018: USD 9.9m)
- Gross margin 43% (2018: 41%)
- Renewal rate 60-80%

CUSTOMER CASE STUDY: SINGLE OFFICE, SINGAPORE-BASED COMPANY



CentralNic offering:

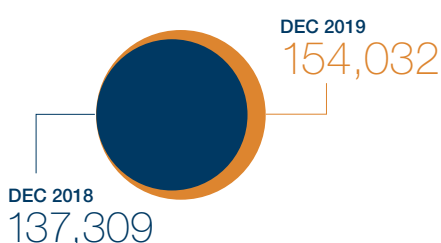
- Sells customer a small portfolio of domain names using .com, local country code .sg, and country code for neighbouring Malaysia, .my
- Provides website hosting
- Provides email hosting
- Provides security certificates as a reseller of third-party providers
- Manages the customer relationship including 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 1,000 corporate 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 they rely on CentralNic to advise them and to ensure they are renewed at appropriate time, preventing risk of substantial reclaim costs.

This is a relatively new business for CentralNic and it is witnessing rapid growth rates. The business also enjoys the highest gross renewal rate in the Group of over c.96%.

Revenues for the segment increased by 140% from USD 4.5m to USD 10.8m, and gross profit increased by 65% from USD 3.2m to USD 7.0m.



Domain numbers of Corporate segment showed **double digit** organic growth

- Over **1,000 customers**
- **140%** revenue growth to **USD 10.8m** in 2019 (2018: USD 4.5m)
- **65%** gross profit growth to **USD 7.0m** in 2019 (2018: USD 3.2m)
- **65%** gross margin in 2019 (2018: 72%)
- Renewal rate **93-99%**

CUSTOMER CASE STUDY: A LEADING FMCG BRAND



CentralNic offering:

- Buys all domain names that are required by 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

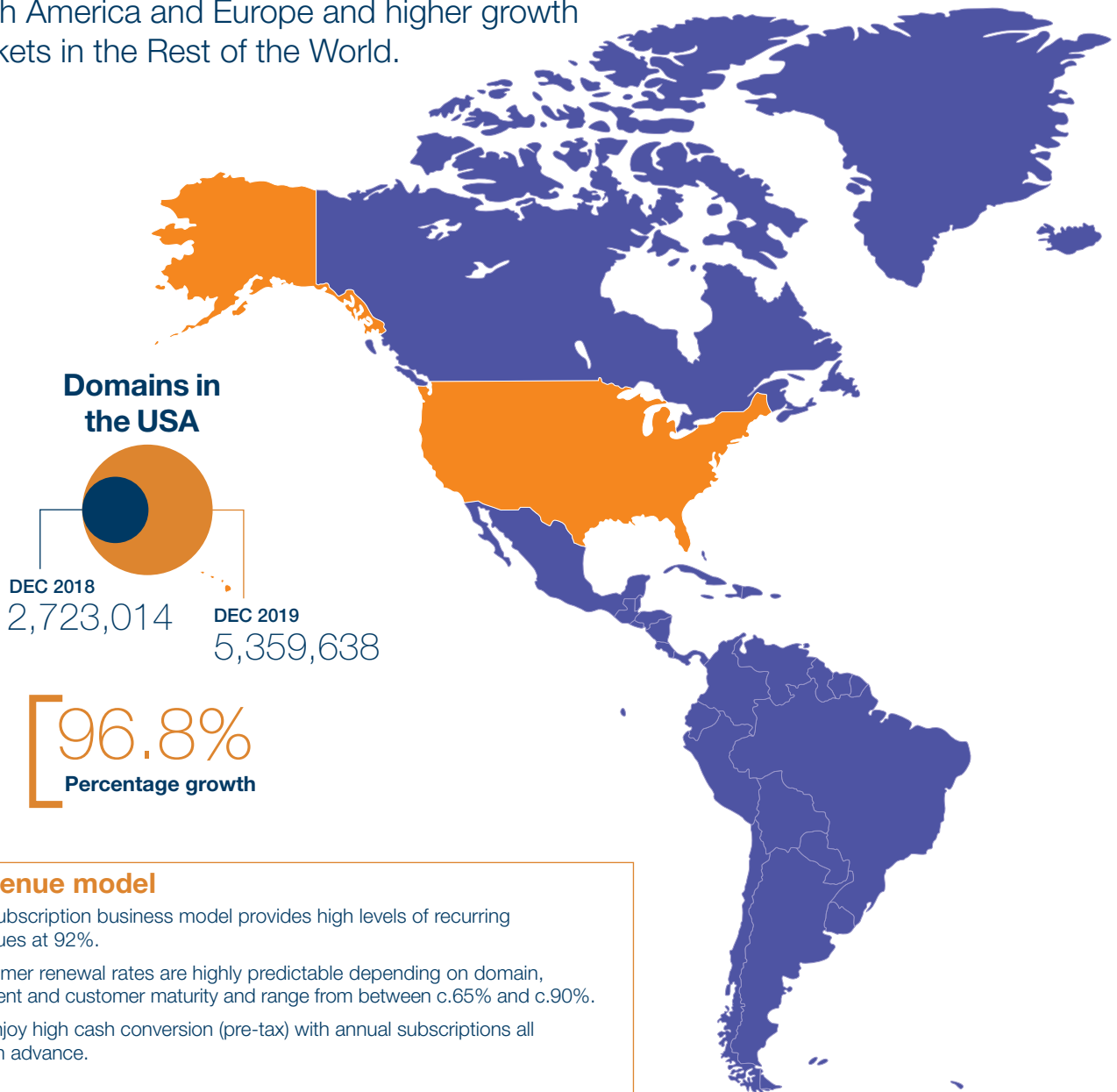
CentralNic Group at a glance



Building the global

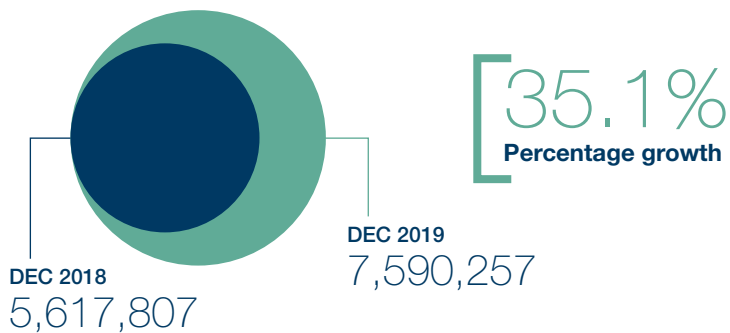
A truly global business with customers in almost every country in the world.

Our global presence is rapidly expanding as a result of our acquisitive and organic expansion and a balance between high earnings quality markets in North America and Europe and higher growth markets in the Rest of the World.



digital economy

Domains in Western Europe

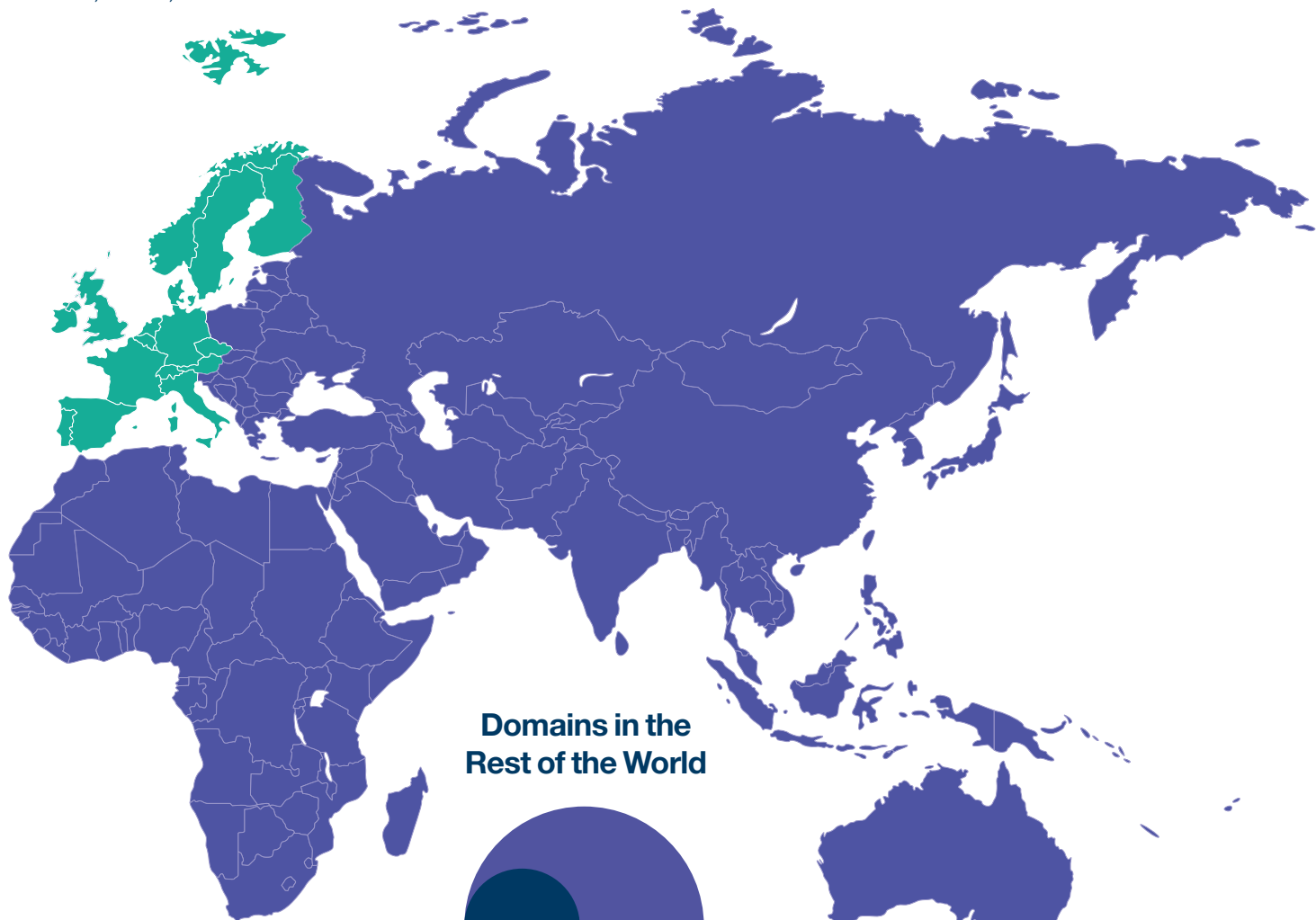


Market

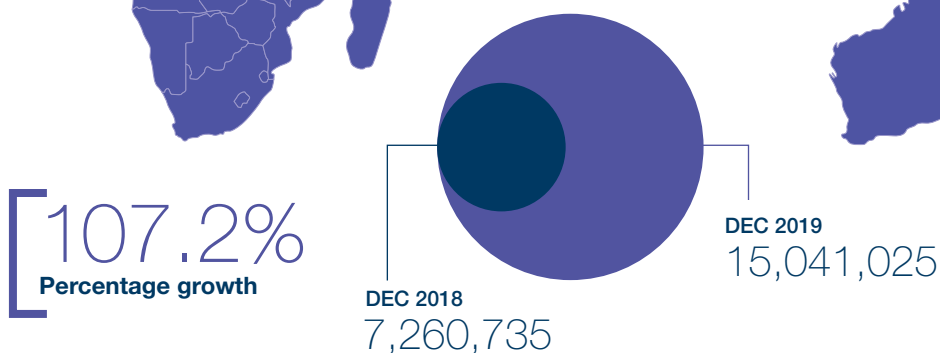
The market opportunity is huge. CentralNic currently has c.13% penetration in the Internet Services Offerings market which is highly fragmented and ripe for consolidation.

The total addressable market for domain names and related internet services is estimated at least USD 30bn.

The massive lock down measures in response to COVID-19 in early 2020 have created additional demand for online communication tools, like email, and online sales tools, like e-commerce websites, accelerating the underlying demand for CentralNic's services. Though this has also been negatively affected by reduced business activity and business closures in some sectors.



Domains in the Rest of the World



Team Internet acquisition at a glance



Monetisation of

The leading provider of monetisation services

With global presence, Team Internet derives revenue from the monetisation of the portfolios of domain name investors

[c.35,000
Customers

[c.22million
Monetisation of c. domains worldwide

Key financials

[USD 74.0m
2019 Revenue

[USD 12.3m
2019 Adjusted EBITDA

CentralNic acquired Team Internet for a total consideration of USD 48m, equivalent to 3.9 times Team Internet's EBITDA for the period 1 January 2019 to 24 December 2019.

The acquisition was completed on 24 December 2020, so the impact on CentralNic's 2019 results was negligible.

The acquisition is earnings enhancing and expected to be significantly accretive in the financial year ended 31 December 2020, before any synergies.

domain names

for domain investors – Team Internet

Highlights

Expansion to a new segment of the domain-related Internet Services Offerings market – monetisation of traffic for domain investors.

Further diversification of revenue streams.

Integrating to plan with proven strong fundamentals for FY 2019, and a pleasing contribution to the Group for Q1 2020.

Highly experienced team and talent located in Germany.



Chairman's statement



In this era of unprecedented interruption to business activities, I am pleased to report on another year of outstanding growth for CentralNic Group Plc ('CentralNic Group' or 'the Group') in 2019, effectively doubling revenue and adjusted EBITDA while remaining a pure play recurring revenue business.

Iain McDonald Chairman

The results for the first quarter of 2020 support the resilience of the Group's businesses, as it continues to take significant steps forward in its strategy to build a leading global domain name and web services provider.

All divisions continued to grow organically during 2019, through a combination of new client wins and increased business from existing customers, with continued healthy profit margins generating high levels of operating cash flow. The Group also made four earnings accretive acquisitions during the year, expanding its service offering and increasing scale. In addition, CentralNic Group widened its market offering at the end of 2019 by adding a new business model – Domain name monetisation – via the acquisition of Team Internet AG, which has already proved to be a highly earnings accretive addition to the Group.

The Group's continued transformation 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. We have worked hard to ensure that the businesses that we acquired have been integrated into our group structure to ensure consistent standards and efficient use of resources. I would also like to welcome the new staff and senior executives who joined the enlarged Group in 2019, as well as the new investors who joined the share register or who subscribed to CentralNic Group's maiden bond issue, listed on the Oslo exchange in October 2019. The new financial year has started with a number of new appointments to strengthen the Group's leadership, including Robbie Birkner, as Head of

our Reseller segment and Tracey Hickling as the Group's Chief People Officer. These appointments are expected to enhance the Group's ability to drive rapid organic and M&A led growth.

Trading in Q1 2020, together with the Group's high percentage of recurring revenues, provide the Board with every confidence of meeting market expectations for 2020. The Group's long-standing proactive focus on ensuring business continuity for itself and its customers has prepared it well for the challenges presented by the novel COVID-19, including the movement of our global workforce to home working – completed before it was mandated by Government. We continue to monitor the situation and our Group's results closely.

We continue to see lots of interesting bolt-on M&A opportunities. We have chosen to defer the payment of our maiden dividend to preserve capital to make tactical acquisitions. In the current business environment we believe that this will generate better returns for shareholders. The Directors will continue to monitor the potential payment of a dividend and will keep shareholders informed of any decision.

Iain McDonald
Chairman

26 April 2020

Chief Executive Officer's report



CentralNic Group enjoyed another record year in 2019, with 60.9% year-on-year growth excluding the effect of acquisitions made during 2019. Including the four acquisitions made in the second half of 2019, revenues for the year were USD 109.2m, a 95% increase over 2018, taking the Group's Compound Annual Growth Rate (CAGR) since it listed in 2013 to almost 73%. Adjusted EBITDA for 2019 was USD 17.9m, a 96% improvement on 2018, with margins and cash generation maintained year-on-year.

Ben Crawford Chief Executive Officer

Market and strategy

CentralNic Group is a leading global vendor of online subscriptions to domain names – a key infrastructure component of the internet used as the foundation for both email and websites. In 2019, over 90% of Group revenues came from domain names, with the remainder from recurring revenue domain-related services. CentralNic Group has a loyal and sticky customer base, with approximately 80% of CentralNic Group's revenues derived from recurring annual fees that were agreed in years prior to 2019. The balance of domain revenues is derived from first year domain registrations generated by our resellers or acquired directly by CentralNic Group.

The total addressable market (TAM) for CentralNic Group's services is estimated at USD 30 billion, with the majority of those markets currently served by smaller independent companies – providing significant opportunities for CentralNic Group to grow market share by winning new customers and through acquisitions.

A truly global company, CentralNic Group's staff are concentrated in its main hubs in Germany, Australasia and the UK, while it distributes domains from those centres to customers in almost every country in the world. In 2019, CentralNic Group supplied over 28 million domains to over 370,000 customers. Customer concentration was minimal with CentralNic Group's largest customer representing less than 10% of its revenues.

CentralNic Group is a leader among its peers as the first omni-platform provider. It developed an integrated stack of highly

automated proprietary software platforms, customised to each customer type, which it now maintains, updates and operates.

Reseller segment

CentralNic Group is a world leader in its Reseller segment, which grew 122% in 2019. This segment operates platforms for resellers such as registrars, hosting companies and telcos. It operates under the brands Key-Systems, Hexonet, PartnerGate, TPP Wholesale and Toweb – and is ranked number two in the World by volume. In addition to domain names, the Group is starting to sell in-demand services such as Microsoft Office 365 and AWS hosting, which the Directors expect will provide a meaningful contribution to organic growth in the future.

The Reseller segment also includes CentralNic Group's Registry Solutions business, which operates a platform for registries of country-codes (ccTLDs) and new Top-Level Domains (nTLDs). With over 115 TLDs using its registry platform, CentralNic Group's Registry Solutions business is ranked in the top five globally and is the leading registry provider for new TLDs, finishing 2019 with over 40% market share of nTLDs by volume.

Small Business segment

CentralNic Group's Small Business segment is a rapidly growing challenger, emerging from a field of hundreds of local competitors as a global player of increasing importance, growing 56% in 2019. Our online retailers target high-margin and high-growth niches globally, specialising in customers buying large quantities of domain names and country-code domains, and upselling other domain-related services to these customers.

Chief Executive Officer's report continued

Corporate segment

CentralNic Group's Corporate segment grew 140% in 2019. It 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. Over 1,000 corporate clients to date have entrusted their domain portfolio management to CentralNic Group, which includes Fortune 1000 companies and household brand names.

IT and shared services

Behind the scenes, CentralNic Group businesses are serviced by a central hub of IT and corporate services, including finance, HR, development, and a single procurement function for domains and other microservices, streamlining the internal supply chain. The Company also has a dedicated team that oversees the successful integration of each newly acquired business.

Operational review

CentralNic Group experienced both acquisition-driven and organic growth in its Reseller, Small Business and Corporate segments in 2019. Given the difficulties of switching suppliers in the domain industry, customers tend to be very sticky, and client wins from other suppliers are relatively rare, which of course benefits the Group on the flipside. Nonetheless, CentralNic Group has continued to win more customers away from its competitors with its focus on expert service, close collaboration with clients, and feature rich, flexible and automated technology.

Significant customer wins in the Reseller segment include registry service contracts for the TLDs .Blog, .Gay, .Music, .Build, .Luxury, .Bond and .BH. CentralNic Registry Solutions ended 2019 with over 40% of the total nTLD market by volume which is more than the next five competitors combined. Major resellers recruited in 2019 included Automattic, MarkMonitor, ZDNS and Telenor. These new client wins, together with growth of existing customers, resulted in the reseller businesses CentralNic Group owned for the full year 2019 increasing their domains under management from 13.5 million to 25.5 million during the year.

In the retail sector, the businesses CentralNic Group owned for the whole of 2019 enjoyed growth from 2.0 million to 2.3 million domains under management. In March 2019, CentralNic Group was selected by the internet regulator, ICANN (Internet Corporation for Assigned Names and Numbers) for the bulk transfer of 680,000 domain names from a former registrar that was no longer accredited.

Following a full competitive application process ICANN selected CentralNic Group to take over management of the domain names. Such a process is the official procedure when a former registrar loses accreditation in order to ensure the end customers enjoy continuity of service. A number of criteria were taken into account in selecting CentralNic Group as the successful candidate, including the Company's experience, history of compliance, stability, and overall reputation for professionalism. CentralNic Group completed the migrations in the space of two months.

In CentralNic Group's Corporate segment, domains under management increased from 137,000 to 154,000 in 2019, due to increased activity from existing clients as well as new client wins.

Integrations

Recurring net cost savings of approximately USD 1 million were realised in 2019, comprising the full year effect of cost savings made in 2018 plus successes in integrations in 2019. This included KeyDrive's KS Registry clients being migrated to the CentralNic Registry platform, while CentralNic Group's EPP Gateway clients were migrated to the KeyDrive reseller platform. Both the KS Registry and EPP Gateway platforms were retired. Additionally, our Instra retail business switched to the Central Domain Procurement platform for 400 Top-Level Domains, in some instances Instra's lower procurement costs were shared among Group companies.

CentralNic Group has a dedicated team of integration project managers who plan and track integrations according to a clearly defined blueprint. For each acquisition made, the integration plan following that blueprint includes ten work streams which list hundreds of tasks from immediate actions like changing signatories on bank accounts, through to long term projects such as the merging of software platforms. Key objectives for integration include obtaining visibility and control of costs and earnings, use of Group resources, cross-selling opportunities and cost reductions.

Acquisitions

Customers are very sticky in the domain business given the high levels of automation and high switching costs, with transfers between providers amounting to a small proportion of all transactions. This customer stickiness, combined with the high value and quality of earnings of existing customer books, makes the domain industry a very attractive and relatively low risk industry in which to acquire businesses.

In total, five successful acquisitions contributed to CentralNic Group's growth in 2019, with the acquisition of Team Internet AG being completed on 24 December 2019 and having its first material impact on 2020. CentralNic Group enjoyed the full year effect of its acquisitions of KeyDrive, completed on 2 August 2018, and Globehosting, completed the following month, making a significant contribution to the growth experienced in 2019. All acquisitions were of companies with a high level of recurring revenues, excellent customer retention and high levels of cash conversion.

On 1 August 2019 CentralNic Group acquired the Sydney-based business TPP Wholesale, the leading platform for resellers of domain names and hosting in Australasia – a carve out of certain trade and assets from ARQ Group Limited ("ARQ"), a company listed on the Australian Securities Exchange. TPP Wholesale serves around 14,000 reseller customers and has 840,000 domains under management, including 19% of all .com.au registrations. TPP Wholesale is an extension in Australia and New Zealand of CentralNic Group's largest business unit, which supplies domain names to resellers globally including most of the world's top ten domain name retailers by volume. CentralNic Group has provided TPP Wholesale customers with continuity of service, while it will also upgrade the service with new products. The TPP Wholesale acquisition also marked the first steps in CentralNic Group becoming a reseller of Amazon Web Services and Microsoft Office 365. The total consideration was AUD 24m including taxes, paid in cash and by assuming certain liabilities of c. AUD 1.6m (USD 1.1m) from ARQ at completion. CentralNic

Group incurred a number of one-off integration costs of which AUD 0.7m arose in CentralNic Group's 2019 financial year.

On 7 August 2019 CentralNic Group acquired all of the shares in Hexonet, a leading international platform for resellers of domain names, with operations in Canada and Germany, in close proximity to CentralNic Group's main German operation. Hexonet sells domain name subscriptions directly and via more than a thousand resellers in over 110 countries, managing over 3.8 million domains on its proprietary software platforms. In 2018, Hexonet's revenues were c.EUR 16.5 million (c.USD 19.4m), representing a CAGR of 8% on a USD basis for the two preceding years, with an EBITDA of c.EUR 0.8m (c.USD 0.9m). CentralNic Group acquired all of the shares in Hexonet for up to EUR 10.0 million, subject to customary net cash and working capital adjustments, the payment being subject to Hexonet being delivered by the seller with over EUR 0.3m (c.USD 0.4m) of ongoing cost reductions compared to the 2018 cost base. Further, CentralNic Group filled staff vacancies budgeted at EUR 0.3m (c.USD 0.4m) with staff from Hexonet.

On 7 August 2019 CentralNic Group acquired the international domain name retailer Ideegeo Group Ltd ("Ideegeo"). The acquisition was both strategic and earnings accretive to CentralNic Group. Ideegeo is the operator of the retail website *iwantmyname.com*, a leading innovator in the application of User Centred Design to the retailing of domain names, with 180,000 domains under management. Since the acquisition CentralNic Group has started to deploy the design solutions developed by Ideegeo across its retail websites, noting that high usability is particularly ideal for customers in emerging economies, which is a key target market for CentralNic Group. The Company retained the staff of Ideegeo and appointed one of the founders as Customer Engagement Product Planner and Manager across its retail brands. For the financial year ended 31 March 2019, Ideegeo's revenues were c.NZD 6.2 million (c.USD 4.2m), with an EBITDA (adjusted for the costs of the shareholders leaving the business) of NZD 0.9m (c.USD 0.6m). The consideration represents a multiple of 5.8 times trailing adjusted EBITDA and was paid in cash.

To fund the above acquisitions and to refinance its bank debt, CentralNic Group successfully placed a debut EUR 50m senior secured bond issue on 24 June 2019, which was subsequently listed on the Oslo Stock Exchange and tapped for an additional EUR 40m for the Team Internet AG acquisition. The bond, which matures in July 2023, has a coupon of three-month EURIBOR (with a floor of zero per cent) plus 7% p.a. with quarterly interest payments. Pareto Securities acted as Sole Bookrunner for the bond issue. CentralNic Group was advised by Rothschild & Co in connection with the bond issue. The issue was oversubscribed and supported by a wide range of debt capital markets investors globally. This bond established CentralNic Group as an issuer and, in combination with our strong support among equity market investors, provides us with considerable financial flexibility, over the medium-term, to pursue our strategic growth objectives.

On 24 December 2019, CentralNic Group acquired web services company Team Internet AG, a leading provider of monetisation services for domain investors. As reported by Matomy Media Group Ltd. as part of their audited annual report for FY2019, during the period from 1 January 2019

through 24 December 2019, the date of the sale of Team Internet AG to CentralNic Group, Team Internet recorded revenue of USD 74.0m and adjusted EBITDA of USD 12.3m. CentralNic Group acquired Team Internet AG for a total consideration of USD 48m cash, equivalent to 3.9 times Team Internet AG's EBITDA for the period 1 January 2019 to 24 December 2019. The acquisition is earnings enhancing and expected to be significantly accretive in the financial year ended 31 December 2020, before any synergies.

Through these acquisitions in combination with its organic growth, CentralNic Group doubled its revenue run-rate from the beginning of 2018 to the beginning of 2019. Recurring revenues from domain name subscription sales form the foundation of CentralNic Group's business and contributed the vast majority, an estimated 92%, of CentralNic Group's revenues in 2019. However, the highly attractive additional, domain-related software and services represent an earnings opportunity significantly greater than domain names, and CentralNic Group has been focused on rapidly gaining exposure to those services. In that respect, 2019 was a transformational year, in which the acquisitions made have the effect that our pro forma revenues from domain sales are now matched by the pro forma revenues from selling domain-related software and services.

In addition to the contribution these acquisitions have made to the continued growth of CentralNic Group, they also represent a practical demonstration of our team's ability to source and complete deals around the world and successfully integrate them. The Directors continue to build a pipeline of acquisition targets that fit the Group's criteria with a view to making further acquisitions in the coming years. As CentralNic Group's sector is proving resilient to business interruption, the Directors note the continued availability of attractive acquisition targets, which, coupled with the Group's proven ability to source, complete and integrate complex acquisitions around the world, provide an ongoing opportunity to build a sizeable global business to rival the largest industry players.

Post year-end and outlook

I am delighted to report that trading in Q1 2020 was in line with the Directors' expectations, despite the global business restrictions to slow the progress of COVID-19. As some of our group companies are considered critical infrastructure, our Group has a long history of being focussed on business continuity, which prepared us well for switching our staff to working from home while providing undiminished service to our customers.

As a provider of online subscription services with high cash-conversion and solid organic growth, we do not expect CentralNic Group to be severely affected by COVID-19, but we will take the necessary precautions to preserve our cash and review our acquisition pipeline and financing plans to ensure that we maintain stability and optimise our business strategies in the new global climate.



Ben Crawford
Chief Executive Officer

26 April 2020

Chief Financial Officer's report



2019 was yet another transformational year for CentralNic Group, not only by the number and volume of acquisitions completed, but also in the way that the Group structured and financed them. Most importantly, the acquisitions were immediately accretive as demonstrated by CentralNic Group's 2019 financial performance.

Michael Riedl Chief Financial Officer

In the financial year 2019, the Group recorded overall year-on-year growth in revenues of 95% from USD 56.0m to USD 109.2m. The growth in the revenue line flowed proportionally down to Adjusted EBITDA*, which increased by 96% to USD 17.9m (2019: USD 9.1m). The Adjusted EBITDA Margin increased from 16.3% to 16.5%. Foreign exchange gains were USD 1.4m, after USD 0.8m in 2018.

The attractive cash generative profile of the Group continued in 2019 with net operating cash flow before tax and non-core expenses being USD 18.6m (2018: USD 11.8m). Cash at the end of 2019 was USD 26.2m (2018: USD 23.1m).

Key Performance Indicators 2019:

- Revenue: USD 109.2m (2018: USD 56.0m)
- Adjusted EBITDA*: USD 17.9m (2018: USD 9.1m)
- Operating loss: USD 0.5m (2018: USD 3.6m)
- Diluted EPS: (4.67) cents (2018: (5.04) cents)
- Adjusted Diluted EPS: (6.81) cents (2018: (4.77) cents)
- Cash Balance: 31 Dec 2019: USD 26.2m (2018: USD 23.1m)
- Net Debt**: 31 Dec 2019: USD 75.0m (2018: USD 3.2m)

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

** Including prepaid finance costs of USD 3.5m

In 2018 the Company adopted segments related to customer types, namely Resellers, Small Businesses and Corporates,

with each having distinct needs that are served by CentralNic Group's proprietary SaaS platform. For each segment, revenue and gross profit contributions to the total operating expenditure to operate the omni-platform shared services core are reported below.

Reseller segment

Two Reseller portals, namely Hexonet and TPP Wholesale, have been added through the acquisitions in the year. The Reseller segment now addresses c.29,000 customers with c.25.6m domain names under management. This has contributed to revenue in the Reseller segment increasing by 122% from USD 27.3m to USD 60.7m. Gross profit for the segment increased by 53% from USD 12.9m to USD 19.6m. The decrease in the gross margin from 47% to 32% is driven by the higher blended share of registrar business coming from the acquisitions as opposed to the near 100% gross margin registry business of the legacy CentralNic Group business – and is not indicative of declining prices.

Small Business segment

The portfolio of Small Business portals was extended by the acquisition of the IWantMyName.com portal. In total, the Small Business segment now addresses c.340,000 customers owning c.2.2m domain names and yielded revenue of USD 37.8m, an increase of 56% over the USD 24.2m recorded in 2018. Gross profit in 2019 was USD 16.1m, an increase of 64% over the 2018 figure of USD 9.9m.

Corporate segment

Revenue in the Corporate segment was USD 10.8m, an increase of 140% from the USD 4.5m reported in 2018, and Gross Profit increased by 120% to USD 7.0m from USD 3.2m in 2018. It served c.1,000 customers and managed c.154,000 domains on their behalf. For 2019, the one week of trading of Team Internet AG under CentralNic ownership has been included in the Corporate segment.

Overhead expenses

Group overhead expenses excluding foreign exchange, depreciation, amortisation, impairment and non-core operating expenses increased 48% from USD 16.8m to USD 24.9m.

Going forward, the Company plans to amend its segmental reporting to reflect the new reality subsequent to the 2019 acquisitions and the accompanying review of the management structure.

Earnings profile

The quality of the Group's earnings remains an important strategic priority for CentralNic Group and its investors, as the Group increases the proportion of revenues derived from predictable sources. Today, virtually all the Group's revenue is from recurring, and in most cases, subscription-based services.

Adjusted EBITDA of USD 17.9m (2018: USD 9.1m) has been derived from the operating loss of USD 0.5m (2018: USD 3.6m) after adjusting for the following items: a) depreciation of USD 1.3 m (2018: USD 0.3m); b) amortisation of intangible assets of USD 8.3 m (2018: USD 5.6m); c) fair value movement of investment of USD 0.0m (2018: USD 1.3m); d) non-core operating expenses of USD 7.3m (2018: USD 5.8m); e) foreign exchange gains of USD 1.5m (2018: USD 0.8m); f) immaterial amounts of associate income; and g) share-based payment expense of USD 2.9m (2018: USD 0.5m).

Non-core expenses of USD 7.3m included USD 3.4m acquisition expenses, USD 3.3m integration expenses and USD 0.6m other expenses.

Other non-cash expenses included the acquired amortisation of intangible assets of USD 8.3m (2018: USD 5.6m). This reflects the full year effect of the scheduled amortisation for identified intangible assets of KeyDrive, as well as the 5 months post-acquisition of TPP, Hexonet, Ideegeo and for a marginal part Team Internet AG.

Basic and diluted earnings per share of (4.67) cents (2018: (5.04) cents) has been impacted by non-recurring acquisition costs, amortisation charges, and other significant non-core operating costs.

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

Group statement of financial position

The Group had net assets of USD 77.4m at 31 December 2019 (2018: USD 78.1m).

Capital expenditure and investing activities

Other than acquisitions, for which further details on the fair value are provided in note 25 to the financial statements, the Group had relatively limited capital expenditure. Excluding acquisitions, USD 4.5m of property, plant, and equipment have been added. Out of these, USD 3.6m related to recognising so called Right of Use Assets under IFRS 16. Further, USD 0.2m of intangible assets have been acquired. Excluding acquisitions and IFRS 16, USD 1.1m of tangible and intangible assets have been added, representing c.1% of group revenue.

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.

Except for 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 acquisitions and the results of the ongoing operations of the business, considering fluctuations in working capital.

Net cash flow from operating activities after tax was higher than the previous year at USD 16.3m (2018: USD 8.8m). 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 four acquisitions completed during the financial year. The net cash outflow totalled USD 79.4m in 2019 as compared with USD 17.6m in 2018 where the KeyDrive acquisition was largely financed through an issue of equity.

Chief Financial Officer's report continued

Bond issue and loan refinancing

On 3 July 2019, the Company successfully issued EUR 50m of bonds in private placement to 40 institutional investors. The bond carries a coupon of 7% above 3-month EURIBOR, with a floor at 0%. It matures on 3 July 2023 and the Company is able to call the bond without indemnification anytime in the 12 months preceding the maturity. In case of a change of control, the Company may call the bond at 105% and the bondholders may put the bond at 101% of nominal value. The collateral is similar to the collateral formerly provided to Silicon Valley Bank (SVB), whose loan has been fully repaid from the bond proceeds. A major difference is that the collateral may be flexibly shared with other finance providers, either in the form of pari passu loans or bond issues, revolving credit facilities (RCF) or letter of credit facilities (LCF). The Company has issued additional bonds for EUR 40m on 23 December 2019 to Macquarie Principal Finance.

The bond was listed on the Oslo Stock Exchange on 30 September 2019 and is the first security of the Company being listed on a Regulated Market in the meaning of the EU's Financial Services Action Plan. The Company has adopted a policy of quarterly trading updates.

The relationship with SVB has been maintained. The Company currently has a super senior revolving credit facility (RCF) and letter of credit facility for a combined total amount of EUR 7.5m. On the balance sheet date, the RCF has been utilised for an equivalent of USD 2.2m and the LCF has been utilised for an equivalent of USD 1.75m.

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

Further detail is provided in note 24 to the financial statements.

Consideration shares

Under the earnout agreed for the acquisition of KeyDrive S.A. in 2018, during the 2019 financial year, USD 6,834,000 Additional Consideration attributable to the FY2018 objectives became payable to inter.services. 15%, equalling USD 1,025,100 has been settled in cash. The remainder of the Additional Consideration attributable to FY2018 objectives was settled by issuing 7,384,978 Additional Consideration Shares, at 59.3p per share. inter.services holding increased from c.16.4% to c.19.1% of the issued share capital of the Company.

Out of the total consideration of USD 48m for the acquisition of Team Internet AG, USD 45m is cash-settled and USD 3m has been settled in CentralNic Group Plc shares on completion. CentralNic Group Plc shares have been valued at 59p, resulting in 3,911,650 shares having been issued to the sellers, subject to a 12 months restriction on sales and a 6 months orderly market condition.

Earnout and deferred consideration

SK-Nic met its performance target and therefore USD 1.8m was paid to the vendors during 2019. Further tranches of USD 1.7m, USD 0.7m and USD 1.1m will become payable subject to the achievement of performance criteria in each of 2020, 2022, and 2024.

For KeyDrive, out of the USD 6.8m having become due under the earnout USD 1.0m has been settled in cash. The remaining earnout amount due is expected to be determined and settled in June 2020.

In relation to GlobeHosting, USD 0.7m became payable in September 2019 and another USD 0.5m is anticipated to become payable in September 2020.

For Team Internet AG, USD 3.0m have been deferred until June 2020 and USD 1.0m will be withheld until March 2021 to cover eventual warranty breaches.

Other post-completion obligations

For the TPP Wholesale acquisition was an asset deal, meaning that stamp duties of AUD 270k have been assessed as payable in 2020. Further a two-year migration program has been commissioned from the seller, who is a public IT services business, to move the operations out of the seller's IT infrastructure into a Cloud environment. The estimated project cost is AUD 2.8m.

Significant accounting policies and critical accounting judgements

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

Group financial risk management

The Directors review 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 cash flow monitoring and projections. The cash flow 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.

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 of 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 and geographical 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. The Company conducts independent IT audits on new acquisitions and from time to time on its existing businesses.

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 note that the Group has predominantly traded in US Dollars, Euros, GB Sterling Pounds 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. In particular, the Company has locked in rates it considered favourable for GBP/EUR before the December 2019 UK elections and GBP/USD near 35 year lows amidst the COVID-19 events.

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 resolved 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.

Chief Financial Officer's report continued

Brexit risk

The Directors give due consideration to other risk factors as they arise. Particular attention is attributed to the United Kingdom the withdrawal of the United Kingdom (UK) from the European Union (EU), 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 the Internet Corporation for Assigned Names and Numbers ("ICANN") or the London Stock Exchange ("LSE").

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 3% 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.

COVID-19 risk

To date, CentralNic Group has not experienced interruptions in its services to customers or in its supply chain, and the Company confirms that its current trading is in line with market expectations.

CentralNic Group's business is expected to remain resilient. Its services are procured and delivered over the internet, and the majority of CentralNic Group's revenues are payments from existing subscribers and customers on rolling contracts. The Group's core product is the sale of domain names, which are core infrastructure that enable the functioning of email and websites – the most important communication tools used between work colleagues working remotely and between companies and their customers.

As providers of essential internet services, a number of CentralNic Group companies were well prepared for the current conditions, with Business Continuity plans already in place precisely for situations where staff were unable to work from the office. CentralNic Group pre-emptively stopped travel, meetings and office working across its global locations in advance of formal Government directives and has been successful in protecting its staff from the spread COVID-19. These steps have enabled CentralNic Group to continue to run all services company-wide without interruption and to utilise all staff productively via remote working.

Salary inflation risk

The Company is leveraging its presence in different countries through various time zones to attract the right talent where it is available at the right cost. Further it is working on automation of repetitive processes. A good example is Team Internet AG, a highly automated and machine learning based business model that achieves c. USD 1.7m annual revenue per employee, putting it into one league with major companies such as Google, Facebook or Netflix on the efficiency scale.

Other risk

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

26 April 2020

Section 172(1) statement

The Board recognises its responsibility to take into consideration the needs and concerns of all our stakeholders as part of our discussion and decision-making processes, and in this regard, we welcome the fresh stance under section 172 of the U.K. Companies Act 2006 ('s.172') as part of the 2018 U.K. Corporate Governance Code ('New Code').

The Board considers the interests of the Group's employees and other stakeholders, including the impact of its activities on the community, environment and the Group's reputation, when making decisions. The Board, acting fairly between members, and acting in good faith, considers what is most likely to promote the success of the Group for its shareholders in the long-term.

The Group's stakeholder engagement activities help to inform the Board's decisions. By thoroughly understanding our key stakeholder groups, we can factor their insights and concerns into Boardroom discussions.

Read more about:

- The Group's goals, strategy and business model in the Strategic report on pages 12 to 21.
- How we manage risks on pages 19 to 20.
- Corporate governance on pages 28 to 31.

Board of Directors



Iain McDonald Chairman (aged 49)

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.



Benjamin Crawford Chief Executive Officer (aged 54)

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 46)

Don, a Chartered Management Accountant, has years of experience as a Director of AIM listed companies. Over the years he has assisted both public and private businesses in restructuring, raising and managing several million pounds of equity and debt. Don has experience of integrating internationally acquired companies from a finance, governance and commercial perspective. Don founded Maxis a consultancy that specialises in advising and partnering fast growing entities. During this time Don has operated as COO and CFO for businesses that have undergone rapid transformation.

Prior to this Don was Head of Accounting Development at Stemcor, an international steel trader which at the time had operations in 46 countries. Don was integral in the integration of acquired business through this period of rapid growth which saw turnover double to in excess of GBP 6 billion. 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. Don has held various finance and operational roles in blue chip businesses such as Pearson, WPP and BUPA. Don was CFO of CentralNic at the time of its IPO on AIM.



Michael Riedl Chief Financial Officer (aged 44)

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.



Mike Turner Non-Executive Director (aged 59)

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.



Thomas Rickert Non-Executive Director (aged 50)

Thomas Rickert is an attorney-at-law in Germany. He is the owner of Rickert Rechtsanwalts-gesellschaft 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 42)

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 Group 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 Yoomea Plc in 2004.



Tom Pridmore Non-Executive Director (aged 48)

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 setup 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.

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 and the Remuneration report, which are incorporated by reference into this report.

A list of the subsidiary undertakings is disclosed in the Particulars of Subsidiaries and Associates on pages 91 to 93 of the financial statements.

Financial instruments

Details of the use of financial instruments and financial risk management are included in note 28 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.

The Directors do not propose a final dividend for 2019. However, despite this deferral of the Group's maiden dividend, the Directors remain firmly committed to introducing a dividend as part of a progressive and commercially prudent dividend policy.

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.

In 2019 there were changes in Board members 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 (Group Managing Director)

Michael Riedl (Chief Financial Officer, appointed to the Board on 19 March 2019)

Alexander Siffrin (Chief Operating Officer, appointed to the Board on 30 July 2019, resigned from the Board on 31 March 2020)

Non-Executive Directors

Iain McDonald (Non-Executive Chairman, since 9 December 2019)

Mike Turner (Non-Executive Chairman, until 9 December 2019)

Samuel Dayani

Thomas Rickert

Thomas Pridmore

The biographical details of the Directors are provided on pages 22 and 23 of this annual report.

Two 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 33 to 35 of this annual report.

Transactions with any parties related to the Directors are disclosed in note 25 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 28 to 31 of this 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 19 to 20.

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 31 March 2020:

	Ordinary shares	Percentage
inter.services GmbH	35,391,585	18.74%
Kestrel Investment Partners	30,272,118	16.03%
Erin Invest & Finance Limited	21,630,382	11.45%
Gresham House Plc	13,177,571	6.98%
Schroders	11,700,867	6.20%
Chelverton Asset Management	9,827,500	5.20%
Herald Investment Management	8,909,615	4.72%
Cavendish Asset Management	6,085,124	3.59%

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 28 to 31 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 Group'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 12 to 21.

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.

The Board of Directors comprises nine members, all of whom are male, the Senior Management team of four is made up of three men and one women, and the overall staff number of three hundred and thirty-seven contains two hundred and thirty-four men and one hundred and three women.

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

Standards accreditations

The Registry channel of CentralNic Group's Reseller segment is certified against ISO 27001 (Information security management), ISO 9001 (Quality management system) and ISO 22301 (Business continuity management) and SK-NIC a.s. is certified against ISO 27001 (Information security management). These certifications are internationally recognised and provide CentralNic Group'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 Group 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 totalling USD 10,000 were made (2018: USD 13,000).

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. These procedures proved effective as at the time of writing the annual report, no member of staff has contracted COVID-19.

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. This strategy has proven effective in the events around COVID-19 where the Company was able to switch to Home Office operations virtually seamlessly for materially all global staff. The proper functioning of the operations is followed up by the Company's business continuity committee.

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 Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and the Company financial statements in accordance with Financial Reporting Standard 102.

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 the annual report and financial statements is prepared in accordance with applicable law in the United Kingdom.

The maintenance and integrity of the CentralNic Group 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. The COVID-19 pandemic has been duly considered in making the judgement on the Going concern assumption.

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 19 to 20.

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 20 June 2019. 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 Annual General Meeting.

Registered office

4th Floor, Saddlers House, 44 Gutter Lane, London, England, EC2V 6BR. Registered number: 08576358

Approved by the Board and signed on its behalf by:



Iain McDonald
Chairman

26 April 2020

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. Michael Riedl, the Chief Financial Officer 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, four Executive Directors and four Non-Executive Directors. One Executive Director retired after year-end. 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 two 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 ended 31 December 2019 is set out in the table below:

Attendance table

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Iain McDonald	9/9	4/4	–	3/3
Ben Crawford	9/9	–	–	–
Donald Baladasan	8/9	–	–	–
Michael Riedl (from 19 March 2019)	8/8	4/4	–	–
Alexander Siffrin (from 30 July 2019)	4/4	–	–	–
Thomas Rickert	9/9	4/4	3/3	3/3
Samuel Dayani	9/9	–	3/3	–
Mike Turner	8/9	4/4	2/3	2/3
Tom Pridmore	6/9	4/4	3/3	3/3

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 two 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 four 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 33 to 35.

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.
- Co-ordinating 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 2019 the Committee met on three 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 2019 the committee met on three 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 Group 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 Annual General Meeting 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. Although the date is subject to change as the Directors reserve the right to resolve to convene the AGM later depending on government guidance in respect of COVID-19, the Annual General Meeting is due to take place on Thursday, 28 May 2020 at 10:00am.

The proposed resolutions together with proxy forms and this annual report will be distributed to Shareholders by 5 May 2020, if not before.

Audit committee report

The role of the Audit Committee and members is outlined on page 29.

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 Executive Chairman 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 four times during the year. 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 2019 financial statements. In particular, the Committee discussed the significant audit risks, accounting for acquisitions during the year, and application of the new accounting standard 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 29.

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 USD'000	Bonus USD'000	Pension USD'000	Share-based payments USD'000	2019 USD'000	2018 USD'000
Non-Executive Directors						
Samuel Dayani	89	–	–	–	89	27
Thomas Rickert	93	7	2	6	108	135
Tom Pridmore	63	–	3	6	72	135
Mike Turner	51	–	–	–	51	169
Iain McDonald	64	–	2	–	66	128
Executive Directors						
Ben Crawford	323	393	7	877	1,600	718
Donald Baladasan	332	128	5	696	1,161	519
Michael Riedl	174	166	–	35	375	–
Alexander Siffrin	113	89	1	–	203	–
	1,302	783	20	1,620	3,725	1,831

Share options

Prior to admission to AIM, CentralNic Group 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.

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 schemes.

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.

Remuneration report continued

The following share options were issued to the Directors during the year:

	Number of Ordinary Shares subject to Award	Exercise Price
Ben Crawford	2,500,000	Nil
Donald Baladasan	2,384,615	Nil
Michael Riedl	145,833	Nil

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.

The table below shows the outstanding share options issued to Directors and former Directors at 31 December 2019:

	Number of options	Exercise price	Options granted
Outstanding at 1 January 2019 and 31 December 2019			
Ben Crawford	1,316,000	10p	1 June 2013
Ben Crawford	850,000	57p	1 September 2013
Thomas Rickert	88,000	57p	1 September 2013
Tom Pridmore	88,000	57p	1 September 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
Ben Crawford	2,500,000	nil	2 August 2019
Donald Baladasan	2,000,000	nil	2 August 2019
Michael Riedl	145,833	nil	2 August 2019
Total	8,787,833		

436,698 options were exercised during the year by Donald Baladasan. No other Directors or former Directors have exercised any option and no options have expired. All options expire within 10 years of having vested.

Further details are provided in relation to share-based payments in note 27 to the financial statements.

In addition, a further 5,526,950 options over ordinary shares were in issue at 31 December 2019 (2018: 1,893,083), being held by the Group's employees.

The IFRS 2 charge in the year for all share option plans relating to the Directors was USD 1,620,000 (2018: USD 294,000).

On 31 December 2019, the closing market price of CentralNic Group Plc ordinary shares was 91.0 pence. The highest and lowest price of these shares in the year were 39.0 pence during September and October 2019 and 91.0 pence during December 2019 respectively. The average share price for the year was 54.0p.

Directors' interests

(a) As at 31 December 2019, 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
inter.services GmbH*	35,391,585	19.06%
Erin Invest & Finance Ltd**	21,630,382	11.65%
Jabella Group Ltd***	7,133,943	3.84%
Neozoon Sarl****	1,092,657	0.59%
Donald Baladasan	596,153	0.32%
Iain McDonald*****	11,500	0.01%

* The beneficial owners of inter.services GmbH are Alexander Siffrin, a Director of the Company, and his father.

** The beneficial holders of Erin Invest & Finance Limited are Samuel Dayani, a Director of the Company, and his father.

*** Jabella Group Limited is a BVI company owned, inter alia, by Erin Invest & Finance Limited.

**** The beneficial owner of Neozoon Sarl is Michael Riedl, a Director of the Company.

***** 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 note 25 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 2019, which comprise:

- the Group consolidated statement of comprehensive income for the year ended 31 December 2019;
- the Group consolidated and Parent Company statements of financial position as at 31 December 2019;
- 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 2019 and of the Group's loss for the year 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 judgement, we determined overall materiality for the Group and company financial statements as a whole to be USD 500,000 (2018: USD 406,000) and USD 200,000 (2018: USD 203,000) respectively. In determining this, we considered a range of benchmarks with specific focus on approximately 0.75% of Group revenue, approximately 3% of adjusted EBITDA (a key performance measure used by the Group), and, 3% of 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 judgements 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 USD 20,000 (2018: USD 19,000). 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 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 a number of group entities in 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 judgements, 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 judgements against available evidence, forming our own judgements 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 judgements 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 the Team Internet, TPP Wholesale, Ideegeo and Hexonet business combinations are significant audit risks for the current year ended 31 December 2019.
- The transition to IFRS16 (leases) are a significant risk for the current year ended 31 December 2019.
- The uncertainty arising from the emergence during 2020 of the COVID-19 pandemic.
- The assessment of both the KeyDrive S.A business combination and the GlobHosting business combination was a significant audit risk and as specific for the prior year ended 31 December 2018.
- The transition to IFRS15 (revenue recognition) was specific for the prior year ended 31 December 2018.

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	
<p>The Group's operating revenue arises from reseller sales, small business services and corporate revenues amounted to USD 109million for the year ended 31 December 2019.</p> <p>The key revenue recognition risks are in respect of the following:</p> <ul style="list-style-type: none"> • Appropriate recognition of revenue in accordance with the stated policies ensuring satisfaction of the respective performance obligations of each revenue stream, 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. 	<p>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.</p> <p>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:</p> <ul style="list-style-type: none"> • 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; and • Undertook IT procedures around the systems and controls in respect of revenue. <p>In our instructions to component auditors, our discussions with them, our review of their files and our assessment of their reporting, we examined and evaluated the work undertaken and their conclusions in respect of revenue recognition.</p>

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)	
<p>During the year, the Group completed the separate acquisitions of Team Internet, TPP Wholesale, Ideegeo and Hexonet as disclosed in note 25.</p> <p>The Group has determined these acquisitions to be business combinations, the accounting for which can be complex. For each acquisition 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.</p> <p>There is a risk that inappropriate assumptions could result in material errors in the acquisition accounting.</p> <p>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.</p> <p>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.</p>	<p>Our procedures included the following:</p> <ul style="list-style-type: none"> • 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	
<p>When assessing the carrying value of goodwill, investments (including fair value) and intangible assets, management make judgements 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.</p>	<p>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.</p> <p>We examined management's evaluation of the fair value of investments.</p> <p>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.</p>

Key audit matter

How the scope of our audit addressed the key audit matter

The uncertainty arising from the emergence during 2020 of the COVID-19 pandemic

In December 2019, a novel strain of coronavirus ("COVID-19") surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption around the world. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on 30 January 2020.

When assessing the impact of this uncertainty we needed to evaluate the impact of COVID-19 on:

- (i) the operations of the Group;
- (ii) critical accounting judgements and key sources of estimation uncertainty related to the financial statements including items as disclosed in note 4; and
- (iii) whether this could severely affect the Group's activity to the extent it may create a material uncertainty in respect of the preparation of the financial statements on a going concern basis.

We evaluated management's assessment of the impact of COVID-19 on – the operations of the group (including a review of current and anticipated trading and forecasts); the critical accounting judgements and key sources of estimation uncertainty related to the financial statements including items as disclosed in note 4; and; the preparation of the financial statements on a going concern basis.

We examined management's evidence supporting the limited impact of COVID-19 on the operations of the Group.

We challenged, reviewed and considered management's evaluation that the impact of COVID-19 was not anticipated to have a material impact on the critical accounting judgements and key sources of estimation uncertainty related to the financial statements including items as disclosed in note 4.

We challenged, reviewed and considered management's evaluation that the impact of COVID-19 was not expected to severely affect the Group's activity and that its impact did not give rise to a material uncertainty in respect of the preparation of the financial statements on a going concern basis.

We reviewed the appropriateness of the considerations and disclosures in respect COVID-19 within the financial statements.

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.

Independent auditors report continued

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 26 and 27, 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.

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

26 April 2020

Consolidated statement of comprehensive income

for the year ended 31 December 2019

	Note	2019 USD'000	2018 USD'000
Revenue	5,6	109,194	55,991
Cost of sales		(66,419)	(30,080)
Gross profit		42,775	25,911
Administrative expenses		(40,416)	(29,053)
Share-based payments expense		(2,878)	(469)
Operating loss		(519)	(3,611)
Adjusted EBITDA*		17,921	9,146
Depreciation	13	(1,306)	(326)
Amortisation of intangible assets	14	(8,299)	(5,600)
Fair value movement of investment	16	–	(1,265)
Non-core operating expenses	9	(7,357)	(5,840)
Foreign exchange		1,474	788
Share of associate income/(loss)		(74)	(45)
Share-based payments expense	27	(2,878)	(469)
Operating loss		(519)	(3,611)
Finance income	10	5	3
Finance costs	10	(7,759)	(1,433)
Net finance costs	10	(7,754)	(1,430)
Share of associate income		74	45
Loss before taxation	7	(8,199)	(4,996)
Income tax expense	11	39	(1,428)
Loss after taxation		(8,160)	(6,424)
Items that may be reclassified subsequently to profit and loss			
Exchange difference on translation of foreign operation		(4,451)	(648)
Total comprehensive loss for the period		(12,611)	(7,072)
Loss is attributable to:			
Owners of CentralNic Plc		(8,096)	(6,424)
Non-controlling interest		(64)	5
		(8,160)	(6,419)
Total comprehensive loss is attributable to:			
Owners of CentralNic Plc		(12,547)	(7,072)
Non-controlling interest		(64)	5
		(12,611)	(7,067)
	Note	2019 cents	2018 cents
Earnings per share			
Basic (cents)	12	(4.67)	(5.04)
Diluted (cents)	12	(4.67)	(5.04)

* 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).

All amounts relate to continuing activities.

The notes on pages 45 to 82 form an integral part of these financial statements.

Consolidated statement of financial position

as at 31 December 2019

	Note	2019 USD'000	2018 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	1,695	931
Right-of-use assets	13,26	4,732	–
Intangible assets	14	206,055	127,267
Other non-current assets	15	739	1,106
Investments	16b	1,778	1,392
Deferred tax assets	22	2,545	1,625
		217,544	132,321
Current assets			
Trade and other receivables	17	40,760	24,382
Inventory		491	3,906
Cash and bank balances	18	26,182	23,090
		67,433	51,378
Total assets		284,977	183,699
EQUITY AND LIABILITIES			
Equity			
Share capital	19	232	216
Share premium	19	74,840	69,238
Merger relief reserve	19	5,297	2,314
Share-based payments reserve		6,095	3,330
Foreign exchange translation reserve		(300)	4,151
Accumulated losses		(9,091)	(1,186)
Capital and reserves attributable to owners of the Group		77,073	78,063
Non-controlling interests		(69)	5
Total equity		77,004	78,068
Non-current liabilities			
Other payables	20	3,798	7,660
Lease liabilities	26	3,832	–
Deferred tax liabilities	21	22,609	12,595
Borrowings	23	98,967	22,933
		129,206	43,188
Current liabilities			
Trade and other payables and accruals	22	75,683	59,719
Taxation payable		–	452
Lease liabilities	26	871	–
Borrowings	23	2,213	2,272
		78,767	62,443
Total liabilities		207,973	105,631
Total equity and liabilities		284,977	183,699

These financial statements were approved and authorised for issue by the Board of Directors on 26 April 2020 and were signed on its behalf by:



Iain McDonald
Chairman

Company Number: 08576358

The notes on pages 45 to 82 form an integral part of these financial statements.

Consolidated statement of changes in equity

for the year ended 31 December 2019

	Share capital USD'000	Share premium USD'000	Merger relief reserve USD'000	Share based payments reserve USD'000	Foreign exchange translation reserve USD'000	Accu- mulated (losses)/ retained earnings USD'000	Equity attributable to owners of the Parent Company USD'000	Non- controlling interests USD'000	Total equity USD'000
Balance as at 31 December 2017	119	20,369	2,314	3,133	4,799	5,026	35,760	–	35,760
Loss for the year	–	–	–	–	–	(6,424)	(6,424)	5	(6,419)
Other comprehensive income									
Translation of foreign operation	–	–	–	–	(648)	–	(648)	–	(648)
Total comprehensive income for the year	–	–	–	–	(648)	(6,424)	(7,072)	5	(7,067)
Transactions with owners									
Issue of new shares	97	50,226	–	–	–	–	50,323	–	50,323
Share issue costs	–	(1,357)	–	–	–	–	(1,357)	–	(1,357)
Share-based payments	–	–	–	469	–	–	469	–	469
Share-based payments – reclassify lapsed options	–	–	–	(212)	–	212	–	–	–
Share-based payments – deferred tax asset	–	–	–	(60)	–	–	(60)	–	(60)
Balance as at 31 December 2018	216	69,238	2,314	3,330	4,151	(1,186)	78,063	5	78,068
Loss for the year	–	–	–	–	–	(8,096)	(8,096)	(64)	(8,160)
Reclass on non-controlling interest	–	–	–	–	–	11	11	(11)	–
Other comprehensive income									
Translation of foreign operation	–	(1)	–	–	(4,451)	–	(4,452)	1	(4,451)
Total comprehensive income for the year	–	(1)	–	–	(4,451)	(8,085)	(12,537)	(69)	(12,611)
Transactions with owners									
Share issued	16	5,603	2,983	–	–	–	8,602	–	8,602
Share issue costs	–	–	–	–	–	–	–	–	–
Share-based payments	–	–	–	2,336	–	–	2,336	–	2,336
Share-based payments – deferred tax assets	–	–	–	609	–	–	609	–	609
Share-based payments – reclassify lapsed options	–	–	–	(180)	–	180	–	–	–
Balance as at 31 December 2019	232	74,840	5,297	6,095	(300)	(9,091)	77,073	(69)	77,004

- 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 45 to 82 form an integral part of these financial statements.

Consolidated statement of cash flows

for the year ended 31 December 2019

	Note	2019 USD'000	2018 USD'000
Cash flow from operating activities			
Loss before taxation		(8,199)	(4,996)
Adjustments for:			
Depreciation of property, plant and equipment		1,306	326
Amortisation of intangible assets		8,299	5,600
Fair value movement of investment		–	1,265
Profit on investment in associate		(74)	(45)
Finance cost – net		7,754	1,430
Share-based payments		2,878	469
(Increase)/decrease in trade and other receivables		(11,487)	2,524
Increase in trade and other payables and accruals		14,545	8,894
Decrease/(increase) in inventories		3,603	(3,635)
Cash flow from operations		18,625	11,832
Income tax paid		(2,309)	(3,015)
Net cash flow generated from operating activities		16,316	8,817
Cash flow used in investing activities			
Purchase of property, plant and equipment		(755)	(399)
Purchase of intangible assets		(14,742)	(4,521)
Payment of deferred consideration		(2,940)	(680)
Acquisition of subsidiaries, net of cash acquired	25	(60,900)	(11,965)
Net cash flow used in investing activities		(79,337)	(17,565)
Cash flow used in financing activities			
Proceeds from borrowings		103,424	3,124
Bond arrangement fees		(2,377)	–
Proceeds from issuance of ordinary shares		2,133	32,263
Costs from share issue		–	(1,394)
Payment of debt like items		(27,839)	(14,923)
Payment of finance leases		(528)	–
Interest paid		(1,970)	(682)
Net cash flow generated from financing activities		72,843	18,388
Net increase in cash and cash equivalents		9,822	9,640
Cash and cash equivalents at beginning of the year		23,090	14,675
Exchange losses on cash and cash equivalents		(6,730)	(1,225)
Cash and cash equivalents at end of the year		26,182	23,090

The notes on pages 45 to 82 form an integral part of these financial statements.

Notes to the consolidated financial statements

for the year ended 31 December 2019

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 4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR.

The CentralNic Group provides subscription services on a global scale to domain names and affiliated products and serves to Reseller, Small Business, and Corporate customers who either procure these for resale or their own use.

(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 91 and 93 of these financial statements.

2. Application of IFRS

(a) Basis of preparation

The financial statements are measured and presented in USD 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).

In assessing the Group's going concern position as at 31 December 2019, the Directors have considered a number of factors, including the current balance sheet position, the principal and emerging risks which could impact the performance of the Group, the Group's strategic and financial plan. The assessment concluded that, for the foreseeable future, the Group has sufficient capital to support its operations; has a funding and liquidity base which is strong, robust and well managed with future capacity; and has expectations that performance will continue to improve as the Group's strategy is executed.

In addition, the COVID-19 pandemic has been duly considered by the Directors in making the judgement on the going concern assumption. As a profitable provider of online subscription services with high cash conversion and solid organic growth, we do not expect CentralNic to be severely affected by COVID-19, but the Directors will take the necessary precautions to preserve the Group's cash and review our acquisition pipeline and financing plans to ensure that we maintain stability and optimise our business strategies in the new global climate.

As a result of the assessment, the Directors have a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future and therefore believe that the Group is well placed to manage its risks successfully in line with its business model and strategic aims. Accordingly, they continue to adopt the going concern basis in preparing the consolidated financial statements.

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). As stated in the 2018 Annual Report, CentralNic indicated that the Directors were considering amending the currency in which it presents its financial results from UK pounds sterling (GBP) to US Dollars (USD) for all financial years beginning after 1 January 2019. During the financial year ended 31 December 2019, the Directors concluded to change the presentational currency to US Dollars as the board believes that US Dollar financial reporting provides more relevant presentation of the Group's financial affairs given more than half its trade is in US Dollar and the industry in which it operates is predominantly trading in US Dollars.

To assist shareholders during this change, comparative financial information for the financial year ended 31 December 2018 have been restated in US Dollars.

Notes to the consolidated financial statements continued

2. Application of IFRS continued

The change in presentation currency represents a change in accounting policy in terms of IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors requiring the restatement of comparative information. In accordance with IAS 21 The Effects of Changes in Foreign Exchange Rates, the following methodology was followed in restating historical financial information from Sterling into US Dollars:

The exchange rates used were as follows:

GBP/USD exchange rate	31 December 2019	31 December 2018
Closing rate	1.3204	1.2800
Average rate	1.3116	1.2681

(b) Standards adopted in the year

During the year, the Group adopted IFRS 16 – Leases which were effective for accounting periods commencing on 1 January 2019.

The Directors completed their detailed review of IFRS 16 at the time of reporting for the financial year ended 31 December 2019 results and an additional debt of USD 4.7m has been recognised on the balance sheet as at 31 December 2019.

IFRS 16 replaces IAS 17 and establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that appropriately represents those transactions. It requires lessees to recognise assets and liabilities for all leases unless the underlying asset has a low value, or the lease term is 12 months or less. The standard requires an entity that is a lessee to recognise a right of use asset and a lease liability based on the net present value of the payments required under each of its leases. The operating lease charge, currently recognised in EBITDA, is replaced by the depreciation of the right of use asset and interest on the lease liability. As well as a change to the line items in the income statement it also changes the profile of the net charge recognised in the income statement over the lease term. Lessor accounting remains similar to the current standard, whereby the lessor continues to classify leases as finance or operating leases, however, the standard prescribes that the sub-lease of an asset held on a lease is categorised as a finance lease or an operating lease with reference to the right of use asset arising from the head lease.

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.

(c) Standards, amendments and interpretations to published standards not yet effective

Amendments to 'References to the Conceptual Framework in IFRSs': Together with the revised Conceptual Framework published in March 2018, the IASB has also issued Amendments to References to the Conceptual Framework in IFRSs. The amendments are effective for annual periods beginning on or after 1 January 2020, with earlier application being permitted, although this is yet to be endorsed by the EU and will have no effect on the Group's financial statements.

Definition of a Business (Amendments to IFRS 3): The amendments in Definition of a Business clarify that, to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and substantive process that together significantly contribute to the ability to create outputs. The definitions of a business and outputs are narrowed by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs. The amendments are effective for annual periods beginning on or after 1 January 2020, although this is yet to be endorsed by the EU and is not likely to have a material effect on the Group's financial statements.

Definition of Material (Amendments to IAS 1 and IAS 8): The amendments in Definition of Material clarify the definition of 'material' and align the definition used in the Conceptual Framework and the standards. The amendments are effective for annual periods beginning on or after 1 January 2020, although this is yet to be endorsed by the EU and will have no effect on the Group's financial statements.

Interest Rate Benchmark Reform (Amendments to IFRS 9, IAS 39 and IFRS 7) issued in September 2019 and effective for financial years beginning on or after 1 January 2020. The amendments provide temporary reliefs which enable hedge accounting to continue during the period of uncertainty before the replacement of an existing interest rate benchmark with an alternative nearly risk-free interest rate (an RFR). The Group is working through the implications of the amendment ahead of implementation from 1 October 2020.

On 23 January 2020, the IASB issued 'Classification of Liabilities as Current or Non-Current (Amendments to IAS 1)' providing a more general approach to the classification of liabilities under IAS 1 based on the contractual arrangements in place at the reporting date. The amendments are effective for annual reporting periods beginning on or after 1 January 2022. The impact of this standard on the Group's financial statement is still being assessed.

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.

Non-controlling interest in the result and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and balance sheet respectively.

(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.

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) 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.

Notes to the consolidated financial statements continued

3. Summary of significant accounting policies continued

(ii) 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 into the presentation currency 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.

On consolidation, the exchange differences arising from the translation of any investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

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.

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.

3. Summary of significant accounting policies *continued*

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.

(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.

Bond issue costs are the fees associated with the issuance of bonds and the accounting of these costs have been initially capitalised and then charging them to expense in the income statement over the life of the bonds. These costs are recorded as a deduction from the bond liability on the balance sheet and are then charged to expense over the life of the associated bond, using the straight-line method.

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.

Dividends proposed or declared after the balance sheet date but before the financial statements have been authorised for issue are not recognised as a liability at the balance sheet date. However, the details of these dividends are disclosed in the notes in accordance with IAS 1.

(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.

Notes to the consolidated financial statements continued

3. Summary of significant accounting policies continued

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 inventory 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 inventory 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 and Team Internet acquisition are 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.

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.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the assets are ready for use.

Research and development expenditure that do not meet the criteria in (iii) above are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Development costs acquired as part of the acquisition of Team Internet is amortised over 3 to 5 years.

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. It 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

CentralNic has adopted the IFRS 16 modified retrospective approach from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard. The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening statement of financial position on 1 January 2019.

Notes to the consolidated financial statements continued

3. Summary of significant accounting policies continued

CentralNic previously classified leases as operating or finance lease based on its assessment of whether the lease transferred substantially all the risks and rewards of ownership. Under IFRS 16, CentralNic recognises right-of-use assets and the corresponding lease liabilities for most leases by recording them on the balance sheet.

In applying IFRS 16 on transition, the Group has used the following practical expedients permitted by the standard:

- The Group has elected not to reassess whether a contract is or contains a lease as defined in IFRS 16 at the date of initial application. For contracts entered into before the transition date, the Group relied on its assessment made when applying IAS 17 and IFRIC 4.
- For the majority of leases, reliance has been placed on previous assessments of whether leases are onerous under IAS 37 Provisions, Contingent Liabilities and Contingent Assets. For leases where the right-of-use asset has been determined as if IFRS 16 had been applied since the lease commencement date, this expedient has not been taken.
- Accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases.

The Group has elected not to recognise the right-of-use assets and lease liabilities for short-term leases that have a term of 12 months or less or leases that are of low value (USD 5,000). Lease payments associated with these leases are expensed on a straight-line basis over the lease term.

At inception or on assessment of a contract that contains a lease component, CentralNic allocates the consideration in the contract to each lease and non-lease component based on their relative stand-alone prices. However, for leases of properties, CentralNic elected not to separate non-lease components and will instead account for the lease and non-lease component as a single lease component.

The Group's leases primarily relate to properties and motor vehicles. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Property leases will often include extension and termination options, open market rent reviews, and uplifts.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the individual lessee company's incremental borrowing rate taking into account the duration of the lease.

The lease liability is subsequently measured at amortised cost using the effective interest method, with the finance cost charged to profit or loss over the lease period to produce a constant periodic rate of interest on the remaining balance of the liability. It is remeasured when there is a change in future lease payments arising from a change in index or rate, or if the Group changes its assessment of whether it will exercise an extension or termination option. The lease liability is recalculated using a revised discount rate if the lease term changes as a result of a modification or re-assessment of an extension or termination option.

The right-of-use is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is typically depreciated on a straight-line basis over the lease terms. In addition, the right-of-use asset may be adjusted for certain remeasurements of the lease liability, such as indexation and market rent review uplifts. Please refer to note 27 for further details.

(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.

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.

3. Summary of significant accounting policies [continued](#)

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.

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.

Notes to the consolidated financial statements continued

3. Summary of significant accounting policies continued

In accordance with IFRS 15, each segment evaluates the representation of the underlying customer contracts with the registrars, and identifies the performance obligations that are required to be met under the customer contract. Determining the transaction price and allocating the transaction price to the performance obligation 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 segments 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 segment 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 segment, upon evaluation of the customer contract, the registrar channel has performance obligations that are met at point of sale of the domain name. An invoice under this segment 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

For the Corporate segment, upon evaluation of the customer contract, the registrar channel has performance obligations that are met at point of sale of the domain name. An invoice under this segment 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.

Revenue from the provision of computer software to a customer is recognised when the Group has delivered the related software and completed all the adaptations 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.

(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.

On 1 July 2019, an amount of USD 3,667m were reclassified to intangible assets and amortised as per Group's policy to reflect the Group's strategy with respect to the domain name portfolio. The residual inventories are held for resale.

(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.

3. Summary of significant accounting policies [continued](#)

(q) Non-core operating expenses

Non-core operating expenses are disclosed and described separately in the consolidated financial statements where it is necessary to do so to provide further understanding of the financial performance of the Group. They are material items of expense relating to projects that have been shown separately due to the significance of their nature or amount, which are generally outside the ordinary scope of business, are discretionary and non-recurring, and convey a future benefit. Acquisition and Integration expenses are the most relevant items falling into this taxonomy.

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.

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 judgement 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.

Judgement was exercised in determining the fair value of the assets and liabilities and the deferred consideration in the Hexonet Group, Ideegeo, TPP Wholesale and Team Internet acquisitions. Further details are set out in note 25.

Taxes

The Group has operations or sales in around 40 countries that are subject to direct and indirect taxes. The tax position is often not agreed with tax authorities until sometime after the relevant period end and, if subject to a tax audit, may be open for an extended period. In these circumstances, the recognition of tax liabilities and assets requires management estimation to reflect a variety of factors; these include the status of any ongoing tax audits, historical experience, interpretations of tax law and the likelihood of settlement.

Notes to the consolidated financial statements continued

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

The changing regulatory environment affecting all multinationals increases the estimation uncertainty associated with calculating the Group's tax position. This is as a result of amendments to tax law at the national level, increased cooperation between tax authorities and greater cross border transparency.

The Group estimates and recognises additional tax liabilities as appropriate based on management's interpretation of country specific tax law, external advice and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the results in the year in which such determination is made. Further details of this are provided in note 11.

In addition, calculation and recognition of temporary differences giving rise to deferred tax assets requires estimates and judgements to be made on the extent to which future taxable profits are available against which these temporary differences can be utilised.

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 segment is a global distributor of domain names and provides consultancy services to retailers. The Small Business segment provides domain names and ancillary services to end users, also on a global basis. The Corporate segment represents revenue generated by providing domain names and monitoring services to protect brands online, technical and consultancy services to corporate clients, licencing of the Group's in house developed registry management platform.

During 2019 management reviewed the activities of the CentralNic Group in the segments disclosed below:

	2019			
	Reseller USD'000	Small Business USD'000	Corporate USD'000	Total USD'000
Revenue	60,681	37,753	10,760	109,194
Gross profit	19,604	16,135	7,036	42,775
Total administrative expenses				(40,416)
Share-based payments expense				(2,878)
Operating loss				(519)
Adjusted EBITDA				17,921
Depreciation				(1,306)
Amortisation of intangibles assets				(8,299)
Fair value movement of investment				-
Non-core operating expenses				(7,357)
Foreign exchange				1,474
Share of associate income				(74)
Share-based payment expense				(2,878)
Operating loss				(519)
Finance cost (net)				(7,754)
Share of associate income				74
Loss before taxation				(8,199)
Income tax expense				39
Loss after taxation				(8,160)

5. Segment analysis continued

	2018			
	Reseller USD'000	Small Business USD'000	Corporate USD'000	Total USD'000
Revenue	27,288	24,223	4,480	55,991
Gross profit	12,853	9,858	3,200	25,911
Total administrative expenses				(29,053)
Share-based payments expense				(469)
Operating loss				(3,611)
Adjusted EBITDA				9,146
Depreciation				(326)
Amortisation of intangibles assets				(5,600)
Fair value movement of investment				(1,265)
Non-core operating expenses				(5,840)
Foreign exchange				788
Share of associate income				(45)
Share-based payment expense				(469)
Operating loss				(3,611)
Finance cost (net)				(1,430)
Share of associate income				45
Loss before taxation				(4,996)
Income tax expense				(1,428)
Loss after taxation				(6,424)

The geographical locations of the non-current and current assets and non-current and current liabilities are as follows.

	2019			
	Non-current assets USD'000	Current assets USD'000	Non-current liabilities USD'000	Current liabilities USD'000
UK	24,170	16,716	101,263	31,147
North America	6,050	3,952	42	4,584
Europe	154,136	36,755	24,514	33,332
Australasia	30,257	4,976	3,387	4,314
ROW	3,335	1,722	–	2,080
	217,948	64,121	129,206	75,457

	2018			
	Non-current assets USD'000	Current assets USD'000	Non-current liabilities USD'000	Current liabilities USD'000
UK	6,395	16,161	36,509	25,482
North America	1,103	4,310	–	1,569
Europe	94,366	17,770	6,679	24,493
Australasia	26,897	9,115	–	7,706
ROW	3,560	4,022	–	3,194
	132,321	51,378	43,188	62,444

Notes to the consolidated financial statements continued

6. Revenue

The Reseller segment generated its revenue from reselling domain names totalling USD 60,681,000 (2018: USD 27,288,000), USD nil (2018: USD 1,810,000) from consultancy and USD nil (2018: USD 222,000) from DotBrand revenues. The Small Business segment wholly represents revenue from provision of domain names sales totalling USD 37,753,000 (2018: USD 24,223,000). The Corporate segment generated its revenue from corporate revenues of USD 10,760,000 (2018: USD 4,050,000), and software licensing revenues of USD nil (2018: USD 430,000). As part of the streamlining of the segmental analysis in 2018, DotBrand revenues are now included in the Reseller Segment from the Corporate Segment and Team Internet revenues are included in the Corporate Segment as managements believe the monetisation revenue stream is best represented through the Corporate Segment.

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

	2019 USD'000	2018 USD'000
Reseller Domain Sales		
UK	828	660
North America	13,509	5,297
Europe	34,972	17,689
ROW	11,372	3,642
	60,681	27,288
Small Business Domain Sales		
UK	2,428	1,919
North America	8,907	6,045
Europe	15,213	5,805
ROW	11,205	10,454
	37,753	24,223
Corporate Sales		
UK	372	680
North America	2,851	1,431
Europe	6,121	2,265
ROW	1,416	104
	10,760	4,480

The Reseller segment had no one customer that represents more than 10% of the segment's revenue. No single customer contributes greater than 10% or more of the Small Business sales.

The Corporate segment has two customers that represented more than 10% of the segment's revenue in the year of USD 3,320,000 (2018: USD 605,000).

6. Revenue continued

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

	2019 USD'000	2018 USD'000
Revenue by Customer Location		
United States of America	24,364	11,921
Germany	19,999	9,525
Australia	6,645	2,113
Switzerland	5,549	2,324
United Kingdom	3,628	2,460
China	2,858	1,397
France	2,637	1,264
United Arab Emirates	1,166	995
Italy	1,751	1,051
Russian Federation	1,254	739
Singapore	1,059	861
Canada	756	736
Hong Kong	728	625
New Zealand	654	535
India	530	382
Chile	94	118
Other	35,522	18,947
	109,194	55,991

7. Profit before taxation

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

	2019 USD'000	2018 USD'000
Employee benefit expense – wages and salaries	14,659	8,265
Employee benefit expense – social security	2,093	1,201
Employee benefit expense – pension	353	224
Employee benefit expense – share-based payments	1,258	142
Staff consultancy fees	1,689	917
Directors' remuneration – fees and salaries	2,105	1,446
Directors' remuneration – share-based payments	1,620	294
Leases – land & buildings	–	399
Leases – equipment	–	625
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements – UK auditor office	270	179
Fees payable to the Company's auditor for the audit of subsidiary companies – Overseas auditor associates	3	63
Fees payable to Company's auditors for:		
– Assurance related services	73	36
– Due diligence and other acquisition costs	238	467
Net gain on foreign currency translation	(1,474)	(800)
Depreciation and amortisation expense	9,605	5,681

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 328 (2018: 217), analysed by category, as follows:

	2019 USD'000	2018 USD'000
Management and finance	59	31
Technical	99	67
Sales and Marketing	70	42
Administrative	21	30
Operations	79	47

Key management personnel

Total remuneration of key management personnel being the Directors and key senior personnel is USD 5,972,000 (2018: USD 3,230,000) and is set out below in aggregate for each of the categories specified in IAS 24, related party disclosures.

Key management are considered to be the Directors and key management personnel. Compensation has been disclosed in this note, while further information can be found in the Remuneration report on page 33.

	2019			2018		
	Directors USD'000	Senior key personnel USD'000	Total USD'000	Directors USD'000	Senior key personnel USD'000	Total USD'000
Wages and salaries	1,468	1,678	3,147	1,007	1,263	2,270
Social security	72	164	236	89	150	239
Pension	20	38	58	17	33	50
Share-based payments	1,620	308	1,928	309	43	352
Directors consultancy fees	545	47	592	408	–	408
Settlements	–	–	–	–	–	–
	3,725	2,234	5,960	1,831	1,489	3,320

The Group made contributions to defined contribution personal pension schemes for 6 Directors in the period (2018: 3). The number of individuals included within the senior key personnel was 9 (2018: 10). Included in the above tables, the highest paid Director had wages and salaries including pensions of USD 330,000 (2018: USD 322,000), a special bonus of USD 393,000 (2018: USD 396,000), and share-based expense of USD 877,000 (2018: nil) totalling to USD 1,600,000 (2018: USD 718,000).

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

9. Non-core operating expenses

	2019 USD'000	2018 USD'000
Acquisition related costs	3,466	4,785
Acquisition related bonuses	603	–
Integration and streamlining	3,288	1,055
	7,357	5,840

10. Finance income and costs

	2019 USD'000	2018 USD'000
Interest income on loans to Accent Media Ltd (related party)	5	3
Finance income	5	3
Unwinding of deferred consideration	(3,398)	(117)
Arrangement fees on borrowings	(1,420)	(185)
Interest expense on loans to Shareholders	–	(6)
Interest expense on short-term borrowings	(781)	(84)
Interest expense on long-term bank borrowings	(2,033)	(1,041)
Interest expenses on leases	(127)	–
Finance costs	(7,759)	(1,433)
Net finance costs	(7,754)	(1,430)

11. Income tax expense

	2019 USD'000	2018 USD'000
UK corporation tax		
Current tax on profits for the year	(1,123)	(1,441)
Adjustments in respect of prior years	47	(325)
Current income tax	(1,076)	(1,766)
Foreign tax		
Current tax on profits for the year	(168)	(190)
Adjustments in respect of prior years	–	(166)
	(168)	(356)
Total current tax	(1,244)	(2,141)
Deferred Income Tax (note 22)	1,283	713
Income tax expense	39	(1,428)

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:

	2019 USD'000	2018 USD'000
Loss before taxation	(9,839)	(4,996)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(3,596)	830
Tax effects of:		
– Expenses not deductible for tax purposes	402	(1,721)
– Tax losses movement	578	(518)
– Share-based payment	403	–
– Deferred tax	1,283	713
– Withholding tax	(168)	(356)
– Other adjustments	1,091	(51)
– Adjustment in respect of prior years	48	(325)
Current income tax	39	(1,428)

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 0.40% (2018: 27.9%).

Notes to the consolidated financial statements continued

11. Income tax expense continued

In the UK, the applicable statutory tax rate for 2019 is 19% (2018: 19%).

In the USA, federal taxes are due at 21% on taxable income. Under California tax legislation a statutory minimum of USD 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 2019, 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.

	2019 USD	2018 USD
Loss after tax attributable to owners (USD'000)	(8,160)	(6,424)
Operating loss	(519)	(3,611)
Depreciation	1,306	326
Amortisation of intangible assets	8,299	5,600
Fair value movement of investment	–	1,265
Non-core operating expenses	7,357	5,840
Foreign exchange	(1,474)	(788)
Share of associate income	74	45
Share-based payments expense	2,878	469
Adjusted EBITDA	17,921	9,146
Depreciation	(1,306)	(326)
Finance costs (excluding deferred consideration related amounts – note 9)	(4,361)	(1,316)
Finance income	5	3
Taxation	39	(1,428)
Adjusted earnings	12,298	6,079
Weighted average number of shares:		
Basic	175,083,962	127,515,308
Effect of dilutive potential ordinary shares	5,397,202	–
Diluted	180,481,164	127,515,308
Earnings per share:		
Basic (cents)	(4.67)	(5.04)
Diluted (cents)	(4.67)	(5.04)
Adjusted earnings – Basic (cents)	7.02	4.77
Adjusted earnings – Diluted (cents)	6.81	4.77

Basic and diluted earnings per share of (4.67) cents (2018: (5.04) cents) has been impacted by non-recurring acquisition costs, amortisation charges, and other significant non-core operating costs.

13. Property, plant and equipment

	Right of use assets USD'000	Motor vehicles USD'000	Computer equipment USD'000	Furniture and fittings USD'000	Total USD'000
Cost					
At 1 January 2018	–	–	961	130	1,091
Additions	–	–	377	8	385
Acquisition of Subsidiary	–	29	468	140	637
Exchange differences	–	1	(84)	(21)	(104)
Disposals	–	–	–	–	–
At 31 December 2018	–	30	1,722	257	2,009
IFRS 16 adjustment 1 January	779	–	–	–	779
Additions	3,598	–	680	213	4,491
Acquisition of Subsidiary	911	–	376	127	1,414
Exchange differences	113	(18)	(132)	(17)	(54)
At 31 December 2019	5,401	12	2,646	580	8,639
Accumulated depreciation					
At 1 January 2018	–	–	720	88	808
Charge for the year	–	10	288	28	326
Exchange differences	–	1	(50)	(7)	(56)
Disposals	–	–	–	–	–
At 31 December 2018	–	11	958	109	1,078
Charge for the year	658	5	527	116	1,306
Exchange differences	11	(4)	(162)	(17)	(172)
At 31 December 2019	669	12	1,323	208	2,212
Property, plant and equipment, net					
At 31 December 2019	4,732	–	1,323	372	6,427
At 31 December 2018	–	19	764	148	931

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 USD'000	Software USD'000	Customer list USD'000	Patents & trademarks USD'000	Goodwill USD'000	Intellectual property USD'000	Total USD'000
Cost or deemed cost							
At 1 January 2018	1,550	5,170	33,069	–	39,413	–	79,202
Additions	–	483	1,472	319	2,065	–	4,339
Acquisition of Subsidiary	12	8,982	8,978	2,794	37,192	–	57,958
Reclassification	–	–	–	–	–	–	–
Exchange Differences	(90)	4	(1,573)	97	(1,070)	–	(2,632)
At 31 December 2018	1,472	14,639	41,946	3,210	77,600	–	138,867
Additions	–	163	–	–	–	–	163
Acquisition of Subsidiary	6,761	3,232	34,566	1,874	31,775	1,464	79,673
Reclassification from Inventory	3,467	–	–	–	–	–	3,467
Exchange Differences	138	283	2,670	90	862	175	4,218
At 31 December 2019	11,839	18,317	79,182	5,174	110,237	1,639	226,388
Amortisation							
At 1 January 2018	299	2,284	3,982	–	–	–	6,565
Charge for the year	122	1,616	3,773	89	–	–	5,600
Exchange differences	(22)	(182)	(360)	(1)	–	–	(565)
At 31 December 2018	399	3,718	7,395	88	–	–	11,600
Charge for the year	643	2,160	5,136	298	4	58	8,299
Exchange differences	34	75	317	(8)	(4)	20	434
At 31 December 2019	1,076	5,953	12,848	378	–	78	20,333
Intangible assets, net							
At 31 December 2019	10,763	12,364	66,334	4,796	110,237	1,561	206,055
At 31 December 2018	1,073	10,921	34,551	3,122	77,600	–	127,267

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 Internet.bs, Instra, SK-NIC, and KeyDrive and GlobeHosting acquisitions. Acquisitions completed in the current financial year will be tested for impairment in subsequent financial years.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

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

Certain domain names previously held as inventory held for resale were reclassified to intangible assets in 2019.

TPP Wholesale

The purchase of TPP Wholesale, an asset acquisition is included in the additions line of the note above. On 1 August 2019, the Group completed the acquisition of TPP Wholesale, a carve out of certain trade and assets from ARQ Group Limited (ASX: ARQ) (ARQ), a company listed on the Australian Securities Exchange. TPP Wholesale is Australasia's leading domain name and hosting reseller platform business with around 14,000 reseller customers and 840,000 domains under management, including 19% of all.com.au registrations. The total cash consideration for the acquisition comprises an initial purchase price of USD 14.7m less the Purchase Price Adjustment of USD 0.5m which is an estimated Working Capital Adjustment restated at the completion date representing a total gross consideration/headline consideration of USD 16.6m including taxes. The initial purchase price of TPP Wholesale amounting to USD 14.7m represent 4.5 x EBITDA, less USD 0.5m of adjustment. Given the nature of the acquisition, the transition period is expected to stipulate a 2 years transition in order to migrate the customer base giving rise to a number of one-off costs of approximately USD 1.24m, of which USD 0.5m has already been incurred in CentralNic's financial year ended 31 December 2019.

14. Intangible assets *continued*

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	
	2019 USD'000	2018 USD'000	2019 USD'000	2018 USD'000
Reseller segment	24,676	21,065	57,554	46,449
Small Business segment	11,331	12,047	29,638	25,344
Corporate segment	30,327	1,439	23,041	5,807
Total carrying value	66,334	34,551	110,223	77,600

The recoverable amount of goodwill of USD 107,882,000 (2018: USD 77,600,000) at 31 December 2019 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 judgement, 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 segment	1-5%
Small Business segment	1%
Corporate segment	-%

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. Other non-current assets

	2019 USD'000	2018 USD'000
Deferred costs	639	1,006
Amounts due from related parties	100	100
	739	1,106

In June 2017 the Company loaned Accent Media Ltd USD 100,000 (2018: USD 100,000). The loan is due for repayment in three years and accrues interest at 5% which is payable quarterly in arrears. Please refer to note 26 for further details.

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

Notes to the consolidated financial statements continued

16. Investments

(a) Fair value through other comprehensive income

	USD'000
At 31 December 2018	–
Fair value movement	–
At 31 December 2019	–

The Company owns less than 20% of the following undertakings which are 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%

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 IPEV/CV 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 USD 997,000.

There has been no movement on the investment of Accent Media Ltd's investment during the financial year ended 31 December 2019.

The net assets of Accent Media Ltd (in which the Group has 10.4% shareholding) in the most recently publicly available unaudited financial statements for the year ended 31 March 2019 were USD 3,071,963.

(b) Investments in associates

	USD'000
At 31 December 2018	1,392
Additions	92
Share of associate income	75
Foreign exchange movement	219
At 31 December 2019	1,778

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	Online Brand Protection	Ordinary shares	26.5%

16. Investments continued

	2019 USD'000	2018 USD'000
% of ownership interests/voting rights held by the Group		
At 31 December:		
Non-current assets	477	283
Current assets	1,295	1,472
Current liabilities	(694)	(940)
Net assets	1,078	815
Group's share of net assets	286	216
Others	792	599
Year ended 31 December 2019:		
Revenue	3,089	3,295
Profit from continuing operations	283	412
Post-tax profit or loss from continuing operations	241	349
Total comprehensive income	241	349

17. Trade and other receivables

	2019 USD'000	2018 USD'000
Trade receivables	21,121	12,393
Accrued revenue	6,251	5,141
Deferred costs	1,723	3,556
Supplier payments on account	4,387	1,550
Prepayments and other receivables	7,278	1,742
	40,760	24,382

As of 31 December 2019, trade receivables of USD 5,194,000 (2018: USD 643,000) 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 USD 2,920,000 (2018: USD 159,000), 30-60 days USD 888,000 (2018: USD 117,000), 60-90 days USD 388,000 (2018: USD 87,000), and over 90 days USD 998,000 (2018: USD 342,000).

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.

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	2019 USD'000	2018 USD'000
GBP	591	1,262
USD	12,784	12,389
EUR	10,990	8,583
AUD	127	196
NZD	962	239
CAD	62	54
Other	666	367
	26,182	23,090

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 USD'000	Share premium USD'000	Merger relief reserve USD'000
Ordinary shares of 0.1 pence each				
At 31 December 2017	95,894,348	119	20,369	2,314
Options exercised on 1 February 2018	598,000	1	255	–
Shares issued in respect of KeyDrive acquisition	74,160,454	96	49,971	–
Transaction costs	–	–	(1,357)	–
At 31 December 2018	170,652,802	216	69,238	2,314
Proceeds from shares issued in connection with the employee share option schemes	100,000	–	44	–
Shares issued to settle the deferred consideration in respect of KeyDrive acquisition	7,384,978	10	5,553	–
Options exercised in August 2019	436,698	1	5	–
Shares issued in respect of Team Internet acquisition	3,911,650	5	–	2,983
At 31 December 2019	182,486,128	232	74,840	5,297

On 14 June 2019 7,384,978 Ordinary shares were issued for USD 5,563,000 in relation to the KeyDrive acquisition to settle the deferred consideration and on 24 December 2019 3,911,650 Ordinary shares for USD 2,988,000, net of share issue costs in relation to the acquisition of Team Internet.

The Company has an authorised share capital of GBP 56,900, thereof GBP 17,075 with suspended pre-emptive right. The authorised capital expires at the earlier of the AGM held in 2020 and 20 September 2020.

20. Non-current other payables

	2019 USD'000	2018 USD'000
Deferred revenue	1,604	3,144
Deferred consideration	2,194	4,516
	3,798	7,660

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

21. Deferred tax

Deferred tax assets	Share-based payments USD'000	Losses USD'000	Other temporary differences USD'000	Total USD'000
At 1 January 2018	727	299	1,004	2,030
Credit/(charge) to income	101	(8)	(318)	(225)
Charge to equity	(60)	–	–	(60)
Exchange differences	(45)	(34)	(41)	(120)
At 31 December 2018	723	257	645	1,625
Acquisition of subsidiary	–	–	269	269
Credit/(charge) to income	404	91	(349)	146
Credit to equity	524	–	–	524
Exchange differences	30	7	(56)	(19)
At 31 December 2019	1,681	355	509	2,545

21. Deferred tax continued

Deferred tax liabilities	Team Internet intangible assets USD'000	Hexonet intangible assets USD'000	Ideegeo intangible assets USD'000	KeyDrive intangible assets USD'000	SK-NIC intangible assets USD'000	Instra intangible assets USD'000	Others USD'000	Total USD'000
At 1 January 2018	–	–	–	–	3,337	4,068	55	7,460
Acquisition of subsidiary	–	–	–	5,690	–	–	1,506	7,196
(Credit)/charge to income	–	–	–	(265)	(219)	(513)	1	(996)
(Credit)/charge to other comprehensive income	–	–	–	–	–	–	–	–
Exchange differences	–	–	–	–	(340)	(721)	(4)	(1,065)
At 31 December 2018	–	–	–	5,425	2,778	2,834	1,558	12,595
Acquisition of subsidiary	10,163	677	198	–	–	–	11	11,049
Charge/(credit) to income	(59)	(53)	(18)	(642)	(313)	(512)	500	(1,097)
(Credit)/charge to other comprehensive income	–	–	–	–	–	–	–	–
Exchange differences	141	9	14	–	(52)	(19)	(31)	62
At 31 December 2019	10,245	633	194	4,783	2,413	2,303	2,038	22,609

The deferred tax assets of USD 2.5m includes an amount of USD 355k carried forward tax losses which relates to Instra. The Group has incurred the losses over the last three financial years following the acquisitions. They relate to the one-off costs of integrating the operations and will not recur in future. The Group has concluded that the deferred assets will be recoverable using the estimated future taxable income based on the approved business plans and budgets by management. The Group is expected to generate taxable income from 2020 onwards. The losses can be carried forward indefinitely and have no expiry date. Management does not expect the prior period loss to adversely impact future deferred tax asset recovery to a significant extent.

22. Trade and other payables and accruals

	2019 USD'000	2018 USD'000
Trade payables	15,645	9,248
Accrued expenses	23,252	12,144
Other taxes and social security	–	327
Deferred consideration	10,881	7,581
Deferred revenue (note 20)	6,331	9,992
Customer payments on account	16,724	19,693
Accrued interest	1,850	230
Other liabilities	1,000	504
	75,683	59,719

Deferred consideration is subject to actuarial and net present value discounts. The maximum amount of deferred consideration payable in cash or in shares is USD 15m, out of which USD 8.6m in cash and USD 6.4m in shares.

23. Borrowings

	2019 USD'000	2018 USD'000
Non-current		
Bank borrowings	101,402	23,702
Prepaid finance costs	(2,435)	(769)
	98,967	22,933
Current		
Bank borrowings	3,307	2,560
Prepaid finance costs	(1,094)	(288)
	2,213	2,272
Total borrowings	101,180	25,205

Notes to the consolidated financial statements continued

23. Borrowings continued

	Bank borrowings USD'000	Prepaid finance costs USD'000	Total USD'000
Bank borrowings 1 January 2018	23,090	(872)	22,218
Repayment of initial loan	–	–	–
New financing drawdown (August 2017)	5,583	(399)	5,184
New financing drawdown (November 2017)			
Repayment of new financing	(2,560)	215	(2,345)
Exchange differences	149	–	149
Total borrowing as at 31 December 2018	26,262	(1,056)	25,206
New financing drawdown	3,536	(150)	3,386
New financing bond	96,707	(3,379)	93,328
Repayment of new financing	(26,041)	1,046	(24,995)
Exchange differences	4,246	9	4,255
Total borrowing as at 31 December 2019	104,710	(3,530)	101,180

The borrowings amounting to USD 96,700,000 (EUR 90,000,000) relate to two successful placements of senior secured non-convertible bond issues in the amount of EUR 50,000,00 completed on 24 June 2019 and EUR 40,000,000 completed on 20 December 2019 respectively. The bond matures in July 2023 and has a coupon of three-month EURIBOR plus 7% per annum with quarterly interest payment. The EUR 90m bond is currently listed on the Oslo Stock Exchange and can also be traded on the Open Market of the Frankfurt Stock Exchange. The bond proceeds received has been used to fund the acquisition occurred during the financial year ended 31 December 2019 and to repay the existing interest-bearing liabilities.

Bank borrowings relate to the EUR 7,500,000 secured debt facility (RCF) entered into with Silicon Valley Bank (SVB) on 11 September 2019. The debt facility was used to fund the working capital requirement of the parent company, which has no income other than dividends interest and intercompany recharges from subsidiaries which may or may not coincide with the payment obligations of the parent company. As of the balance sheet date a total amount of USD 2,500,000 has been drawn down from the SVB RCF facility.

24. Business combinations

Hexonet Group

On 7 August 2019, CentralNic Group completed the acquisition of the entire issued share capital of Mediasiren Advertising Inc. and Hexonet GmbH for EUR 5.0m and EUR 5.9m respectively, a privately-owned Group of companies with operations in Canada and Germany. The companies sell domain name subscriptions directly and via more than a thousand resellers in over 110 countries, managing over 3.8 million domains on its proprietary software platforms. The acquisition increases the number of domains under management on CentralNic's reseller platforms by c.28%. The total consideration comprises a USD 7.8m (EUR 7m) cash payment plus a purchase price adjustment of USD 0.9m at the completion date and a deferred consideration payment EUR 3.0m on the first anniversary of the completion, either payable in cash or CentralNic shares at prevailing market price, at the Company's discretion.

The primary reason for the business combination was to acquire the high-level recurring revenue and excellent customer retention of Hexonet Group providing access to a new international market with sustainable growth characteristics in line with the Group strategy.

The following table summarises the consideration paid for the share capital of Mediasiren Advertising Inc. and Hexonet GmbH and the fair value of the assets and liabilities at the acquisition date on a combined basis:

Consideration	USD'000	EUR'000
Initial cash consideration	7,834	7,029
Purchase price adjustment	1,245	1,117
Deferred consideration (in cash or shares)	3,310	2,970
Total consideration	12,390	11,116

24. Business combinations continued

Fair value recognised on acquisition	USD'000	EUR'000
Assets		
Platform technology	446	400
Trademarks	669	600
Customer relationships	1,115	1,000
Other intangible assets	39	35
Property, plant & equipment	67	60
Other investments	2	2
Trade receivables	1,402	1,258
Other receivables	654	587
Cash	537	482
	4,931	4,423
Liabilities		
Trade payables	495	444
Other payables and accruals	2,065	1,853
Deferred tax	673	604
Corporation tax	(14)	(13)
	3,219	2,888
Total identifiable estimated net assets at fair value	1,712	1,535
Goodwill arising on acquisition	10,678	9,581
Purchase consideration	12,390	11,116

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 Hexonet gTLD and goodwill in relation to employees.

Acquisition related costs of USD 0.3m have been recognised in the income statement, which are included in note 9.

For the post-completion period to 31st December 2019 revenues of USD 8.2m and Adjusted EBITDA of USD 0.7m have been generated by Hexonet Group.

Ideegeo

On 7 August 2019, the Company completed the acquisition of Ideegeo Group Limited, a privately-owned domain name retailer serving an international customer base from New Zealand for a total consideration of NZD 5.2m (c.USD 3.4m), of which NZD 0.5m (c.USD 0.3m) constitutes a deferred payment which will be held in an escrow account until May 2021. The total consideration represents a multiple of 5.8 times trailing adjusted EBITDA. Ideegeo Group Limited, sells domain name subscriptions directly to small business customers, with a high level of recurring revenues and excellent customer retention.

CentralNic's management strongly believes that there would be cross selling opportunities by providing Ideegeo's existing 80,000 customers with CentralNic's extended product offering such as hosting, SSL certificates and other additional subscription products and services. The acquisition is both strategic and earnings accretive to CentralNic. Ideegeo is also the operator of the retail website iwantmyname.com, a leading innovator in the application of User Centered Design to the retailing of domain names with 180,000 domains under management.

Notes to the consolidated financial statements continued

24. Business combinations continued

The following table summarises the consideration paid for the share capital of Ideegeo and the fair value of the assets and liabilities at the acquisition date in line with Group accounting policies.

Consideration	USD'000	NZD'000
Initial cash consideration	3,011	4,680
Purchase price adjustment	111	173
Deferred consideration (in cash)	334	520
Total consideration	3,457	5,373
Fair value recognised on acquisition	USD'000	NZD'000
Assets		
Trademarks	193	300
Customer relationships	515	800
Property, plant & equipment	7	11
Other investments	32	50
Trade receivables	1	2
Other receivables	65	102
Cash	127	197
	940	1,462
Liabilities		
Trade payables	–	–
Other payables and accruals	491	764
Deferred revenue	–	–
Deferred tax	198	308
Corporation tax	4	6
	693	1,078
Total identifiable estimated net assets at fair value	247	384
Goodwill arising on acquisition	3,210	4,989
Purchase consideration	3,457	5,373

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 Ideegeo gTLD and goodwill in relation to employees.

Acquisition related costs of USD 0.2m have been recognised in the income statement, which are included in note 9.

For the post-completion period to 31st December 2019 revenues of USD 1.6m and Adjusted EBITDA of USD 0.2m have been generated by Ideegeo.

The acquisition of TPP Wholesale, Hexonet Group and Ideegeo were funded by a senior secured bond of EUR 50m which was admitted to trading on the Oslo Stock Exchange on the 27 September 2019. The senior secured bond has a maturity of 4 years, ending on 3 July 2023 and a coupon of three-month EURIBOR plus 7% p.a.

24. Business combinations continued

Team Internet

On 23 December 2019, CentralNic Group PLC completed the acquisition of the entire share capital of web services provider, Team Internet for a total consideration of USD 48m. The total consideration of USD 48m comprises a cash consideration of USD 45m, of which USD 3m is deferred, and a share consideration of USD 3m payable in Group shares which are subject to a lock-in period of 12 months, during which the vendors of Team Internet are unable to dispose of their Consideration Shares, followed by a period of 6 months during which they may only do so with the Company's consent. The consideration paid represents a multiple of 4.5 times Team Internet's EBITDA on a continuing basis for the trailing 12 months to 30 June 2019 of USD 10.6m. The acquisition is expected to be immediately earnings enhancing and significantly accretive in the financial year ended 31 December 2020 on a standalone basis before any integration or revenue synergies.

The primary reason for the business combination is to become one of the world's leading providers of domain name monetisation services with a proprietary platform that enables domain name investors to generate recurring advertising income from their assets. The acquisition is expected to be immediately earnings enhancing and significantly accretive before any synergies and management believes Team Internet is a strong fit for CentralNic stated strategy to derive recurring revenue from domain related technologies.

The following table summarises the consideration paid for the share capital of Team Internet and the fair value of the assets and liabilities at the acquisition date in line with Group policies.

Consideration	USD'000	EUR'000
Initial cash consideration	40,885	39,900
Locked box interest	846	764
Share consideration	2,992	2,700
Purchase price allocation	2,941	2,654
Deferred cash consideration	2,992	2,700
Deferred consideration (in cash or shares)	997	900
Total consideration	51,653	46,619
Fair value recognised on acquisition	USD'000	EUR'000
Assets		
Domain names	6,872	6,206
Research and development	646	583
Technology	2,210	1,996
Customer relationships	28,571	25,800
Other intangibles assets	102	93
Property, plant & equipment	427	386
Other investments	300	271
Trade receivables	11,406	10,294
Other receivables	3,243	2,927
Cash	2,153	1,943
Deferred charges	468	422
	56,398	50,921
Liabilities		
Trade payables	4,832	4,361
Loan facilities	1,080	975
Other payables and accruals	1,972	1,779
Advance receipts	741	669
Deferred tax	10,157	9,172
Other provisions	2,704	2,441
	21,559	19,463
Total identifiable estimated net assets at fair value	34,839	31,458
Goodwill arising on acquisition	16,814	15,161
Purchase consideration	51,653	46,619

Notes to the consolidated financial statements continued

24. Business combinations continued

For the post-completion period to 31 December 2019 revenues of USD 1.9m and Adjusted EBITDA of USD 0.4m have been generated by Team Internet.

The acquisition of Team Internet was funded via a EUR 40m further bond issue of its existing senior secured bond (the "Tap Issue") subscribed by Macquarie Principal Finance and admitted to the Oslo Stock Exchange. The bond has a maturity of 4 years, ending on 3 July 2023 and a coupon of three-month EURIBOR plus 7% p.a.

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 Team Internet gTLD and goodwill in relation to employees.

25. 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 page 33.

(i) Shareholders

Balances outstanding with shareholders:

	2019 USD'000	2018 USD'000
Jabella Group Limited	–	–

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 in 2018, there was no interest received in the year.

During the year inter.services GmbH, a company of which Alexander Siffrin is a shareholder provided services totalling USD 478,000 (2018: USD 227,000) to the Group. USD nil (2018: USD 15,000) was outstanding at the year end.

During the year the Group incurred rental costs of USD 6,000 (2018: USD 3,000) from Horst Siffrin, a close relative of Alexander Siffrin.

The Group provided services amounting to USD 198,000 (2018: USD 15,000) to Shortdot S.A., a company of which Michael Riedl is a Director and Shareholder. The amount outstanding at the year-end amounted to USD 132,000 (2018: USD 6,000).

The Group provided services amounting to USD 31,957 (2018: USD 7,686) to Neozoon Sàrl a company of which Michael Riedl is a Director and Shareholder and procured services from Neozoon Sàrl amounting to USD 2,813 (2018: USD 1,515). The amount outstanding at the year-end amounted to USD 2,154 (2018: USD nil).

Rental income payable to Erin Investments & Finance Limited of which Samuel Dayani is a member, amounted to USD 39,000 (2018: USD 85,000) for the year. The Company was not recharged for the service charges. USD nil (2018: USD 36,000) was payable at the year-end and the Company has vacated the premises.

25. Related party disclosures *continued*

(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 USD 10,000 (2018: USD 7,000) and no amounts were outstanding as at 2019 and 2018 year ends.

(iii) Other Related Parties

Balances outstanding with other related parties:

	2019 USD'000	2018 USD'000
Accent Media Ltd	100	100

In June 2017 the Company loaned Accent Media Ltd USD 100,000 (2018: USD 100,000 and 2017: USD 100,000). 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 USD 5,000 (2018: USD 3,000).

26. Leases

The Group leases various offices and vehicles under non-cancellable leases expiring within six months to eight years. The leases have varying terms, escalation clauses and renewal rights. On renewal, the terms of the leases are renegotiated.

The table below provides information for leases where the Group is a lessee and summarises the IFRS 16 impact on transition for lease liabilities and the corresponding right of use assets:

Lease liabilities	USD'000
Operating lease commitment disclosed as at 31 December 2018	1,317
Less short-term and low value lease	(309)
Exchange difference	(5)
Operating lease commitment at 31 December 2018 falls under IFRS 16	1,003
Discounted using borrowing incremental rate at initial application	779
Lease liabilities recognised at 1 January 2019	779
New leases	4,353
Fixed term payments	(528)
Interest expenses	126
Exchange differences	(27)
Lease liabilities recognised at 31 December 2019	4,703
Current lease liabilities	871
Non-current lease liabilities	3,832

Right-of-use assets	31 December 2019 USD'000	1 January 2019 USD'000
Properties	4,618	683
Motor vehicles	109	96
Equipment	7	–
Total right-of-use assets	4,732	779

Interest expenses related to the lease liabilities and depreciation related to the right-of-use assets recognised in Consolidated statement of comprehensive income at 31 December 2019 are shown below:

	USD'000
Depreciation for right-of-use assets	657
Interest expenses on lease liabilities	126

Notes to the consolidated financial statements continued

26. Leases continued

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 USD 1,549,000.

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 three 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 Schwabing, Germany. The Group also acquired several leases on its acquisition of KeyDrive Group for a period of thirty-six months from August 2012. The leases are renewed tacitly, and termination is subject to a month's notice by either party.

Munich-Lehel, Germany. The Group also acquired several leases on its acquisition of Team Internet for a period of thirty-six months from August 2014. The leases are renewed tacitly, and termination is subject to a month's notice by either party.

Sankt Ingbert, Germany. The lease agreement was entered into on 1 July 2018 for an initial term until 31 December 2023. 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 twelve 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 three years. The lease will renew each year for a further year unless either party terminates with six months' notice.

Richmond, B.C, Canada. The Group acquired a couple office leases on the acquisition of Hexonet Group for a period of twelve months. The lease can be renewed for an additional period of five years upon expiration with the same term.

Motor Vehicles

The Group also acquired several motor vehicle leases on the acquisition of KeyDrive Group in 2018 and Hexonet Group and Team Internet in 2019. These leases run for a period of thirty-six months.

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

27. 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.

8,404,109 options were granted during 2019 (2018: nil) with a weighted average fair value of 55p. These fair values were based on the Company's share price at the dates of grants. Out of the 13,109,674 outstanding options (2018: 6,287,166), 6,371,468 options (2018: 3,607,166) were exercisable.

1,367,698 share options were exercised in 2019 (2018: 598,000), with 213,903 options lapsing during the year (2018: 44,000).

27. Share options and warrants *continued*

A charge of USD 2,878,000 (2018: USD 469,000) has been recognised in the statement of comprehensive income for the year relating to these options.

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.

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

	Number 31 Dec 2019	WAEP* 31 Dec 2019	Number 31 Dec 2018	WAEP* 31 Dec 2018
Outstanding at 1 January	6,287,166	27p	6,929,166	32p
Granted during year	8,404,109	3p	–	–
Exercised during year	(1,367,698)	13p	(598,000)	31p
Lapsed during year	(213,903)	28p	(44,000)	40p
Outstanding at 31 December	13,109,674	16p	6,287,166	32p
Exercisable at 31 December	6,371,468	28p	3,607,166	27p

* 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.

28. 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:

	2019 USD'000	2018 USD'000
Financial assets measured at amortised cost		
Trade and other receivables	33,701	18,954
Cash and cash equivalents	26,182	23,090
	59,883	42,044
Financial liabilities measured at amortised cost		
Trade and other payables and accruals	46,555	22,378
Loan and borrowing (current liabilities)	2,213	2,272
	48,768	24,650

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.

Notes to the consolidated financial statements continued

28. Financial instruments continued

(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 USD and EUR. 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 USD, EUR, GBP and AUD. 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 Group has entered into a GBP/EUR forward agreement in November 2019, and into a GBP/USD forward agreement in March 2020.

The carrying amounts of the CentralNic Group's financial instruments are denominated in the following currencies at 31 December 2019:

	GBP USD'000	USD USD'000	EUR USD'000	AUD USD'000	Other currencies USD'000	Total USD'000
Current financial assets						
Loan and receivables						
Trade and other receivables	13,373	1,539	15,370	2,015	1,403	33,701
Cash and cash equivalents	591	12,784	10,990	127	1,690	26,182
	13,964	14,323	26,360	2,142	3,093	59,883
Current financial liabilities measured at amortised costs						
Trade and other payables	21,243	3,386	19,061	1,451	1,414	46,555
Loan and borrowing	(268)	1,470	1,174	(6)	(157)	2,213
	20,975	4,856	20,235	1,445	1,257	48,768

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 2019.

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

If the USD 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 USD'000	2017 Strengthen/ weaken USD'000
GBP	+/- 947	+/- 943
EUR	+/- 613	+/- 665
AUD	+/- 70	+/- 25

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 2018 and 2019, CentralNic Group's long-term debt facility entered into with SVB bearing interest at a margin plus LIBOR.

28. Financial instruments *continued*

	2019 USD'000	2018 USD'000
Cash and bank balances	26,182	23,090
Effect of interest rate change of 100 basis points on cash and bank balances	+/- 262	+/- 231
SVB Bank Facilities	3,455	25,205
Effect of interest rate change of 100 basis points on cash and bank balance	+/- 35	+/- 252
Bond	97,724	-
Effect of interest rate change of 100 basis points on cash and bank balance	+/- 977	-

Equity price risk

The CentralNic Group does not have any quoted investments as at each of 31 December 2018 and 2019 and as such does not have significant exposure to equity price risk.

(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.

Management considers these exposures to have low credit risk since based on limited historical credit losses, these financial assets have low risk of default and have a strong capacity to meet their contractual cash flow obligations in the near term. At reporting date, there is no significant increase of credit risk since initial recognition.

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.

	2019 USD'000	2018 USD'000
Deferred receivables	100	100
Trade and other receivables	33,701	18,954
Investments	-	-
Cash and bank balances	26,182	23,090
	59,983	42,144

(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 to ensure that there will be sufficient liquidity to meet its liabilities when they fall due.

Notes to the consolidated financial statements continued

28. Financial instruments continued

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

USD'000	Carrying amount	Total	Within 1 year	1 – 5 years
31 December 2019				
Trade and other payables and accruals	46,555	46,555	46,555	–
Borrowings	101,180	101,180	2,213	98,967
	147,735	147,735	48,768	98,967

USD'000	Carrying amount	Total	Within 1 year	1 – 5 years
31 December 2018				
Trade and other payables and accruals	22,378	22,378	22,378	–
Borrowings	25,205	25,205	2,274	22,931
	47,583	47,583	24,652	22,931

(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 amounts 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:

	2019 USD'000	2018 USD'000
Total liabilities	147,735	47,583
Less: cash and bank balances	(26,182)	(23,090)
Financial Instruments – net debt/(cash)	121,553	24,493
Total equity	77,004	78,068
Debt-to-equity ratio	1.60	0.31

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

	2019 USD'000	2018 USD'000
Cash and bank balances	26,182	23,090
Less: Borrowings (excluding prepaid finance costs)	(104,710)	(25,205)
Net (debt)/cash	(78,528)	(2,115)

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

	2019 USD'000	2018 USD'000
Cash and bank balances	26,182	23,090
Less: Borrowings (including prepaid finance costs)	(101,180)	(25,205)
Net (debt)/cash	(74,998)	(2,115)

28. Financial instruments continued

(i) Bond covenant

Under the terms of the major borrowing facilities, the Group is required to comply with the following financial covenant:

- the leverage ratio must be not more than 6 x.

The Group has complied with these covenants throughout the reporting period.

(ii) Net debt reconciliation

	Cash/bank overdraft USD'000s	Borrow, due within 1 year USD'000s	Borrow, due after 1 year USD'000s	Total USD'000s
Net debts as at 1 January 2018	14,675	(2,703)	(21,733)	(9,761)
Cash flows	9,639	143	(1,969)	7,813
Acquisitions – finance leases and lease incentives	–	–	–	–
Foreign exchange adjustments	(1,224)	–	–	(1,224)
Other non-cash movements	–	–	–	–
Net debts as at 31 December 2018	23,090	(2,560)	(23,702)	(3,172)
Cash flows	9,822	(747)	(77,700)	(68,625)
Acquisitions – finance leases and lease incentives	–	–	–	–
Foreign exchange adjustments	(6,730)	–	–	(6,730)
Other non-cash movements	–	–	–	–
	26,182	(3,307)	(101,402)	(78,527)

(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:

USD'000	2019		2018	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	33,701	33,701	18,954	18,954
Deferred receivables	100	100	100	100
Investments	–	–	–	–
Cash and bank balances	26,182	26,182	23,090	23,090
	59,983	59,983	42,144	42,144
Trade and other payables and accruals	46,555	46,555	22,378	22,378
	13,428	13,428	19,766	19,766

The SK-NIC acquisition on 5 December 2017 had an element of deferred and contingent consideration of EUR 5.85m that subject to any claims will be released to the vendor in tranches until 2024. Deferred cash consideration of EUR 5.85m is dependent on SK-NIC attaining defined growth targets from 2018 to 2020. At 2019 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 EUR 552,000 (2018: EUR 918,000). This will unwind as the payment stages become due through the consolidated statement of comprehensive income. The maximum amount not settled as of the balance sheet date is EUR 3.2 million.

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.

Notes to the consolidated financial statements continued

28. Financial instruments continued

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 USD 6,500,000, 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 USD 6,500,000 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 USD 6,500,000. At 2019 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 8.46 – 8.55%, which has amounted to USD 87,471 (2018: USD 587,881).

The Ideegeo acquisition on 6 August 2019 had an element of deferred consideration of NZD 300,000 that has been placed into an escrow account and subject to any claims will be released to the vendor in 2021. At 2019 year-end, the deferred cash consideration has been accounted for in the consolidated statement of financial position at book value due to the immaterial nature of the transaction.

The Hexonet Group acquisition on 6 August 2019 is subject to an element of deferred consideration of EUR 3,000,000 on the first anniversary of completion, payable in cash or CentralNic shares at the prevailing market price, at the Company's discretion. At 2019 year-end, the deferred cash consideration has been accounted for in the consolidated statement of financial position at book value and not being discounted as the deferred consideration will be released on the first anniversary.

The Team Internet acquisition includes USD 3,000,000 deferred consideration in cash, and equity consideration of USD 3,000,000 payable in Group shares which are subject to a lock-in period of twelve months, during which the vendors of Team Internet are unable to dispose of their Consideration Shares, followed by a period of six months during which they may only do so with the Company's consent. The deferred consideration has not been discounted to its present value due to the nature of the transaction as it will be payable fully over the agreed period of twelve months. And additional USD 1,000,000 have been withheld from the purchase price and will be released to the sellers subject to any warranty claims on 23 March 2021.

(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).

29. Post balance sheet events

On 9 January 2020, Fans TLD Limited, a subsidiary, acquired the entire share capital of six UK TLD companies for a total amount of GBP 600,000 from Financial Domain Registry Holdings Limited.

On 27 January 2020, Team Internet AG completed the share purchase of 49.97% of InterNexum GmbH, now a wholly owned subsidiary of Team Internet which was agreed at the time of Team Internet's acquisition. The acquisition cost was EUR 226,593. The purchase price will be grossed up to the underlying part of 4x EBIT for the financial year 2022 with a cap of EUR 900,000 which is payable in cash.

In December 2019, a novel strain of coronavirus (COVID-19) surfaced in Wuhan, China, and has spread around the world, with resulting business and social disruption around the world. COVID-19 was declared a Public Health Emergency of International Concern by the World Health Organization on January 30, 2020. Despite this, trading for the Group in Q1 2020 was in line with expectations, despite the global business restrictions to slow the progress of COVID-19. As some of our companies are considered critical infrastructure, the Group has a long history of being focussed on business continuity, which prepared them well switching our staff to working from home while providing undiminished service to their customers. As a profitable provider of online subscription services with high cash conversion and solid organic growth, we do not expect CentralNic to be severely affected by COVID-19, but we will take the necessary precautions to preserve our cash and review our acquisition pipeline and financing plans to ensure that we maintain stability and optimise our business strategies in the new global climate.

Company statement of financial position

as at 31 December 2019

	Note	2019 USD'000	2018 USD'000
ASSETS			
Fixed assets			
Property, plant and equipment		112	–
Right-of-use assets		2,123	–
Investments	7	79,538	66,615
Deferred tax asset	8	1,260	483
		83,033	67,098
Current assets			
Other debtors, deposits and prepayments	9	122,469	41,597
Cash and bank balances		2,151	854
		124,620	42,451
Total assets		207,653	109,549
LIABILITIES			
Current liabilities			
Creditors – amounts falling due within one year	11	10,249	13,005
Trade and other payables and accruals		117	–
Lease liabilities		1,417	2,272
Borrowings		11,783	15,277
		11,783	15,277
Non-current liabilities			
Creditors – amounts falling due after one year		1,945	–
Lease liabilities		98,668	22,934
Borrowings		100,613	22,934
		112,396	38,211
Total liabilities		112,396	38,211
Net assets		95,257	71,338
CAPITAL AND RESERVES			
Share capital	10	236	216
Share premium	10	74,840	69,238
Merger relief reserve	10	5,297	2,314
Share-based payments reserve		6,020	2,620
Foreign exchange translation reserve		3,087	685
Retained Earnings/(accumulated losses)		5,777	(3,735)
Shareholders funds		95,257	71,338

The loss for the year, including Other Comprehensive Income was USD 9.51m (December 2018: USD 6.03m).

These financial statements were approved and authorised for issue by the Board of Directors on 26 April 2020 and were signed on its behalf by:



Iain McDonald

Chairman

Company Number: 08576358

The notes on pages 85 to 93 form an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2019

	Share capital USD'000	Share premium USD'000	Merger relief reserve USD'000	Share based payment reserve USD'000	Foreign exchange translation reserve USD'000	Retained earnings/ (accumulated losses) USD'000	Total USD'000
Balance as at 1 January 2018	119	20,369	2,314	2,544	–	2,304	27,650
Loss for the year	–	–	–	–	–	(6,221)	(6,221)
Translation of foreign operation	–	–	–	–	685	–	685
Share issue	97	50,226	–	–	–	–	50,323
Share issue costs	–	(1,357)	–	–	–	–	(1,357)
Share-based payments	–	–	–	294	–	–	294
Share-based payments – reclassify lapsed options	–	–	–	(181)	–	181	–
Share-based payments – deferred tax assets	–	–	–	(37)	–	–	(37)
Balance at 31 December 2018	216	69,238	2,314	2,620	685	(3,736)	71,337
Loss for the year	–	–	–	–	–	9,508	9,508
Translation of foreign operation	–	(1)	–	150	2,402	–	2,551
Share issue	20	5,603	2,983	–	–	–	8,606
Share issue costs	–	–	–	–	–	–	–
Share-based payments	–	–	–	2,868	–	–	2,868
Share-based payments – reclassify lapsed options	–	–	–	(6)	–	6	–
Share-based payments – deferred tax assets	–	–	–	387	–	–	387
Balance at 31 December 2019	236	74,840	5,297	6,020	3,087	5,778	95,258

- 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.
- Foreign currency hedging reserve represents the effective portion of changes in the fair value of derivatives.

The notes on pages 85 to 93 form an integral part of these financial statements.

Notes to the Company financial statements

for the year ended 31 December 2019

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 4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR.

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 2019, the Company had net current assets of USD 112.84m (2018: USD 27.17m) with the main current asset being amounts owed from its subsidiaries amounting to USD 121.47m (2018: USD 41.46m). 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.

In addition, the COVID-19 pandemic has been duly considered by the Directors in making the judgement on the going concern assumption. As a parent company of a group that is a profitable provider of online subscription services with high cash conversion and solid organic growth, we do not expect CentralNic to be severely affected by COVID-19, but the Directors will take the necessary precautions to preserve the Company's cash and review our acquisition pipeline and financing plans to ensure that we maintain stability and optimise our business strategies in the new global climate.

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:

- 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 judgements 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 profit for the financial period was USD 9.51m (2018: loss USD 6.03m) which included a net loss on foreign currency translation of USD 2,615k (2018: loss of USD 782k). 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 USD 199k (2018: USD 80k).

6. Employees and directors' remuneration

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

	2019 USD'000	2018 USD'000
Wages and salaries	1,319	958
Social security	66	85
Pension	19	16
Share-based payments	1,620	294
Directors consultancy fees	589	387
Settlements	–	–
	3,613	1,740

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

	2019 Number	2018 Number
Directors under employment contracts only	4	4
Directors under service contracts only	3	2
Directors under a combination of employment and service contracts	1	1
	8	7

The Group made contributions to defined contribution personal pension schemes for 3 Directors in the period (2018: 3). The number of individuals included within the senior key personnel was 20 (2018: 10). Included in the above tables, the highest paid Director had wages and salaries including pensions of USD 330k (2018: USD 306k), a special bonus of USD 397k (2018: USD 377k), no settlement payments (2018: nil), and the amounts attributable to share-based payment (2018: nil) totalling to USD 877k (2018: USD 683k).

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 S.A. via CentralNic Germany GmbH.

	USD'000
At 1 January 2018	17,786
Additions – investment in CentralNic (Ireland) Limited	49,686
Share Options issued on behalf of subsidiaries	116
Share Options – deferred tax	(29)
Exchange differences	(944)
At 31 December 2018	66,615
Additions – investment in CentralNic Holding	32
Additions – SK-NIC Loan	9,900
Share Options issued on behalf of subsidiaries	889
Share Options – deferred tax	–
Exchange differences	2,103
At 31 December 2019	79,539

8. Deferred tax

	Share-based payments USD'000
Deferred tax assets	
At 1 January 2018	462
Credit to income	20
At 31 December 2018	483
Credit to income	777
At 31 December 2019	1,260

9. Debtors

	2019 USD'000	2018 USD'000
Amounts owed by Group undertakings	121,788	41,455
Other debtors	457	97
Taxation receivable	224	45
	122,469	41,597

Notes to the Company

financial statements continued

10. Share Capital and share premium

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

	Number	Share capital USD'000	Share premium USD'000	Merger relief reserve USD'000
Ordinary shares of 0.1 pence each				
At 31 December 2017	95,894,348	119	20,369	2,314
Options exercised on 1 February 2018	598,000	1	255	–
Shares issued in respect of KeyDrive acquisition	74,160,454	96	49,971	–
Transaction costs	–	–	(1,357)	–
At 31 December 2018	170,652,802	216	69,238	2,314
Proceeds from shares issued in connection with the employee share option schemes	100,000	–	44	–
Shares issued to settle the deferred consideration in respect of KeyDrive acquisition	7,384,978	10	5,553	–
Options exercised in August 2019	3,655,698	5	5	–
Shares issued in respect of Team Internet acquisition	3,911,650	5	–	2,983
At 31 December 2019	185,705,128	236	74,840	5,297

On 29 March 2019 100,000 options were exercised at 35p each resulted in USD 44k, on 14 June 2019 7,384,978 shares were issued for USD 5.6m in relation to KeyDrive to settle the deferred consideration, on 1 August 2019, 436,698 options were exercised for USD 5k and 3,219,000 options exercised for a further USD 4k, and on 24 December 2019 the group issued 3,911,650 Ordinary shares of 0.1 pence for USD 2,987,607, net of share issue cost in relation to the acquisition of Team Internet GmbH.

11. Creditors: Amounts falling due within one year

	2019 USD'000	2018 USD'000
Bank overdraft	–	2,313
Trade creditors	1,701	484
Amounts owed to group undertakings	6,623	9,457
Accruals and deferred income	75	522
Accrued interest	1,850	229
Taxation payable	–	–
	10,249	13,005

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	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	Whois Privacy Limited	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	dnsXperts UG	Germany	Domain management software services	Beueler Bahnhofsplatz 18, 53225 Bonn
CentralNic Limited	FANS TLD Limited	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	CNIC Services Private Limited	India	Domain management software services	818, Indraprakash Building 21, Barakhamba Road New Delhi New Delhi DI 110001
CentralNic Limited	Domain Escrow Services Ltd	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	PremiumSale.com Ltd	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	Whoistrustee.com Ltd	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	Local Presence Services Ltd	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
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	
Instra Holdings (UK) Limited	Domain Directors (Europe) Limited	England and Wales	Domain registrar services provider	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Instra Holdings (UK) Limited	Europe Registry Limited	England and Wales	Domain registrar services provider	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Instra Holdings (UK) Limited	Instra Corporation (Europe) Limited	England and Wales	Domain registrar services provider	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Instra Holdings (UK) Limited	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) Limited	Domain Directors (Finland) Oy	Finland	Domain registrar services provider	5th Floor, Keilaranta 16, Espoo, 02150, Finland
Instra Holdings (UK) Limited	Sublime Technologies (France) Sarl	France	Domain registrar services provider	2, Rue Robert Geffré Bat n°11- 17000 La Rochelle – France
Instra Holdings (UK) Limited	Domain Directors (France) Sarl	France	Domain registrar services provider	2, Rue Robert Geffré Bat n°11- 17000 La Rochelle – France
Instra Holdings (UK) Limited	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) Limited	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, Australia
Instra Holdings (Aus) Pty Ltd	Ozenum Pty Ltd	Australia	Domain registrar services provider	Level 2, 222 Beach Road, Mordialloc, VIC 3195, Australia
Instra Holdings (Aus) Pty Ltd	Instra Corporation Pty Limited	Australia	Domain registrar services provider	Level 2, 222 Beach Road, Mordialloc, VIC 3195, Australia
Instra Corporation Pty Limited	Instra Domain Directors B.V.	The Netherlands	Domain registrar services provider	Beechavenue 54-62, 1119PW, Schiphol-Rijk, The Netherlands
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

Particulars of subsidiaries and associates continued

Parent Company	Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
Instra Corporation Pty Limited	Instra-Internet Services One-person LLC	Greece	Domain registrar services provider	1 Dimokraatias Square, Thessaloniki, 54629, Greece
Instra Holdings (NZ) Limited	Instra Corporation Limited	New Zealand	Domain registrar services provider	C/o Grant Thornton New Zealand [Ltd], LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
Instra Holdings (NZ) Limited	Only Domains Limited	New Zealand	Domain registrar services provider	C/o Grant Thornton New Zealand [Ltd], LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
Instra Holdings (NZ) Limited	Private Ranger Limited	New Zealand	Domain registrar services provider	C/o Grant Thornton New Zealand [Ltd], LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
Instra Holdings (NZ) Limited	Ideedgeo Group Ltd	New Zealand	Domain registrar services provider	C/o Grant Thornton New Zealand [Ltd], LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
Instra Domain Directors Inc. (CA)	Mediasiren Advertising Inc.	Canada	Dormant	2235-6900 Graybar RD, Richmond British Columbia, V6W 0A5, Canada
Instra Domain Directors Inc. (CA)	Hexonet Services Inc.	Canada	Domain registrar services provider	2235-6900 Graybar RD, Richmond British Columbia, V6W 0A5, Canada
CentralNic Germany GmbH	Key-Systems GmbH	Germany	Domain registrar services provider	Im Oberen Werk 1, 66386 St. Ingbert, Germany
CentralNic Germany GmbH	Hexonet GmbH	Germany	Domain registrar services provider	Im Oberen Werk 1, 66386 St. Ingbert, Germany
Hexonet GmbH	1API GmbH	Germany	Domain registrar services provider	Im Oberen Werk 1, 66386 St. Ingbert, Germany
CentralNic Luxembourg SARL (LUX)	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.	OpenRegistry S.A.	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 (66.7% shareholding)	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 / Key-Systems USA Inc (50% split in ownership)	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	Key-System Datacenter GmbH Datacenter	Germany	Datacentre services provider	Im oberen Werk 1, 66386 St. Ingbert Germany
Key-Systems GmbH	Dot Saarland GmbH	Germany	Registry Operator for .saarland	Im oberen Werk 1, 66386 St. Ingbert Germany

Parent Company	Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
Key-Systems GmbH	KS Domains Limited	BC, CA	Dormant	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 registry services provider	Im oberen Werk 1, 66386 St. Ingbert, Germany
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	Dormant	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	Online Brand Protection Services	Riedstrasse 1, 6343 Rotkreuz, Switzerland
Key-Systems USA Inc	Key-Systems LLC	USA	Domain registrar services provider	885 Harrison St. SE, Leesburg, VA 20175
PartnerGate GmbH	RegistryGate GmbH	Germany	Domain registrar services provider	Wilhelm-Wagenfeld-Str. 16, 80807 Munich
CentralNic Holding GmbH	Team Internet AG	Germany	Domain registrar services provider	Liebherrstr. 22, 80538 München, Germany
CentralNic Holding GmbH	InterNexum GmbH	Germany	Domain registrar services provider	Blumenstraße 54, 02826 Görlitz, Germany

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	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
TLD Registrar Solutions Limited	England and Wales	Domain registrar services provider	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Hoxton Domains Limited	England and Wales	Aftermarket domain services	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Instra Holdings (UK) Limited	England and Wales	Holding company	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Instra Holdings (Aus) Pty Ltd	Australia	Holding company	Level 2, 222-225 Beach Road, Mordialloc, Victoria, VIC3195
Instra Holdings (NZ) Limited	New Zealand	Holding company	C/o Grant Thornton 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
Instra Domain Directors Inc.	Canada	Holding company	Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC V6C 2B5
CentralNic (Ireland) Limited	Ireland	Holding company	24/26 City Quay, Dublin 2
CentralNic Luxembourg SARL	Luxembourg	Holding company	1-3, Boulevard de la Foire, L-1528 Luxembourg
CentralNic Germany GmbH	Germany	Holding company	Kaiserplatz 7-9, 53113, Bonn
CentralNic Holding GmbH	Germany	Holding company	Im oberen Werk 1, 66386 St. Ingbert

Shareholder information

Financial calendar

Annual General Meeting

Although the date is subject to change as the Directors reserve the right to resolve to convene the AGM later depending on government guidance in respect of COVID-19, the Annual General Meeting is due to take place on Thursday, 28 May 2020 at 10:00am.

Announcements

- Half-year results for 2020 are expected in September 2020.
- Full year results for 2020 are expected in April 2021.

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

Directors

Iain McDonald (Chairman)

Benjamin Crawford (Chief Executive Officer)

Donald Baladasan (Group Managing Director)

Michael Riedl (Chief Financial Officer)

Mike Turner (Non-Executive Director)

Thomas Rickert (Non-Executive Director)

Samuel Dayani (Non-Executive Director)

Thomas Pridmore (Non-Executive Director)

Registered office

4th Floor, Saddlers House, 44 Gutter Lane
London EC2V 6BR

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 Charity 10528686). 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 GBP 20,000, with around GBP 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

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4th Floor
Saddlers House
44 Gutter Lane
London
EC2V 6BR

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