

1 September 2020

CENTRALNIC GROUP PLC
("CentralNic" or "the Company" or "the Group")

HALF YEAR RESULTS 2020

Significant Year-on-Year Increases in Revenues and Adjusted EBITDA

CentralNic Group Plc (AIM: CNIC), the global internet platform that derives revenue from the worldwide sales of internet domain names and related services is pleased to announce its half year results for the six months ended 30 June 2020. Both revenue and Adjusted EBITDA have increased year-on-year, driven by a combination of acquisitions and underlying organic growth.

Financial Summary:

- Revenue increased by 124% to USD 111.3m (H1 2019: USD 49.7m)
- Gross profit increased by 78% to USD 35.2m (H1 2019: USD 19.7m)
- Adjusted EBITDA* increased by 64% to USD 15.1m (H1 2019: USD 9.2m)
- Operating profit increased by 12% to USD 3.2m (H1 2019: operating profit of USD 2.9m)
- Net debt** stood at USD 76.4m (gross debt of USD 104.0m, cash of USD 27.6m) as compared to USD 6.0m (gross debt of USD 23.9m, cash of USD 17.9m) in the prior year due to the bond issuances in July and December 2019 to fund highly accretive acquisitions

*Excludes impact of share-based payments expense for options, foreign exchange charges, and non-core operating costs

** Includes gross cash, debt and prepaid finance costs

As CentralNic made four acquisitions in H2 2019, the Company also prepared a pro forma comparable financial summary including all businesses currently controlled by CentralNic, a definition of which is provided in a footnote on p.2, to effectively isolate organic growth.

Financial Organic Summary on a pro forma basis***:

- Revenue increased by 18% to USD 111.5m (pro forma H1 2019: USD 94.7m)
- Gross profit increased by 14% to USD 35.5m (pro forma H1 2019: USD 31.1m)
- Adjusted EBITDA* increased by 16% to USD 14.9m (pro forma H1 2019: USD 12.8m)

Operational Highlights:

- Record organic growth in the face of the COVID crisis:
 - All staff and systems remained fully operational with no interruption to the supply chains
 - Healthy demand for our two largest service lines, Wholesale domains and most importantly Monetisation - the latter also driven by the rollout of a patented SSL monetisation solution
 - Q2 cash conversion improved to c.138%, higher than historical average of 100%
- Restructuring and investment in new management to drive growth to scale
 - During H1 2020, the focus has been on integration
 - Commercial leaders appointed to all divisions, replacing the former centralised structure
 - New leadership in shared services (HR, IT, Finance), ensuring ability to scale
- Completion of earn-out for the Team Internet acquisition, with a EUR 2.7 million payment in Q2

Post half year end highlights:

- New heads of customer service and integration appointed
- 2020 tranche of the deferred consideration for SK-NIC of EUR 1.3m settled on 17 July 2020
- Deferred consideration for the acquisition of the Hexonet group of EUR 3.0m settled by issuing 3.2m new shares on 6 August 2020
- Capital reduction as resolved by the AGM has been completed effective 14 August 2020

Outlook

- The past half year of strong organic growth demonstrates the Company's resilience despite the economic crisis, and ability to execute on its accelerated buy and build strategy
- Solid cash generation from operations is expected to continue, leading to decreased net debt over time
- New product launches and further integration activities will support and potentially improve revenue growth and margins
- Confident in our successful consolidation strategy, we continue to assess a number of opportunities in what is a large, globally fragmented and growing market
- Having achieved strong results in the first half of 2020, management is confident that the full year results should be in line with management expectations

Ben Crawford, CEO of CentralNic, commented: "In the first half of 2020 CentralNic's revenue exceeded our full year performance in 2019. These outstanding results not only demonstrate that CentralNic can source and complete transformative acquisitions, but that it can also integrate them successfully while delivering record organic growth. Moreover, as we scale up rapidly, the underlying qualities of high recurring revenues and excellent cash conversion become increasingly meaningful."

"Our pipeline of future deals remains strong, while our net debt level remains comfortable particularly given the profitability of the existing CentralNic Group and the expected contribution from recent acquisitions. We have also brought a number of new senior managers onboard to drive our organic growth, and we are confident in continuing our trajectory towards joining the ranks of the global leaders in our industry."

*** Given that the Group has made a number of key strategic acquisitions in 2019, we have estimated unaudited pro forma information to provide period to period comparison of performance. In doing so, we have made the following assumptions (a) figures are provided for the entire comparative period, irrespective of when the acquisition by the Group arose (b) adjustments have been made to the currency rates used for the comparative period to the most recent balance sheet date to harmonise the impact of currency fluctuations (c) the impact of unwinding the deferred revenues relating to the period prior to 1 November 2018 arising from change of the terms of conditions, as well as identified material non-cash or one-off revenues, have been excluded to ensure period to period comparability (d) adjustments have been made, as appropriate, to ensure GAAP comparability between periods. Differences to reported figures result.

For further information:

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Forward-Looking Statements

This document includes forward-looking statements. Whilst these forward-looking statements are made in good faith, they are based upon the information available to CentralNic at the date of this document and upon current expectations, projections, market conditions and assumptions about future events. These forward-looking statements are subject to risks, uncertainties and assumptions about the Group and should be treated with an appropriate degree of caution.

About CentralNic Group Plc

CentralNic (AIM: CNIC) is a London-based AIM-listed company which drives the growth of the global digital economy by developing and managing software platforms allowing businesses globally to buy subscriptions to domain names, used for their own websites and email, as well as for protecting their brands online. These platforms can also be used for distributing domain name related software and services, an opportunity that contributes significantly to CentralNic's organic growth. The Company's inorganic growth strategy is identifying and acquiring cash-generative businesses in its industry with annuity revenue streams and exposure to growth markets and migrating them onto the CentralNic software and operating platforms.

CentralNic operates globally with customers in almost every country in the world. It earns recurring revenues from the worldwide sales of internet domain names and other services on an annual subscription basis.

For more information please visit: www.centralnicgroup.com

CHIEF EXECUTIVE OFFICER'S STATEMENT

Introduction

CentralNic's organic growth, combined with its 2019 acquisitions substantially increased the scale and capabilities of the Company. The effect of this is fully demonstrated in our H1 2020 results which show a transformational increase in revenues and adjusted EBITDA, both of which have grown by 124% and 64% respectively against the comparative period for 2019.

Performance Overview

The Company has performed strongly during the period with the key financial metrics listed below:

	30 June 2020	30 June 2019	Change %
	USD'000	USD'000	
Revenue	111,251	49,693	124%
Gross profit	35,199	19,731	78%
Adjusted EBITDA¹	15,096	9,230	64%
Operating profit	3,237	2,885	12%
Profit/(loss) after tax	(2,731)	(2,510)	9%
EPS - Basic (cents)	(1.48)	(1.44)	3%
EPS - Adjusted earnings - Basic (cents)²	4.44	3.91	14%

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

² Please refer to note 10

On a pro forma basis, as defined in the footnote on p.2, the Company grew by 18% organically in H1 2020, as compared to H1 2019 performance on a pro forma basis from USD 94.7m to USD 111.5m.

Team Internet represented a significant proportion of the strong performance in the period. The acquired businesses have similar patterns of recurring revenue and cash conversion as CentralNic's prior business, and hence recurring revenue and cash conversion are expected to remain in line with the long-term trend. This underpins the Company's financial stability and visibility of earnings. The decrease in average gross margin from 40% to 32% reflects the change in the business blend as a result of the 2019 acquisitions, with each individual business maintaining its margins.

Segmental Analysis

As the 2019 transformative acquisitions have altered the business mix of the Group, the Directors reconsidered the segments in which the Company is operating. Starting with this Interim Report, the segments in which the group will be reporting are (a) Indirect, being materially consistent with the former Reseller segment, (b) Direct, combining the former Small Business and Corporate segment, but excluding Monetisation, and (c) Monetisation, which due to its materially enlarged weight warranted its own segment. A reconciliation of the segments is included in note 5 of this Interim Report.

Indirect segment

We achieved significant scale in our Indirect segment, with revenues increasing by USD 15.7m or 62%, from USD 25.5m to USD 41.2m, chiefly driven by the acquisition of TPP Wholesale in July 2019 and Hexonet Group in August 2019. On a pro forma basis, revenue increased by USD 3.6m or 9% from USD 38.5m to USD 42.1m.

During the period, the Company successfully completed a number of key integration tasks within its Indirect segment, most notably the migration of all .au domain names from the Webcentral (formerly Arq group) platform to CentralNic's central domain procurement engine, leading to estimated future annualised savings of USD 350,000 on cost of sales.

At the same time, CentralNic continued to develop its reseller key accounts with eight of the top ten customer accounts having increased their spend compared to H1 2019, in one instance by 58%.

Direct segment

Revenue in the Direct segment decreased by USD 2.6m or 11%, from USD 24.2m to USD 21.6m. The decrease was largely due to the diminishing impact of the November 2018 change in terms and conditions, the reallocation of the data center business to the Indirect business and the reallocation of the monetisation activities to the Monetisation segment. The acquisition of Ideegeo contributed favorably to growth. On a pro forma basis, revenue decreased by USD 0.3m or 1% from USD 21.2m to USD 20.9m.

Management is positive that the segment will return to growth in H2 2020 with further client wins, and a healthy pipeline of prospective clients.

Monetisation

The fastest growing segment of CentralNic's business was Monetisation, which is for the first time presented as a separate segment. On a pro forma basis, revenue increased strongly by USD 13.4m or 38% from USD 35.0m to USD 48.5m.

Revenue growth has been driven mostly by an increase in the average yield ("RPM") by 33%. This is a result of both superior traffic quality subsequent to pruning of the publisher base as well as the rollout of Team Internet's patented SSL monetisation technology. At the same time, the number of page visits increased by 4%, explaining the remainder of the outstanding performance.

Outlook

In the first half of 2020 CentralNic delivered higher revenue than for the whole of 2019 and reported a record 18% growth on a pro forma basis. Having achieved strong results in the first half of 2020, management is confident that the full year result should be in line with management expectations.

These outstanding results demonstrate that CentralNic can source and complete transformative acquisitions, but more importantly that it can also integrate them successfully while continuing to deliver organic growth. Moreover, as we scale up rapidly, the underlying qualities of high recurring revenues and excellent cash conversion become increasingly meaningful.

Our pipeline of future deals remains strong, while our net debt level remains comfortable particularly given the profitability of the existing CentralNic Group and the expected contribution from recent acquisitions. We are confident in continuing our trajectory towards joining the ranks of the global leaders in our industry.

Ben Crawford
Chief Executive

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	Note	Unaudited	Restated ^(d)	Restated ^(c)
		Six months ended 30 Jun 2020 USD'000	Unaudited Six months ended 30 Jun 2019 USD'000	Audited Year ended 31 Dec 2019 USD'000
Revenue	7	111,251	49,693	109,194
Cost of sales		(76,052)	(29,962)	(66,419)
Gross profit		35,199	19,731	42,775
Administrative expenses		(29,228)	(16,818)	(41,891)
Share based payments expense		(2,734)	(28)	(2,878)
Operating profit / (loss)		3,237	2,885	(1,994)

Adjusted EBITDA^(a)		15,096	9,230	17,920
Depreciation		(971)	(576)	(1,306)
Amortisation of intangible assets		(5,357)	(3,598)	(8,299)
Non-core operating expenses ^(b)		(2,797)	(2,143)	(7,357)
Share of associate income		-	-	(74)
Share based payment expense		(2,734)	(28)	(2,878)
Operating profit / (loss)		3,237	2,885	(1,994)
Finance income		6	5	5
Finance costs	8	(4,661)	(4,031)	(3,874)
Net finance costs		(4,655)	(4,026)	(3,869)
Share of associate income		-	-	74
Profit/(loss) before taxation		(1,418)	(1,141)	(5,789)
Taxation	9	(1,313)	(1,369)	39
Profit/(loss) after taxation		(2,731)	(2,510)	(5,750)
Items that may be reclassified subsequently to profit and loss				
Exchange difference on translation of foreign operation		(3,517)	(756)	(6,861)
Total comprehensive loss for the financial year		(6,248)	(3,266)	(12,611)
Profit/(loss) after tax is attributable to:				
Owners of CentralNic Plc		(2,731)	(2,467)	(5,686)
Non-controlling interest		-	(43)	(64)
Total comprehensive loss is attributable to:		(2,731)	(2,510)	(5,750)
Owners of CentralNic Plc		(6,248)	(3,223)	(12,547)
Non-controlling interest		-	(43)	(64)
		(6,248)	(3,266)	(12,611)

Earnings per share (note 10):

Basic (cents)	(1.48)	(1.44)	(3.25)
Diluted (cents)	(1.48)	(1.44)	(3.25)
Adjusted earnings - Basic (cents)	4.44	3.91	9.24
Adjusted earnings - Diluted (cents)	4.29	3.77	8.97

All amounts relate to continuing activities.

(a) Earnings before interest, tax, depreciation and amortisation, acquisition costs, non-cash charges and non-core expenses

(b) Non-core operating expenses include items related primarily to acquisition and integration costs, which are not incurred as part of the underlying trading performance of the Business, and therefore adjusted for, in line with Group policy

(c) The comparative figures have been restated to reclassify the foreign exchange differences arising from foreign currency borrowings amounting to USD 3,885,000(net) and USD 2,410,000 from administrative expenses to finance costs and other comprehensive income respectively.

(d) The comparative figures have been restated to reclassify the foreign exchange differences arising from foreign currency borrowings amounting to USD 485,000 from administrative expenses to Other Comprehensive Income.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION		Unaudited 30 Jun 2020 USD'000	Restated Unaudited 30 Jun 2019 USD'000	Restated Audited 31 Dec 2019 USD'000
	Note			
ASSETS				
NON-CURRENT ASSETS				
Property, plant and equipment	11	1,604	1,082	1,695
Right-of-use assets	11	4,063	3,875	4,732
Intangible assets	12	199,127	123,220	206,055
Deferred receivables	13	588	1,514	739
Investments		1,552	1,431	1,778
Deferred tax assets		2,871	1,705	2,545
		209,805	132,827	217,544
CURRENT ASSETS				
Trade and other receivables	14	38,575	24,872	40,760
Inventory		487	3,876	491
Cash and bank balances		27,631	17,885	26,182
		66,693	46,633	67,433
TOTAL ASSETS		276,498	179,460	284,977
EQUITY AND LIABILITIES				
EQUITY				

Share capital	17	236	227	232
Share premium		74,840	74,835	74,840
Merger relief reserve		5,297	2,314	5,297
Share based payments reserve		8,023	3,359	6,095
Foreign exchange translation reserve		(6,227)	3,395	(2,710)
Accumulated losses		(9,039)	(3,588)	(6,681)
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE GROUP				
		73,130	80,542	77,073
Non-controlling interests		-	(49)	(69)
TOTAL EQUITY		73,130	80,493	77,004
NON-CURRENT LIABILITIES				
Other payables		5,203	5,736	3,798
Lease liabilities		3,226	3,482	3,832
Deferred tax liabilities		21,565	12,138	22,609
Borrowings	18	98,390	-	98,967
		128,384	21,356	129,206
CURRENT LIABILITIES				
Trade and other payables and accruals	15	68,394	52,486	75,683
Taxation payable		-	825	-
Lease liabilities		921	462	871
Borrowings ^(e)	18	5,669	23,838	2,213
		74,984	77,611	78,767
TOTAL LIABILITIES		203,368	98,967	207,973
TOTAL EQUITY AND LIABILITIES		276,498	179,460	284,977

(e) As at 30 June 2020, the Silicon Valley Bank term loan has been extended for a further six months and is now repayable in December 2020. It is therefore reflected in current liabilities .

CENTRALNIC GROUP PLC CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY	Share capital		Merger relief reserve USD'000	Share based payments reserve USD'000	Restated Foreign exchange translation reserve USD'000	Restated Accumulated Losses USD'000	Restated Equity attributable to owners of the Parent Company USD'000	Non- Controlling Interest USD'000	Restated Total USD'000
	USD'000	USD'000							
Balance as at 1 January 2019	216	69,238	2,314	3,330	4,151	(1,186)	78,063	5	78,068
Loss for the period	-	-	-	-	-	(2,467)	(2,467)	(43)	(2,510)
Adjustment to non-controlling interest						11	11	(11)	-
- translation of foreign operation	-	-	-	-	(756)	-	(756)	-	(756)
Total comprehensive income for the period	-	-	-	-	(756)	(2,456)	(3,212)	(54)	(3,266)
Transactions with owners									
Issue of new shares	11	5,597	-	-	-	-	5,608	-	5,608
Share based payments	-	-	-	25	-	-	25	-	25
Share based payments - deferred tax asset	-	-	-	58	-	-	58	-	58
Share based payments - exercised and lapsed	-	-	-	(54)	-	54	-	-	-
Balance as at 30 June 2019	227	74,835	2,314	3,359	3,395	(3,588)	80,542	(49)	80,493
Loss for the period	-	-	-	-	-	(3,219)	(3,219)	(21)	(3,240)
Adjustment to non-controlling interest	-	-	-	-	-	-	-	-	-
- translation of foreign operation	-	(1)	-	-	(6,105)	-	(6,106)	1	(6,105)

Total comprehensive income for the period	-	(1)	-	-	(6,105)	(3,219)	(9,325)	(20)	(9,345)
Transactions with owners									
Shares issued	5	6	2,983	-	-	-	2,994	-	2,994
Share based payments	-	-	-	2,311	-	-	2,311	-	2,311
Share based payments - deferred tax asset	-	-	-	551	-	-	551	-	551
Share based payments - exercised and lapsed	-	-	-	(126)	-	126	-	-	-
Balance as at 31 December 2019	232	74,840	5,297	6,095	(2,710)	(6,681)	77,073	(69)	77,004
Profit for the period	-	-	-	-	-	(2,731)	(2,731)	-	(2,731)
- translation of foreign operation	-	-	-	-	(3,517)	-	(3,517)	-	(3,517)
Total comprehensive income for the period	-	-	-	-	(3,517)	(2,731)	(6,248)	-	(6,248)
Transactions with owners									
Issue of new shares	4	-	-	-	-	-	4	-	4
Adjustment to non-controlling interest	-	-	-	-	-	-	-	69	69
Share based payments	-	-	-	2,385	-	-	2,385	-	2,385
Share based payments - deferred tax asset	-	-	-	(84)	-	-	(84)	-	(84)
Share based payments - reclassify lapsed options	-	-	-	(373)	-	373	-	-	-
Balance as at 30 June 2020	236	74,840	5,297	8,023	(6,227)	(9,039)	73,130	-	73,130

- 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 shares issue costs and other permitted reductions.
- 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.
- Foreign currency hedging reserve represents the effective portion of changes in the fair value of derivatives.
- 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.

CONSOLIDATED STATEMENT OF CASH FLOWS	Unaudited	Restated	
	Six months ended 30 Jun 2020	Unaudited Six months ended 30 Jun 2019	Restated Audited Year ended 31 Dec 2019
	USD'000	USD'000	USD'000
Cash flow from operating activities			
Profit/(loss) before taxation	(1,418)	(1,141)	(5,789)
<i>Adjustments for:</i>			
Depreciation of property, plant and equipment	971	576	1,306
Amortisation of intangible assets	5,357	3,598	8,299
Profit on investment in associate	-	-	(74)
Finance cost - net	4,655	4,026	3,869
Share based payments	2,734	28	2,878
Increase in trade and other receivables	(804)	(685)	(11,487)
(Decrease)/increase in trade and other payables	(6,453)	(6,370)	16,020
Decrease in inventories	-	62	3,603
Cash flow from operations	5,042	94	18,625
Income tax received/(paid)	613	(1,479)	(2,309)
Net cash flow generated from/(used in) operating activities	5,655	(1,385)	16,316

Cash flow used in investing activities			
Purchase of property, plant and equipment	(179)	(449)	(755)
Purchase of intangible assets, net of cash acquired	(1)	-	(14,742)
Payment of deferred consideration	(3,023)	(1,024)	(2,940)
Acquisition of a subsidiary, net of cash acquired	(1,038)	-	(60,900)
Net cash flow used in investing activities	(4,241)	(1,473)	(79,337)
Cash flow used in financing activities			
Proceeds/(Repayments) from borrowings (net)	2,585	(1,156)	103,424
Bond arrangement fees	(48)	-	(2,377)
Proceeds from issuance of ordinary shares (net)	4	43	2,133
Payment of liabilities arising from KeyDrive acquisition	-	-	(27,839)
Lease rentals	-	(180)	(528)
Lease interest	-	(50)	-
Interest paid	(3,569)	(311)	(1,970)
Net cash flow (used in)/generated from financing activities	(1,028)	(1,654)	72,843
Net increase/(decrease) in cash and cash equivalents	386	(4,512)	9,822
Cash and cash equivalents at beginning of the period/year	26,182	23,090	23,090
Exchange differences on cash and cash equivalents	1,063	(693)	(6,730)
Cash and cash equivalents at end of the period/year	27,631	17,885	26,182

NOTES TO THE FINANCIAL INFORMATION

1. General information

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, England, EC2V 6BR.

The CentralNic Group provides subscription services on a global scale to domain names and associated digital subscription products through Indirect and Direct channels as well as Monetisation services.

2. Basis of preparation

The condensed interim financial information is unaudited and has been prepared on the basis of the accounting policies set out in the Group's 2019 statutory accounts in accordance with Accounting Standard IAS 34 Interim Financial Reporting.

The condensed interim consolidated financial statements do not represent statutory accounts within the meaning of section 435 of the Companies Act 2016. The financial information for the year ended 31 December 2019 is based on the statutory accounts for the year ended 31 December 2019. Those accounts, upon which the auditors issued an unqualified opinion, have been delivered to the Registrar of Companies and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The accounting policies adopted are consistent with those of the previous financial year and corresponding interim reporting period, except for the estimation of income tax, and the adoption of new and amended standards and accounting policies as set out below.

As a profitable provider of online subscription services with high cash conversion and solid organic growth, decentrally organised and catering to solid customers distributed over the entire globe, we do not expect CentralNic to be severely affected by COVID-19. The Directors have taken the necessary precautions to preserve the Group's cash and review the acquisition pipeline and financing plans to ensure stability and optimisation of the business strategies in the current global climate.

3. New and amended standards adopted by the Group

In the current reporting period, the Group has applied amendments to IFRS. These include annual improvements to IFRS, changes in standards, legislative and regulatory amendments, changes in disclosure and presentation requirements. The adoption of these has not had any material impact on the Group's financial statements and the accounting policies adopted by the Group in the interim report are consistent with the most recent Annual Report for the year ended 31 December 2019.

The International Accounting Standards Board published an amendment to IFRS 16 ("Covid-19 Related Rent Concessions"), in which they provide an accounting policy choice to the lessees to apply practical relief for rent concessions arising as a result of the COVID-19 pandemic. This amendment has not yet been endorsed by the European Union and did not impact the Interim Report June 2020.

4. Critical accounting judgments and key sources of estimating uncertainty

In the application of the CentralNic Group's accounting policies, 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 ongoing 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

The recoverable amounts of individual non-financial assets are determined based on the higher of the value-in-use calculations and the recoverable amount, or 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 tangible and intangible assets.

The Directors review and test the carrying value of 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 dependent on cash flows of other assets or liabilities. If there are indications that impairment may have occurred, estimates of expected future cashflows will be prepared for each group of assets. 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.

Estimation of useful life

The charge in respect of periodic amortisation and depreciation is derived after determining an estimate of an asset's expected useful life. The useful lives of the assets are determined by management at the time the asset is acquired and are reviewed continually for appropriateness.

Software development costs

The Group accounts for costs incurred to develop software for internal use as per IAS 38 and capitalises the costs incurred during the application development stage which include costs to design the software configuration and interfaces, coding, installation, and testing. Costs incurred during the preliminary project stage along with post-implementation stages of internal use software are expensed as incurred. Capitalised development costs are amortised over their expected economic useful life. Costs incurred to maintain the existing software are expensed as incurred. The capitalisation and ongoing assessment of recoverability of development costs requires considerable judgement by management with respect to certain external factors, including, but not limited to, technological and economic feasibility, and estimated economic life.

Deferred Consideration

The fair value of the contingent deferred consideration arising on business combinations is a key area of accounting estimate. Judgement was exercised in determining the fair value of the deferred consideration in the KeyDrive acquisition, as described in note 15.

5. Significant accounting policy

a) 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) Indirect Sale of services for domain names to registrars (formerly reported as Reseller)

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

- Reseller channel - Revenues are derived by facilitating the sale of domain names and associated digital subscription products to registrars by acting as a wholesale platform provider.
- 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
- Registry Service Provider channel - These revenues are 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 registrars.

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

For the Reseller channel, upon evaluation of the customer contract, the registry channel has performance obligations that are met at point of sale of the domain name. An invoice under this division could cover the license 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.

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

(ii) Direct sale of services for domain names to domain registrants (formerly reported as Small business and Corporate Services)

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

Direct 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.

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

(iii) Monetisation services

In the Monetisation segment, CentralNic places third party advertising ("Advertisers") on domain names held by third parties ("Publisher") not yet or not intended to be developed into website. Revenues are recognized after a chargeable click on the Advertiser's advertisement placed on a Publisher's domain name or a chargeable redirect from a Publisher's domain name to an Advertiser's website are registered.

The acquisition of Team Internet AG and other transformative acquisitions during 2019 have altered the business mix of the Group which have resulted in the restatement and reclassification of the Group segmental reporting. At 30 June 2020, certain restatement and reclassification have been made to the segmental reporting analysis of CentralNic Group for the period and financial year ended 30 June 2019 and 31 December 2019 respectively to enhance comparability with the current year's Interim Report ended 30 June 2020. These restatement and reclassification have had no impact on the Group reported Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flow. As result, comparative figures in note 6 Segmental Analysis have been adjusted to conform to the Interim Report presentation and the formerly reported segments have been restated and reclassified as follows:

Segments reclassification

- Indirect, materially consistent with the former Reseller segment,
- Direct, combining the former Small Business and Corporate segment
- Monetisation, due to its materially enlarged weight warranted its own segment

The segments restated were as follows:

As at 30 June 2019	Reseller USD'000	Small Business USD'000	Corporate USD'000	Total USD'000
Previously reported				
Revenue	25,509	19,768	4,416	49,693
After reclassification	Indirect USD'000	Direct USD'000	Monetisation USD'000	Total USD'000
Revenue	25,509	24,184	-	49,693
As at 31 December 2019	Reseller USD'000	Small Business USD'000	Corporate USD'000	Total USD'000
Previously reported				
Revenue	60,681	37,753	10,760	109,194
After reclassification	Indirect USD'000	Direct USD'000	Monetisation USD'000	Total USD'000
Revenue	60,681	46,638	1,875	109,194

b) Foreign currency translation

Functional and presentation currency

Items included in the financial statements of each of the CentralNic Group's entities are measured using the currency of the primary economic environment in which the entity operates. The Condensed Consolidated Financial Statements are presented in USD given that more than half of its trade is in US Dollar and the industry in which it operates is predominantly trading in US Dollars.

Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at balance sheet date exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement, except when deferred in equity as reserve for exchange rate adjustments.

In the Condensed Consolidated Statement of Comprehensive Income, the comparative figures for the period ended 30 June 2019 and financial year ended 31 December 2019 have been restated to reclassify the foreign exchange differences arising from foreign currency borrowings from administrative expenses to finance costs and other comprehensive income respectively. The Directors believe that this change of presentation provides more reliable and relevant information to the users of the Interim Report about the effect of the transaction and the financial performance of the Group. The change has had a material impact on the Group reported Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash Flow for the period ended 30 June 2019 and financial year ended 31 December 2019, please refer to the footnote in the Condensed Consolidated Statement of Income for further details of the reclassification and presentation. Following this change of accounting policy and in order to be in conformity with IAS 21.32, future foreign exchange differences arising on the translation of foreign currency borrowings will be recognised in other comprehensive income and accumulated in a separate reserve " Foreign exchange translation reserve" in equity.

Change of functional currency

On 1 January 2020, CentralNic Group PLC, the Parent Company changed its functional currency from GBP to EUR. The change was made to reflect that EUR has become the predominant currency in the company, counting for a significant part of the company's foreign currency borrowings. The change has been implemented with prospective effect and comparatives have not been restated. The change in functional currency will significantly reduce the volatility of the Parent Company's exposure to foreign currency exchange movement, in particular due to translation of foreign currency borrowings.

The exchange rates used were as follows:

GBP/EUR exchange rate	1 January 2020	30 June 2020
Spot rate	1.1755	-
Average rate	-	1.1126
Closing rate	-	1.0960

6. Segment analysis

CentralNic is an independent global service provider distributing domain names and associated digital subscription products through Indirect and Direct channels as well as Monetisation services to domain name owners. 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 or analysis of segment assets and liabilities arising from the operating, investing and financing activities for each reportable segment for their decision making and have therefore not included them. As described in note 5, there has been a restatement and reclassification of the Group's segmental reporting and therefore the comparatives have been updated. The segmental analysis is organised around the products and services of the business.

The Indirect segment is a global distributor of domain names and provides consultancy services to retailers. The Direct segment provides domain names, ancillary services to end users, monitoring services to protect brands online, technical and consultancy services to corporate clients, licencing of the Group's in house developed registry management platform, also on a global basis. The Monetisation segment provides advertising placement services, sale of domain name and data traffic management services on a global basis.

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

Period to 30 June 2020

	Indirect USD'000	Direct USD'000	Monetisation USD'000	Total USD'000
Revenue	41,178	21,619	48,454	111,251
Gross profit	11,881	10,404	12,914	35,199
Total administrative expenses				(29,228)
Share based payments expense				(2,734)
Operating profit				3,237

Adjusted EBITDA				15,096
Depreciation				(971)
Amortisation of intangibles assets				(5,357)
Non-core operating expenses				(2,797)
Share based payment expense				(2,734)
Operating profit				3,237
Finance cost (net)				(4,655)
Profit before taxation				(1,418)
Income tax expense				(1,313)
Profit after taxation				(2,731)

Period to 30 June 2019

	Indirect USD'000	Direct USD'000	Monetisation USD'000	Total USD'000
Revenue	25,509	24,184	-	49,693
Gross profit	8,229	11,502	-	19,731
Total administrative expenses				(16,818)
Share based payments expense				(28)
Operating profit				2,885

Adjusted EBITDA				9,230
Depreciation				(576)
Amortisation of intangibles assets				(3,598)
Non-core operating expenses				(2,143)
Share based payment expense				(28)
Operating profit				2,885
Finance cost (net)				(4,026)
Loss before taxation				(1,141)
Income tax expense				(1,369)
Loss after taxation				(2,510)

Year to 31 December 2019

	Indirect USD'000	Direct USD'000	Monetisation USD'000	Total USD'000
Revenue	60,681	46,638	1,875	109,194
Gross profit	19,604	22,671	500	42,775
Total administrative expenses				(41,891)
Share based payments expense				(2,878)
Operating loss				(1,994)

Adjusted EBITDA				17,920
Depreciation				(1,306)
Amortisation of intangibles assets				(8,299)
Non-core operating expenses				(7,357)
Share of associate income				(74)
Share based payment expense				(2,878)

Operating loss	(1,994)
Finance cost (net)	(3,869)
Share of associate income	74
Loss before taxation	(5,789)
Income tax expense	39
Loss after taxation	(5,750)

7. Revenue

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

	Unaudited 30 Jun 2020	Unaudited 30 Jun 2019	Audited 31 Dec 2019
	USD'000	USD'000	USD'000
Indirect Services			
UK	526	305	828
North America	10,832	5,570	13,509
Europe	21,392	17,416	34,972
ROW	8,428	2,218	11,372
	41,178	25,509	60,681
Direct Services			
UK	1,141	1,431	2,792
North America	6,811	6,777	11,656
Europe	8,827	8,916	19,623
ROW	4,840	7,060	12,567
	21,619	24,184	46,638
Monetisation services			
UK	214	-	8
North America	1,807	-	102
Europe	45,160	-	1,711
ROW	1,273	-	54
	-	618	4,523
	48,454	-	1,875
Total revenue	111,251	49,693	109,194

The Indirect segment has one customer that represents more than 10% of the segment's revenue during the period amounting to USD 4.3m.

The Direct segment has no customer that represents more than 10% of the segment's revenue during the period.

The Monetisation segment has one customer that represents more than 92% of the segment's revenue during the period amounting to USD 45.0m.

8. Finance costs

	Unaudited 6 months ended 30 Jun 2020	Unaudited 6 months ended 30 Jun 2019	Restated⁽²⁾ Audited year ended 31 Dec 2019
	USD'000	USD'000	USD'000
Impact of unwinding of discount on Net Present Value of deferred consideration ⁽¹⁾	(28)	(273)	(3,398)
Reappraisal of deferred consideration	-	(3,173)	-
Foreign exchange loss on revolving credit facility revaluation	-	-	(214)
Foreign exchange (loss)/gain on bond revaluation	(321)	-	4,099
Arrangement fees on borrowings	(540)	(157)	(1,420)
Interest expense on short-term borrowings	(114)	(38)	(781)
Interest expense on long-term bank borrowings	(3,576)	(340)	(2,033)
Interest expense on leases	(82)	(50)	(127)
	(4,661)	(4,031)	(3,874)

(1) Details on the impact of deferred consideration on the Finance costs is discussed in detail in note 15.

(2) The finance costs for the financial year ended 31 December 2019 have been restated to reclassify the foreign exchange loss on the revolving credit facility revaluation from administrative expenses to reflect the appropriate IFRS accounting treatment as per IAS 23.

9. Income tax expense

	Unaudited 6 months ended 30 Jun 2020	Unaudited 6 months ended 30 Jun 2019	Audited Year ended 31 Dec 2019
	USD'000	USD'000	USD'000
Current tax on profits for the period- UK and foreign	(2,211)	(1,886)	(1,292)
Adjustments in respect of previous periods	-	(20)	48
Current income tax	(2,211)	(1,906)	(1,244)
Deferred income tax	898	537	1,283
	(1,313)	(1,369)	39

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 the CentralNic Group are as follows:

	Unaudited 6 months end 30 Jun 2020	Restated Unaudited 6 months ended 30 Jun 2019	Restated Audited Year ended 31 Dec 2019
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	USD'000	USD'000	USD'000
Loss before taxation	(1,418)	(1,141)	(5,789)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(1,682)	533	(1,580)
Tax effects of:			
Expenses not deductible for tax purposes	(689)	105	803
Profit set off against goodwill amortisation - SK-NIC	-	(245)	-
Adjustments in respect of previous periods	-	20	48
Effects of different jurisdictional tax rates	-	(226)	-
Tax loss movement	1,193	(978)	578
Deferred consideration amounts capitalised in local entity	-	(1,016)	-
Deferred tax	898	537	1,283
Withholding tax	-	(7)	(168)
Other adjustments	(1,033)	(92)	(925)
Current tax (expense)/credit for the period/year	(1,313)	(1,369)	39

The Company estimates for income taxes in the condensed financial statements 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 period was 93% (Six months ended 2019: 120%), mainly driven by the different jurisdictions tax rate, local tax treatment of deferred consideration amounts, tax losses carried forward and the impact of SK-NIC's profits set off against amortisation of goodwill. As illustrated above the business incurs a high level of non-cash charges which are mainly not deductible for income taxes in the relevant jurisdictions and largely represent permanent differences between accounting and taxable profits. As a percentage of the adjusted EBITDA less non-core operating expenses, the tax charge was 10% for the six months ended 30 June 2020 (Six months ended 2019: 19.4%), which in the opinion of the Directors is a more appropriate measure of the tax cost to the business.

In the UK, the applicable statutory tax rate for 2020/21 is 19% (2019/20: 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. With an additional 5.5% solidarity surcharge due on the income tax. A community business tax of 14%-c.17% is also levied with rates determined by the municipality taking the total effective tax charge to circa 30%-34%.

In Australia and New Zealand, income taxes are due at 30% and 28% respectively on taxable income.

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

10. Earnings per share

Earnings per share has been calculated by dividing the consolidated profit/(loss) 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 all the dilutive potential ordinary shares (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.

	Unaudited As at 30 Jun 2020 USD'000	Unaudited As at 30 Jun 2019 USD'000	Audited As at 31 Dec 2019 USD'000
Loss) after tax attributable to owners	(2,731)	(2,467)	(5,686)
Operating profit /(loss)	3,237	2,885	(1,994)
Depreciation	971	576	1,306
Amortisation of intangible assets	5,357	3,598	8,299
Non-core operating expenses	2,797	2,143	7,357
Share of associate income	-	-	74
Share based payment expense	2,734	28	2,878
Adjusted EBITDA	15,096	9,230	17,920
Depreciation	(971)	(576)	(1,306)
Finance costs (excluding deferred consideration related amounts - note 8)	(4,633)	(585)	(476)
Finance income	6	5	5
Taxation	(1,313)	(1,369)	39
Adjusted Earnings	8,185	6,705	16,182

Weighted average number of shares:

Basic	184,434,668	171,396,695	175,083,962
Effect of dilutive potential ordinary shares	6,371,718	6,224,426	5,397,202
Diluted	190,806,386	177,621,121	180,481,164

Earnings per share:

Basic (cents)	(1.48)	(1.44)	(3.25)
Diluted (cents)	(1.48)	(1.44)	(3.25)
Adjusted earnings - Basic (cents)	4.44	3.91	9.24
Adjusted earnings - Diluted (cents)	4.29	3.77	8.97

Basic and diluted earnings per share has been impacted by non-recurring acquisition costs, amortisation changes and other significant operating costs.

11. 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 2019	-	30	1,722	257	2,009
IFRS 16 adjustment on 1 January 2019	779	-	-	-	779
Additions	3,406	-	273	176	3,855
Exchange differences	(15)	-	(4)	(1)	(20)
At 30 June 2019	4,170	30	1,991	432	6,623
Additions	192	-	407	37	636
Acquisition of subsidiary	911	-	376	127	1,414
Exchange differences	128	(18)	(128)	(16)	(34)
At 31 December 2019	5,401	12	2,646	580	8,639
Additions	14	-	400	33	447
Exchange differences	(186)	-	(79)	(1)	(266)
At 30 June 2020	5,229	12	2,967	612	8,820

Accumulated depreciation

At 1 January 2019	-	11	958	109	1,078
Charge for the period	295	3	239	39	576
Exchange differences	-	(1)	13	-	12
At 30 June 2019	295	13	1,210	148	1,666
Charge for the period	363	2	288	77	730
Exchange differences	11	(3)	(175)	(17)	(184)
At 31 December 2020	669	12	1,323	208	2,212
Charge for the period	504	-	363	104	971
Exchange differences	(7)	-	(45)	22	(30)
At 30 June 2020	1,166	12	1,641	334	3,153

Property, plant and equipment- carrying value

At 30 June 2019	3,875	17	781	284	4,957
At 31 Dec 2019	4,732	-	1,323	372	6,427
At 30 June 2020	4,063	-	1,326	278	5,667

The carrying value of property, plant and equipment excluding right of use assets recognised under IFRS 16 at 30 June 2020 was USD 1,604,000 (30 June 2019: USD 1,082,000)

12. Intangible assets

	Domain Names USD'000	Patents & Trademarks USD'000	Software USD'000	Customer List USD'000	Goodwill USD'000	Intellectual Property USD'000	Total USD'000
Cost or deemed cost							
At 1 January 2019	1,472	3,210	14,639	41,946	77,600	-	138,867
Additions	-	-	-	-	-	-	-
Exchange Differences	(13)	(2)	(39)	(255)	(256)	-	(565)
At 30 June 2019	1,459	3,208	14,600	41,691	77,344	-	138,302
Additions	-	-	163	-	-	-	163
Acquisition of subsidiary	6,761	1,874	3,232	34,566	31,775	1,464	79,672
Reclassification from Inventory	3,467	-	-	-	-	-	3,467
Exchange Differences	152	92	322	2,925	1,118	175	4,784
At 31 December 2019	11,839	5,174	18,317	79,182	110,237	1,639	226,388
Additions	-	-	787	108	739	-	1,634
Acquisition of Subsidiary	-	-	-	-	(104)	-	(104)
Exchange Differences	(205)	(28)	(262)	(953)	(2,064)	(41)	(3,553)
At 30 June 2020	11,634	5,146	18,842	78,337	108,808	1,598	224,365
Amortisation							
At 1 January 2019	399	88	3,718	7,395	-	-	11,600
Charge for the period	54	111	1,135	2,298	-	-	3,598
Exchange differences	(4)	-	(27)	(85)	-	-	(116)
At 30 June 2019	449	199	4,826	9,608	-	-	15,082
Charge for the period	589	187	1,025	2,838	4	58	4,701
Exchange Differences	38	(8)	102	402	(4)	20	550
At 31 December 2019	1,076	378	5,953	12,848	-	78	20,333
Charge for the period	191	211	1,182	3,696	-	77	5,357
Exchange Differences	(77)	(23)	(199)	(145)	-	(8)	(452)
At 30 June 2020	1,190	566	6,936	16,399	-	147	25,238
Carrying value							
At 30 June 2019	1,010	3,009	9,774	32,083	77,344	-	123,220
At 31 December 2019	10,763	4,796	12,364	66,334	110,237	1,561	206,055

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

13. Deferred receivables

	Unaudited As at 30 Jun 2020 USD'000	Unaudited As at 30 Jun 2019 USD'000	Audited As at 31 Dec 2019 USD'000
Deferred costs	488	1,414	639
Loans to related parties	100	100	100
	588	1,514	739

14. Trade and other receivables

	Unaudited As at 30 Jun 2020 USD'000	Unaudited As at 30 Jun 2019 USD'000	Audited As at 31 Dec 2019 USD'000
Trade receivables	21,463	10,124	21,121
Accrued revenue	8,693	7,840	6,251
Deferred costs	1,365	1,112	1,723
Prepayments and other receivables	3,943	2,803	7,278
Supplier payments on account	3,111	2,993	4,387
	38,575	24,872	40,760

15. Trade and other payables and accruals

	Unaudited As at 30 Jun 2020 USD'000	Unaudited As at 30 Jun 2019 USD'000	Audited As at 31 Dec 2019 USD'000
Accounts payable	14,990	5,447	15,645
Accrued expenses	20,623	15,054	23,252
Other taxes and social security	45	262	-
Deferred consideration	6,850	5,838	10,881
Deferred revenue	4,560	6,852	6,331
Customer payments on account	18,057	18,393	16,724
Accrued interest	1,772	245	1,850
Other liabilities	1,497	395	1,000
	68,394	52,486	75,683

On 23 June 2020, CentralNic Group has settled EUR 2,700,000 deferred consideration payable to the sellers of Team Internet AG. The deferred consideration and the finance costs also reflected the unwinding of the discount factor resulting from the passage of time.

Deferred consideration is subject to actuarial and net present value discounts and the resulting income or expense are recorded in the finance cost in the Consolidated Statement of Comprehensive Income as described in note 9. The maximum amount of deferred consideration payable in cash or in shares is USD 12.0m, out of which USD 5.6m is in cash and USD 6.4m in shares. Please refer to note 19 for further details of deferred consideration liabilities settled after the balance sheet date.

16. Financial instruments

The CentralNic Group is exposed to market risk, credit risk and liquidity risk arising from financial instruments. The Group's overall financial risk management policy focusses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the 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:

	Unaudited As at 30 Jun 2020 USD'000	Unaudited As at 30 Jun 2019 USD'000	Audited As at 31 Dec 2019 USD'000
Financial assets			
<i>Loan and receivables</i>			
Trade and other receivables	35,902	23,292	33,701
Cash and cash equivalents	27,631	17,885	26,182
	63,533	41,177	59,883
Financial liabilities measure at amortised costs			
Trade and other payables	43,049	25,351	46,555
Loan and borrowings (short and long term)	104,059	23,838	101,180
	147,108	49,189	147,735

Cash and Net Debts movement in the 6 months period to 30 June 20 were as follows [table to be updated]:

Cash	USD'000	Net Debts	USD'000
Cash at 31 December 2019	26,182	Net debt at 31 December 2019	74,998
EBITDA	15,096	Increase in cash	(1,449)
Non-core expenses (paid)	(2,797)	Loan repayments	(441)
Bond Interest	(3,514)	Proceeds from RCF	3,026
Tax paid	746	Arrangement fee amortisation	540
Pre-2020 acquisition one-off W/C items ⁽¹⁾	(5,996)	Currency	(245)
New acquisitions	(1,017)		

Net Borrowing	2,585		
Bond arrangement fees (2 nd tranche)	(541)		
Working capital/Miscellaneous	(3,113)		
Cash at 30 June 2020	27,631	Net debt at 30 June 2020	76,429

(1) Includes deferred consideration, completion statement adjustments, and settlement of acquired one-off liabilities

17. Share capital

	Number	Share Capital USD'000	Share Premium USD'000	Merger Relief USD'000
At 1 January 2019	170,652,802	216	69,238	2,314
Proceeds from shares issued in connection with the employee share option schemes	100,000	1	44	-
Shares issued to settle the deferred consideration in respect of KeyDrive acquisition	7,384,978	10	5,553	-
At 30 June 2019	178,137,780	227	74,835	2,314
Option exercised in August 2019	436,698	-	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
New shares issued	3,138,356	4	-	-
At 30 June 2020	185,624,484	236	74,840	5,297

18. Borrowings

At 30 June 2020, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Less than 6 months USD'000	Less than 6-12 months USD'000	Between 1 and 2 years USD'000	Between 2 and 5 years USD'000	Over 5 years USD'000	Total contractual cash flows USD'000	Carrying amount (assets)/liabilities USD'000
Trade and other payables and accruals	42,649	-	-	-	-	42,649	42,649
Borrowings (include prepaid costs)	5,849	298	-	97,912	-	104,059	104,059
Lease liabilities	464	457	923	1,332	972	4,148	4,148
Total non-derivatives	48,962	755	923	99,244	972	150,856	150,856

At 30 June 2020, the SVB Revolving facility is reflected in short term borrowings as its repayment is due within six months from the date of this report.

At 31 December 2019, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Less than 6 months USD'000	Less than 6-12 months USD'000	Between 1 and 2 years USD'000	Between 2 and 5 years USD'000	Over 5 years USD'000	Total contractual cash flows USD'000	Carrying amount (assets)/liabilities USD'000
Trade and other payables and accruals	46,555	-	-	-	-	46,555	46,555
Borrowings (include prepaid costs)	2,809	348	299	97,724	-	101,180	101,180
Lease liabilities	403	468	935	1,717	1,180	4,703	4,703
Total non-derivatives	49,767	816	1,234	99,441	1,180	152,438	152,438

As at 31 December 2019, a second tranche of bonds for a nominal amount of EUR 40,000,000 had been issued from the existing senior secured bond.

At 30 June 2019, the contractual maturities of the Group's non-derivative financial liabilities were as follows:

	Less than 6 months USD'000	Less than 6-12 months USD'000	Between 1 and 2 years USD'000	Between 2 and 5 years USD'000	Over 5 years USD'000	Total contractual cash flows USD'000	Carrying amount (assets)/liabilities USD'000
Trade and other payables and accruals	25,351	-	-	-	-	25,351	25,351

Borrowings (include prepaid costs)	23,838	-	-	-	-	23,838	23,838
Lease liabilities	271	290	720	2,279	1,101	4,661	4,661
Total non-derivatives	49,460	290	720	2,279	1,101	53,850	53,850

As at 30 June 2019, the SVB term loan had been reflected in short term borrowings due to its repayment in July 2019 from the Bond proceeds. In July 2019, the EUR 50,000,000 bond proceeds replaced the SVB term loan and was reflected in long term borrowings.

19. Events occurring after the reporting period

Detailed below are the significant events that happened after the Group's period end date of 30 June 2020 and before the signing of this Interim Report and Accounts on 31 August 2020.

SK-NIC deferred consideration

As per the Sale and Purchase Agreement of SK-NIC, an amount of EUR 1,324,492 has been paid as part of the deferred consideration on 17th July 2020. The unwinding of the deferred consideration is not subject to the company growth rate as the Directors believe that there is sufficient headroom against management sensitivity to attain these domain growth rates.

Issue of shares

As per the Sale and Purchase Agreement of Hexonet Group, a deferred consideration payment of EUR 2,971,000 was payable on the first anniversary of the completion of the acquisition. In order to fund the deferred consideration payment for the acquisition of Hexonet GmbH and Mediasiren Advertising Inc., on 6th August 2020, CentralNic Group PLC issued 3,208,819 ordinary shares of 1 pence each (the "**New Ordinary Shares**"). The New Ordinary Shares have been admitted to trading on AIM on 12th August 2020 and will be ranked *pari passu* with the Company's existing ordinary shares.

Capital Reduction

As resolved by the Annual General Meeting on 4 June 2020 a capital reduction has been completed subsequent to its approval by the High Court and its registration by the Companies House effective 14 August 2020. The Capital Reduction is effected by the cancellation of the Company's share premium amounting to GBP 60,880,000 and thereby increased the distributable reserves which would facilitates making future distributions to its shareholders, including the payment of dividends subject to the continuing satisfactory financial performance of the Group. The Capital Reduction does not result in any cash outflow nor does it impact the Company's profits. There is no change in the number of shares in issue or their nominal value. No new share certificates are being issued because of the Capital Reduction. The Capital Reduction itself does not involve any distribution or repayment of capital or share premium by the Company and does not reduce the underlying net assets of the Company.

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