





# Highlights

“

I am pleased to report on another year of growth at CentralNic, as the Group took further steps in its strategy to build a diversified internet services business of size and scale, through an acquisitive roll-up programme which delivers high-levels of recurring revenues, quality of earnings and strong cash generation.

Mike Turner, Chairman

”

- CentralNic is now the world's fifth largest Registry provider, managing 5.2 million domain names with 104 exclusive Registry contracts.
- Acquisition of SK-NIC, the manager of the exclusive country code top-level domain for Slovakia, for a maximum cash consideration of €25.7m (£22.6m).
- Revenue (10%), gross profit (28%), adjusted EBITDA (20%) and profit after tax (7%) all show a year-on-year improvement, a pleasing achievement for the Group.
- Don Baladasan joined the Board on 24 July 2017 as Chief Financial Officer, bringing significant M&A and integration experience.
- Exclusive wholesaler contract with XYZ.com, owner of the .xyz Top-Level Domain (“TLD”), renegotiated for a term running until May 2032.
- CentralNic was recognised as the best performing company in the Infrastructure Services category of the Megabyte Quoted25 awards.

## Financial highlights for 2017

### Revenue

£24.3m

10%

FY 2016: £22.1m

### Recurring revenues\* as a percentage of total revenue

84%

2%

FY 2016: 81%

### Gross profit

£9.8m

28%

FY 2016: £7.7m

### Gross margin

40%

16%

FY 2016: 35%

### Adjusted EBITDA\*\*

£6.6m

20%

FY 2016: £5.5m

### Profit after tax

£1.02m

7%

FY 2016: £0.96m

\* Includes revenues from domain registrations, domain renewals, and other recurring revenues stated before deferrals.

\*\* Earnings before interest, tax, depreciation and amortisation, acquisition costs, exceptional items and non-cash charges.

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# CentralNic Group at a glance

## Our Group

CentralNic Group Plc (LSE: CNIC) ("CentralNic") is a global leader in the domain name industry. It sells domain names and website products to every type of internet user in over 250 countries. With nearly 100 people across the globe, CentralNic comprises 3 distinct divisions: **Wholesale**, **Retail** and **Enterprise**.

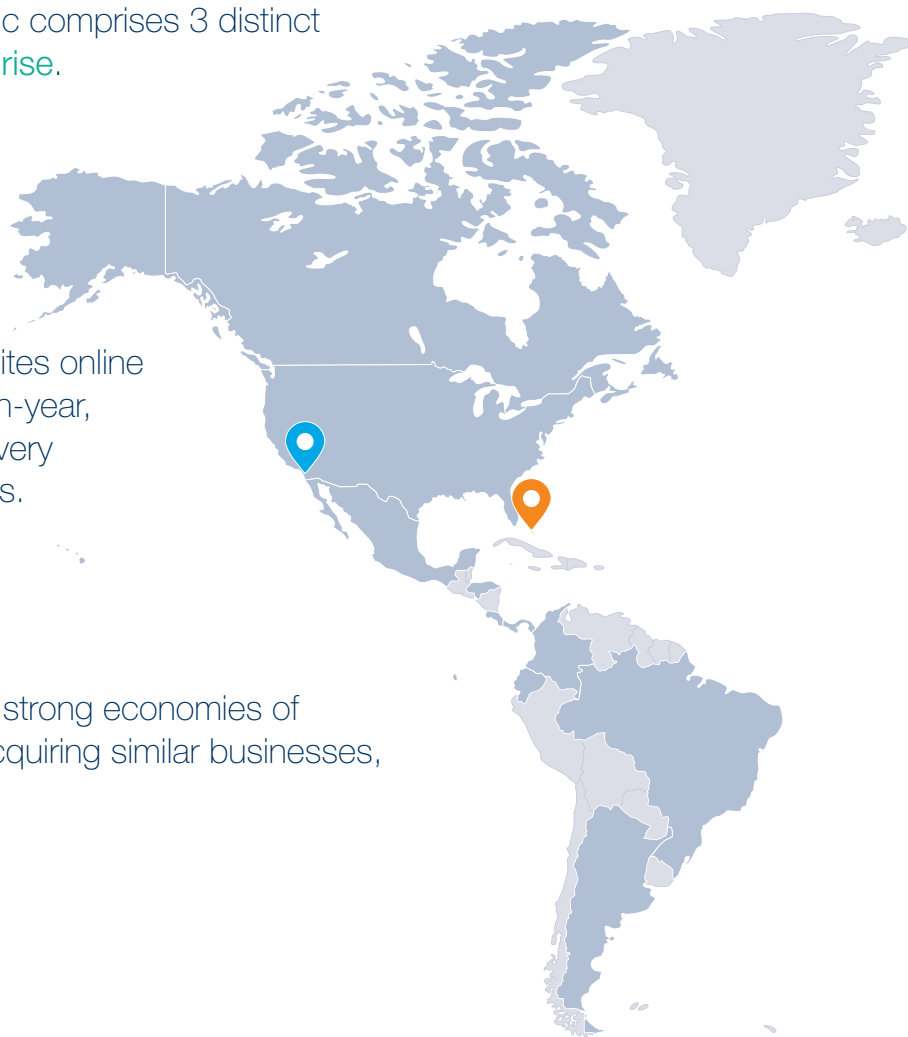
## Our Markets

The domain name industry touches anyone that operates a website. With an estimated 200 million live websites online in 2017 and double-digit growth year-on-year, the domain name industry is active in every country with unrestricted internet access.

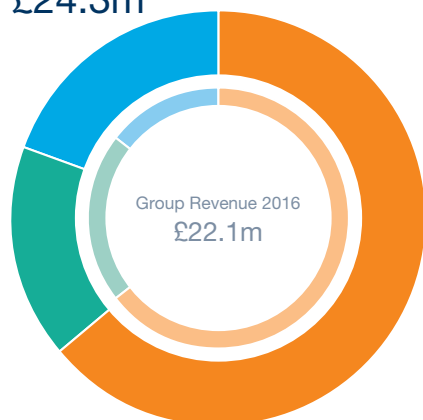
## Our Strategy

To build a business of size that delivers strong economies of scale through organic growth and by acquiring similar businesses, which demonstrate:

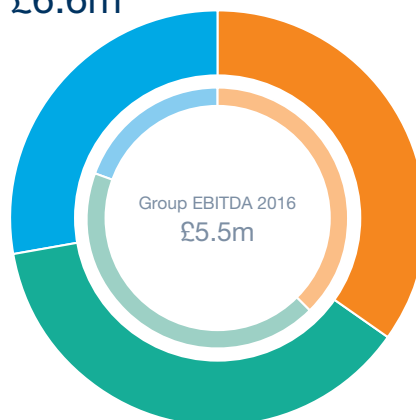
- high levels of recurring revenue
- quality of earnings
- strong cash conversion



Group Revenue 2017  
£24.3m



Group EBITDA 2017  
£6.6m



- Business Footprint
- 📍 Group HQ
- 📍 Wholesale Office
- 📍 Retail Office
- 📍 Enterprise Office

## Wholesale Division

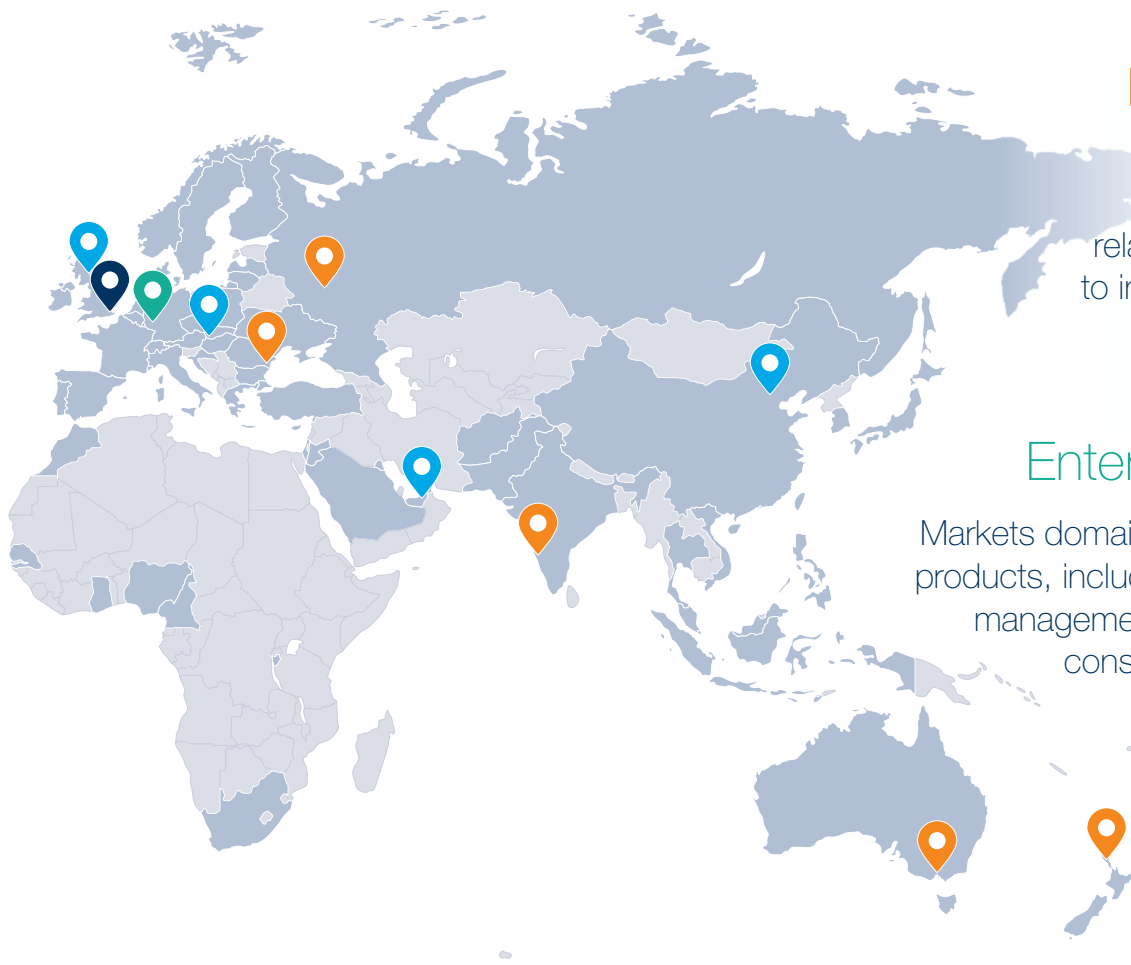
With proprietary technology underpinning over 100 domain registries, the division distributes domain names through an integrated network of third party retailers to over 200 countries.

## Retail Division

Sells and manages domain names and related services directly to internet users in more than 250 countries.

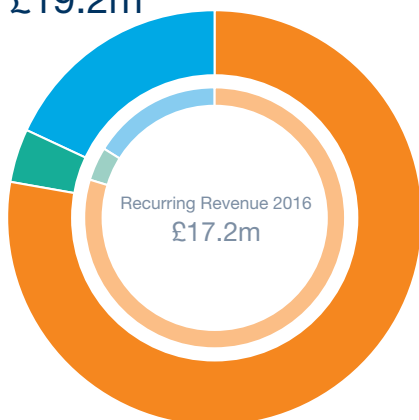
## Enterprise Division

Markets domain names and related products, including domain portfolio management, brand protection, consultancy services and software licences to corporations and global brands.

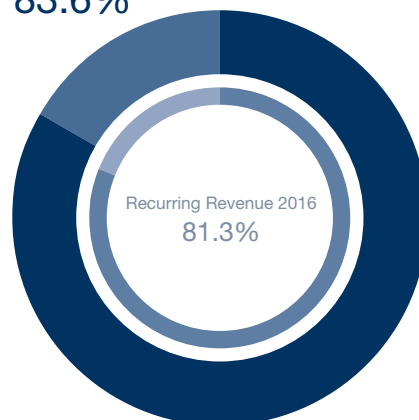


-  Wholesale Division
-  Retail Division
-  Enterprise Division
-  Group

Recurring Revenue 2017  
£19.2m



Recurring Revenue 2017  
83.6%





# Wholesale Division

CentralNic's Wholesale Division is a leading distributor of registries' domain names, on an exclusive basis, through retailers globally – the only distributor with six of the top twenty new TLDs on its platform. The three most important contributing factors behind this achievement are the Division's leading technology platforms, its extensive range of support services and its integrated network of global retailers.

Every Top-Level Domain extension, such as .com, .org and .co.uk has an exclusive wholesaler (known as a "registry backend"). CentralNic's registry backend supports over 100 registries across all five categories of domain name extensions:

- **Country Code Top Level Domain** extensions (ccTLDs) such as .la, .cx and .fm;
- **Generic Top-Level Domain** extensions (gTLDs) like .xyz and .online;
- **"Sponsored" Top-Level Domain** extensions for a specific purpose such as .coop, the internet designation for cooperatives;
- **"DotBrand" Top-Level Domain** such as .stc for Saudi Telecom Corporation, which uses CentralNic's registry back-end platform to power domains not for sale but for the rights holder's own use;
- **Second-Level Domain** extensions (SLDs) such as .uk.com and .us.com;

CentralNic's registry backend platform enables retailers around the world to sell an increasing range of internet domain names and associated products. It also handles billing and cash collection on behalf of its registry clients – which hold the rights to the domains that CentralNic distributes. CentralNic also supports its registry clients with value added services such as policy advice and sales and marketing. CentralNic's registry backend continues to maintain an uptime which consistently exceeds the required standards set by industry regulator ICANN.

CentralNic's registry backend platform integrates with around 1,500 retailers globally. Through them, the distribution channel reaches out to over 100,000 resellers. In recent years, China has been one of CentralNic's most buoyant markets. This reflects a business development and operational focus on China that has positioned the Company to benefit from the unprecedented demand for domain names in that market.

CentralNic's DNS system, which powers the domains, is a global network of nameservers. With 60 locations distributed around the world, CentralNic's DNS handles over 1 Billion queries per day. The DNS assures the stability, security and resilience of all the domain names supported by CentralNic. This vital system has maintained its unblemished record of 100% uptime for 21 consecutive years.

## Domain Extensions exclusively using the CentralNic platform in 2017

COUNTRY CODE TOP-LEVEL DOMAINS		
.FM	.PW	.SK

COUNTRY CODE TOP-LEVEL DOMAINS (DISTRIBUTED VIA CENTRALNIC SOFTWARE)		
.LA	.CX	.AM

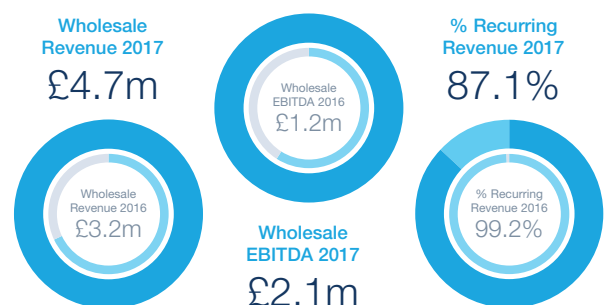
SECOND-LEVEL DOMAIN EXTENSIONS			
.AE.ORG	.BR.COM	.CN.COM	.CO.COM
.CO.NL	.CO.NO	.COM.DE	.COM.FM
.COM.SE	.DE.COM	.EDU.FM	.EU.COM
.GB.NET	.GOV.FM	.GR.COM	.HU.NET
.IN.NET	.JP.NET	.JPN.COM	.MEX.COM
.NET.FM	.NZ.BASKETBALL	.ORG.FM	.RADIO.AM
.RADIO.FM	.RU.COM	.SA.COM	.SE.NET
.UK.COM	.UK.NET	.US.COM	.US.ORG
.WEB.IN	.ZA.BZ	.ZA.COM	

GENERIC TOP-LEVEL DOMAINS			
.ART	.BAR	.BASKETBALL	.COLLEGE
.DESIGN	.FANS	.FEEDBACK	.FRL
.FUN	.GENT	.HOST	.INK
.LOVE	.OBSERVER	.ONLINE	.OOO
.PRESS	.PROTECTION	.REALTY	.REIT
.RENT	.REST	.SECURITY	.SITE
.SPACE	.STORAGE	.STORE	.TECH
.THEATRE	.TICKETS	.WEBSITE	.WIKI
.XYZ			

NEW GENERIC TOP-LEVEL DOMAINS CONTRACTED BUT NOT LAUNCHED			
.CONTACT	.FAN	.FORUM	.PID
.RUGBY			

SPONSORED TOP-LEVEL DOMAINS
.COOP

"DOTBRAND" TOP-LEVEL DOMAINS			
.ADAC	.DELOITTE	.DHL	.EPOST
.KPN	.LIDL	.LPL	.LPLFINANCIAL
.MEO	.SAPO	.SCHWARZ	.SFR
.SMART	.STC	.STCGROUP	.VIVA
.WME			





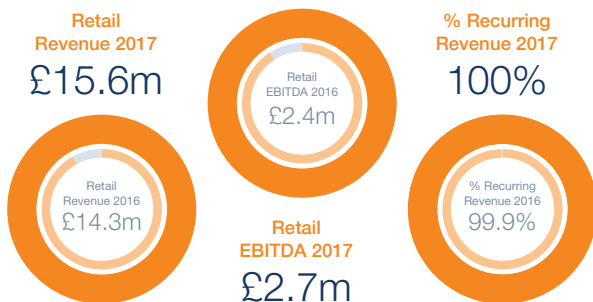
# Retail Division

CentralNic's Retail Division manages around 1 million domain names and associated products. The division retails domain names to customers in over 250 countries globally through its 24 online retail brands and websites. The division boasts one of the widest range of domain extensions offered by retailers in the industry. These domain extensions include around:

150 country code TLDs (e.g. .uk)      250 country code variants (e.g. .co.uk)      400 generic TLDs (e.g. .com)

In addition, the Retail Division supplies products associated with domain names such as website hosting and website security certificates. The division's various brands address demand from many customer segments including:

-  **Retail customers** – that purchase domain names and associated products for non-business related websites.
-  **Small Medium Sized Businesses (SMBs)** – Self-service small business customers that purchase several domain names and associated products e.g. website hosting and SSL certificates typically for an online shop or informational website which gathers visitor information.
-  **Midcap Corporations** – Mid-sized businesses which register and maintain a portfolio of domain names and associated products such as SSL Certificates.
-  **Resellers and Registrars** – Business customers that purchase domain names for resale to their own customers. Companies such as IP law firms, web designers and website hosting companies are often resellers of domain names. Other ICANN Registrars also purchase domain names from CentralNic Retail in situations where they do not hold a direct accreditation with a registry.
-  **Domain Professionals** – Industry professionals that trade in domain names or purchase domain names on behalf of clients.



## CentralNic Retail Division brands

### Global Brands



Instra is a Retail Division brand focused on self-serve midcap corporate customers and resellers. It provides a full suite of domain extensions as well as corporate focused business products such as Domain Trustee Services. It also offers dedicated account management and expert support.

Customer Type



### OnlyDomains

Only Domains is an online brand focused on retail and self-serve small businesses globally. It provides a wide range of domain names at competitive prices as well as associated products to help customers build and publish websites.

Customer Type



### internet.bs

Internet.bs is focused on the SMB and internet professionals segments, such as hosting and web design companies. It provides a range of popular domain extensions at highly competitive prices. Target customers typically require "trade" pricing and sophisticated tools for managing large domain name portfolios on behalf of third parties.

Customer Type



### Geographically focused retail brands

CentralNic's geographically focused brands specialise in providing competitively priced regional domain names and associated products to internet users within a specific geography.

Customer Type



-  **EUROPE REGISTRY**
-  **AFRICA REGISTRY**
-  **ASIA REGISTRY**
-  **AMERICA REGISTRY**

### Domain extension focused retail brands

Other Retail Division brands websites each specialise in marketing domains under a single Top-Level Domain to a global audience. These brands also sell value-added products and services such as hosting, email and website builders.

Customer Type



- www.buy.menu
- www.buydomains.london
- www.centralnicfintech.com
- www.cymrudomains.com
- www.laodomains.la
- www.tickets.domains
- www.registrar.vuelos
- www.domain.build
- www.domain.luxury
- www.domains.asia
- www.register.reit
- www.centralnicdomains.com
- www.domains.bar
- www.domains.rest
- www.la
- www.whatdomain.la
- www.registrar.hoteles
- www.store.art
- www.join.law
- www.roar.basketball



# Enterprise Division

The enterprise market is gaining in importance in the domain name industry, and CentralNic is addressing this market in several ways.

## DotBrands

CentralNic provides technical services to companies seeking their own "DotBrand" TLDs. These are a newly introduced type of Intellectual Property ("IP") which allows brands and company names to occupy the Top-Level of domain names previously restricted to country codes and generic terms like .com. Unlike trade marks, this new form of IP can be operated by a company exclusively, globally and in perpetuity. Therefore, DotBrands have attracted significant interest in the corporate sector.

DotBrand clients which use CentralNic's technical and consulting services include Global 1000 companies such as Saudi Telecom Company, Etisalat and Kuwait Finance House.

## Corporate domain management

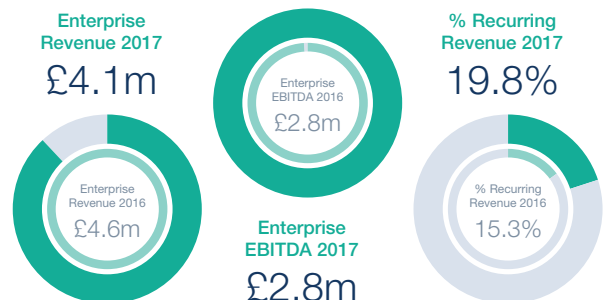
Through its high-quality workflow management platform for the registration and management of domain names, CentralNic addresses the domain management needs of corporate clients. The platform can be used as an in-house solution by enterprise clients, or as technology enabling corporations with large SME customer bases to monetise those customers by selling them domain names. Some of the largest corporations in the German-speaking markets, such as Telcos and publishing houses, use CentralNic's corporate domain management platform. CentralNic has successfully started introducing it to other geographical and vertical markets.

## Premium Domain Names

Like many of its peers, CentralNic realises an enterprise revenue stream from trading in premium domain names. These are particularly favoured by large companies for a number of uses. They may correspond to a company brand name, they may be easily memorable and marketable (like a two-letter .com domain or a common word), or they may already benefit from internet traffic comprising potential customers.

CentralNic trades in its own portfolio, with approximately 56,500 premium domain names (with values ranging from a small premium over normal retail pricing to seven figure sums). It also brokers premium domain sales for third parties in exchange for a commission.

CentralNic is also a shareholder in and distributor of the .tickets TLD. This innovative new use of a top-level domain is intended to allow venues, artists, sports teams and other rights holders to retail tickets direct to consumers, while giving consumers the comfort of knowing that any website using a .tickets domain is legitimate.



# Chairman's statement



Our vision is to join the ranks of world leaders in the industry, as new TLDs (which the Group distributes) expand to challenge the incumbent dominant domain name endings (.com etc) and emerging markets, like China, grow to rival the size of the North American and European markets.

**Mike Turner** Chairman

I am pleased to report on a strong year of growth for CentralNic. The Group continued its strategy to build a diversified internet services business of size and scale through an acquisitive roll-up programme which delivers high-levels of recurring revenues, quality of earnings and strong cash generation. In addition, revenue (10%), gross profit (28%), adjusted EBITDA (20%) and profit after tax (7%) all show year on year increases, a pleasing achievement for the Group.

SK-NIC, the manager of the exclusive country code top-level domain for Slovakia, was acquired in mid-December 2017 for a maximum cash consideration of €25.7 million (£22.6 million). The Board anticipates SK-NIC to be earnings enhancing in line with expectations at the time of the acquisition, as well as providing access to a new international market with sustainable growth characteristics, a high renewal rate of over 86%, and the opportunity to leverage CentralNic's existing expertise and bespoke technical platforms in the domain management business. The acquisition was funded by the Company's own cash reserves and a term loan and revolving credit facility totalling £18 million provided by Silicon Valley Bank, which also provides a £3 million overdraft facility.

Significant growth was delivered in the Wholesale and Retail Divisions, which contributed to an increase in recurring revenues and an improvement in the quality of the Group's earnings. As part of that, the exclusive wholesaler contract with XYZ.com, owner of the .xyz Top-Level Domain ("TLD"), was renegotiated in

September 2017 for a term running until May 2032. CentralNic receives a fixed minimum fee which may increase based on the volume of .xyz domains managed.

Whilst the Enterprise Division made a significant contribution to the Group's profits in the year under review, its contribution through one-off domain name sales reduced when compared to the prior year. In 2017, the Group sold portfolios of premium domain names valued at a total of £3.0 million (2016: £3.7 million). In line with the Group's strategy, whilst premium domain name trading is a profitable activity, premium domain name sales will be a decreasing proportion of revenues and contribution going forward as the Company focuses on building recurring revenue based business activities.

## Performance

In the year ended 31 December 2017, revenue rose by 10% to £24.3 million (2016: £22.1 million). This was driven by organic growth in the Wholesale Division, which grew by almost 50%, and also in the Retail Division which grew by almost 10%. Gross profit increased by 28% to £9.8 million (2016: £7.7 million) with gross margins ahead of the previous year in all divisions and, in total 40%, (2016: 35%), an increase of 16%. Despite adverse foreign exchange movements of £0.6 million, compared to a positive impact of £0.6 million in 2016, adjusted EBITDA was in line with market expectations at £6.6 million (2016: £5.5 million), representing an increase of 20% on the prior year. Profit after tax increased by 7% to £1.02 million (2016: £0.96 million).

Cash flow was positive during the year with year-end cash balances of £10.9 million (2016: £9.9 million) and net debt (excluding prepaid costs) of £7.2m (2016: net cash £7.3m). During the year, CentralNic entered into a new facility agreement with Silicon Valley Bank, which enabled the Group to acquire SK-NIC and optimise its capital structure and gain access to funding for growth opportunities.

Diluted earnings per share increased by over 6% to 1.04p (2016: 0.97p).

### Strategy

The Group's strategy remains to develop and operate scalable software platforms by serving global markets with domain names and related services. It continues to identify and exploit high growth areas within the domain industry, retaining a leading role in new Top-Level Domains, servicing country code domains, and focusing on growth markets including Eastern Europe and Asia. The Group aims to win and retain well-resourced clients with complementary objectives and to make acquisitions which meet the clear strategic criteria of being earnings accretive in the short term with a strong recurring revenue base, high quality of earnings, and high cash conversion.

### Management and Board

As part of the strategy to build a diversified business of size and scale, the management team was strengthened to support the Group's ambitions. In May 2017, Sarah Ryan joined CentralNic as Group Corporate Development Director, following the previous year's senior hires of Stuart Fuller and Andy Churley as Group Commercial Director and Group Marketing Director respectively. The Board itself was strengthened further in July 2017 with the appointment of Don Baladasan as Chief Financial Officer, bringing considerable financial expertise in buy-and-build strategies and risk management.

In August 2017 Desleigh Jameson, who joined the Group in January 2016 when it acquired Instra Corporation, stepped down from the Board. The integration of Instra's operations in to the Group was by that time complete following Desleigh's hard work in very quickly merging the highly successful Instra business in to the ever-expanding CentralNic.

I would like to thank all members of the CentralNic team for their professionalism and commitment to the ongoing growth and transformation of the business. It is thanks to our staff, to our clients and to our distribution channel partners, as well as to our shareholders, that the Group continues to maintain and enhance its industry-leading position.

### Outlook

Our vision is to join the ranks of world leaders in the industry. CentralNic strives to achieve this by continuing to disrupt existing markets and by identifying and exploiting key growth markets around the world. Moreover, ongoing consolidation in the domain services industry presents step-change acquisition opportunities for the Group to enter new markets and broaden its service offerings.

Trading for the first quarter of 2018 is encouraging and in line with expectations. CentralNic has continued to win new clients including the distribution contract for .ooo TLD, owned by the billion-dollar Mumbai-listed tech company Infibeam. In January 2018 the Group replenished its premium domain trading inventory by acquiring a portfolio of domain names for a total consideration of £2.5 million.

As reported in March 2018, discussions are taking place regarding the potential combination of CentralNic and KeyDrive S.A. The combination of the two businesses has strong strategic logic and economies of scale. This represents an opportunity to create a group with advanced technology platforms delivering significant recurring revenues for every major customer type within the industry. Although there can be no certainty that a transaction will occur, the discussions are proceeding well and the Board believes that the transaction will take place in the third quarter of 2018.

The Board believes that the opportunity to continue to build a sizeable business to rival the largest industry players, using the Group's existing infrastructure to deliver economies of scale both financially and operationally, remains strong. The Group's management team has proven its ability to deliver and integrate substantial acquisitions and there is a plentiful pipeline of targets. The Directors are confident that the Group will continue to deliver on its strategic goals in 2018, to deliver growth both organically and by expansion of the business and further improve the percentage of recurring revenues and the Group's quality of earnings.



**Mike Turner** Chairman  
30 May 2018

# Chief Executive's report



Building on previous acquisitions of Internet.BS in the Bahamas and Instra Group in Australia and New Zealand, CentralNic has continued to successfully execute its acquisition strategy. In 2017, CentralNic acquired SK-NIC, the manager of the exclusive country code top-level domain for Slovakia. We will continue to grow the company both organically and through further acquisitions and remain entirely focused on expanding our global footprint in the domain and web services industry.

**Ben Crawford** Chief Executive

## Overview

CentralNic continued to develop as an internet services business of substantial scale that is highly cash generative and built around a recurring revenue model. There are significant opportunities available for growth in the market, of which the Company continues to take advantage.

During the year, the Company's acquisition strategy continued to target companies with a strong existing customer base and a high proportion of recurring revenue, with a particular focus on businesses with exposure to high-growth and emerging markets. Building on the previous acquisitions of Internet.BS in the Bahamas (2014: US\$7.5 million) and Instra Group in Australia and New Zealand (2016: AU\$38.0 million), the Group acquired SK-NIC in December 2017 for a maximum cash consideration of €25.7 million. SK-NIC is the manager of the exclusive country code top-level domain for Slovakia, .sk and realises the majority of its earnings through a recurring revenue stream from a substantial embedded customer base.

SK-NIC offers significant growth potential, achievable through the combination of the strongest domain product in the Slovak market and CentralNic's specialist technical, sales and marketing expertise. CentralNic migrated .sk onto its proprietary software in 2017 and strengthened the local management team to ensure that .sk achieves global best practice as a foundation for that nation's growing digital economy.

Since its acquisition, the integration of SK-NIC has progressed according to plan. The .sk operation has been migrated onto a customised version of the CentralNic registry software in the Slovak language, and the management team in Bratislava has been strengthened with the addition of a Head of Communications. Tasks that were outsourced to the vendors as part of the transition plan are being successfully migrated in-house. Trading since the acquisition was completed is in line with expectations.

In July, CentralNic was recognised as the best performing company in the Infrastructure Services category of the Quoted25 awards. This annual award, created by Megabyte, acknowledges the top 25 performing technology companies in the mid-tier of the London Stock Exchange's AIM market.

## Results

CentralNic achieved revenues of £24.3 million, a 10% increase over 2016 revenues of £22.1 million, and Adjusted EBITDA of £6.6 million, a 20% increase on 2016's Adjusted EBITDA of £5.5 million. The profit after tax reflected a 7% increase at £1.02m (2016: £0.96m).

The Group continues to improve the quality of its earnings, increasing recurring revenues to 84% of total revenues. The Group's global revenues also continued to grow, with over 37% of total revenues coming from outside the UK, North America, and Europe, reflecting a focus on high-growth emerging markets.

At the end of the year, the Group had cash balances of £10.9 million (2016: £9.9 million) with net debt (excluding prepaid costs) of £7.2m (2016: net cash £7.3m). During the year, CentralNic entered into a new facility agreement with Silicon Valley Bank, which enabled the group to acquire SK-NIC and optimise its capital structure and gain access to funding for growth opportunities.

## Operational review

### Wholesale (Registry Services)

Wholesale revenues grew 48% to £4.7 million (2016: £3.2 million) and the Company maintained its position as a leading wholesaler of domain names using new gTLDs, with 22.6% market share at the end of 2017. CentralNic's Wholesale Division is the only registry services provider to count six of the top 20 new gTLDs as clients (from around 1,200 launched in total).

CentralNic has continued to be the world leader in winning new clients in its Wholesale Division, including a contract to manage 14 Top Level Domains from OpenRegistry, a subsidiary of KeyDrive Group. CentralNic manages 104 domain extensions (gTLDs, ccTLDs and SLDs) overall, ranking as an impressive 5th globally. In September 2017, the Group renegotiated its exclusive wholesaler contract with .XYZ.com, the owner of the world's leading new gTLD, .xyz, on a fixed fee basis until May 2032 with the potential to increase fees based on the number of .xyz domains managed.

### Retail

Retail revenues grew 9% to £15.6 million in 2017 (2016: £14.3 million). The retail business serves three of the main customer groups for domain names and supporting services; small businesses, resellers and domain investment professionals. One of the Retail Division's objectives during 2017 was to broaden the number of supporting products it can provide to its existing customer base. During the year, it added IT security products, web and email hosting, website construction and analysis products to its portfolio available to its existing and future customer base.

The Retail Division increased the number of domain extensions it provides and has continued to optimise the costs associated with domain name provision and therefore increased profitability. This was in part achieved through an outsource arrangement with the leading global reseller platform RRPProxy, a subsidiary of the KeyDrive Group. Considerable management and technical resource has been dedicated to this project which, when completed, will result in CentralNic's retailers obtaining all their domains from a single supplier, rather than supporting hundreds of supplier relationships.

### Enterprise

Revenues from CentralNic's Enterprise Division decreased slightly in 2017, down to £4.1 million (2016: £4.6 million), reflecting the Group's strategy to decrease the proportion of its overall revenues obtained through one-off premium domain

name sales. The recurring revenue components of CentralNic's enterprise business continue to grow. With CentralNic's assistance, a number of corporate clients completed the ICANN delegation process in 2017 and have begun to prepare their "DotBrand" Top Level Domains for use. Other corporate and government clients continue to licence CentralNic software and many also use the Group's fee-based support services to distribute domains, develop and implement their own policies and to market and manage their operations in-house.

CentralNic's premium domain name trading business performed well with revenues of £3.0 million achieved, reduced from £3.7 million the previous year. In line with the Group's strategy to focus on increasing its revenues in the recurring category, premium domain name sales will be a decreasing proportion of revenues and contribution going forward.

### Acquisitions: progressing CentralNic's strategy

Moving forward, CentralNic will continue to identify acquisitions that will add scale and new market leading technology platforms to serve its customers as well as creating opportunities for savings by eliminating duplication in costs. The Group has established a robust foundation for future growth, is able to leverage a suite of world-class software and services, has a large and experienced management team and significant staff resources able to support customers around the world.

### Infrastructure for growth

#### People

During 2017, CentralNic made significant additions to its Board and management team to extend even further its ability to execute our acquisitions-led growth strategy. In July, Don Baladasan joined the Board as Chief Financial Officer, bringing significant public company acquisition and integration experience. At senior management level the Company had already recruited Group Commercial Director Stuart Fuller and Group Marketing Director Andy Churley, from NetNames (formerly GroupNBT), to reinforce and build sales and marketing operations. In May 2017, Sarah Ryan was appointed Corporate Development Director to support the Board in its M&A activities. Sarah was previously Director of International M&A for LexisNexis and Thomson Financial and brings significant transaction experience including in the Middle East, Russia, China, India, South Africa and Europe.

#### Current market trends

In December 2017, there were approximately 332.4 million domain names under management globally. This represents a growth of 3.1m domain names (0.9%) over 2016. Generic Top Level Domains (gTLDs e.g. .com and .net) had a combined total of approximately 146 million domain names (2.9% growth) and all country code Top Level Domains (e.g. .sk) accounted for approximately 146 million domain names (2.4% growth). The top 20 new gTLDs (of which CentralNic manages six) account for 65% of all registrations in this category.

# Chief Executive's report continued

## Post year end

In January 2018, the Group replenished its premium domain trading inventory for a total consideration of £2.5 million, as a step towards ensuring that the company retains the capacity to continue to trade profitably in premium domain names as required. CentralNic also continued winning new clients, including the .ooo TLD, owned by billion-dollar Mumbai-listed tech company, Infibeam.

In March 2018, due to industry speculation, CentralNic announced that it was in advanced negotiations to merge with a leading operator of reseller and corporate platforms in the domain industry, KeyDrive S.A., a Luxembourg company. The combination of the two businesses has strong strategic logic and economies of scale and represents an opportunity to create a group with competitive technology platforms delivering significant recurring revenues for every major customer type within the industry. Discussions are ongoing at the time of publication.

## Outlook

Current trading is in line with expectations as the Group continues to grow both organically and through further acquisitions and remains entirely focused on expanding its global footprint in the domain and web services industry.

New products and services are added continually to service customers. For example, the group plans to offer online security and brand protection services to its corporate clients.

Across all its business segments, new customer acquisition remains a priority for the Group.

Finally, we will continue to make earnings enhancing acquisitions to achieve further scale, additional capabilities and greater economies of scale.



**Ben Crawford** Chief Executive  
30 May 2018



# Strategic report

CentralNic's strategy for continuing its growth is to increase its scale and scope of operations by developing and operating scalable software platforms to serve global markets with domain names and related services. The Company specifically identifies and develops areas of the domain industry with high-growth and/or high-margin potential. This includes taking a leading role in disruptive initiatives such as new Top Level Domains ("TLDs"), selling country code domain extensions, taking market share in emerging markets, and focusing on the enterprise sector.

The Company continues to win, retain and grow business from well-resourced clients with complementary objectives. It also sources and executes acquisition transactions that meet the Group's strategic criteria of being earnings accretive with a strong recurring revenue base, particularly revenues from domain registrations and their subsequent annual renewal.

The Group has a culture derived from entrepreneurial roots. This helps underpin its strategy, with a Group-wide passion for entering and competing profitably in new markets. CentralNic's culture is characterised by its focus on growth and recurring high-quality earnings, a global perspective, innovation, world-class technology, expert and flexible client services, and professional execution. The Group is able to match, and often exceed, the service levels offered by its larger competitors.

In turn, the organisation is transitioning from a smaller successful player into a global leader, within the domain name industry. The Group has established a robust infrastructure for growth through developing and operating scalable software platforms to serve global markets with domain names and related services. This includes recruiting a highly-experienced management team with complementary skill-sets and significant staff resources able to support customers around the world.

CentralNic's businesses support all stages in the domain name industry supply chain. The Group's Wholesale Division enables its domain registry customers to supply their domains to an integrated distribution network of around 1,500 industry accredited registrars (retailers), and through them, over 100,000 resellers. CentralNic supplies its new Top Level Domains to more accredited registrars than any of its peers, as well as operating billing and cash collection services.

CentralNic's retail platforms allow all types of internet users to register domain names and purchase additional services required to deploy their websites and email. These platforms are presented to the buyers through a number of retail websites focused on different market segments and geographies. The Retail Division has been increasing the domain inventory that it provides whilst optimizing provisioning costs.

Its enterprise platforms allow corporations and domain investors to manage and protect their valuable domain name portfolios. CentralNic's own businesses operate these software platforms and are offered to third parties on both a Software as a Service ("SaaS") and a managed service basis. The same software platforms are also licensed to third parties, including governments, telecommunication companies and other enterprise clients, as well as TLD registries.

## **Identifying and exploiting relatively high-growth areas of the domain industry**

Demand in growth markets may be driven by supply from new inventory, such as the launch of a new domain extension, by a liberalisation of registration policies for a TLD, or by promotional activities.

CentralNic's registrars take advantage of these opportunities in the markets they serve, often delivering strong results. For instance, The Group's registrars are the highest sellers of .law domains for law firms and the second highest sellers of .ae domains for the United Arab Emirates.

Growth opportunities also come from increased demand caused by improvements in internet access levels in emerging markets, emanating from the adoption of smart phones, broadband connectivity and governmental support for local digital economic development. Here again, CentralNic is actively satisfying demand in these emerging markets.

## **Winning and retaining well-resourced partners with complementary objectives**

CentralNic excels in its ability to acquire and retain entrepreneur and corporate clients to enable its ongoing growth.

For the Wholesale Division, CentralNic has sought out and won contracts for over 50 new TLDs since listing. This inventory includes a range of domain extensions with different business strategies, including value-based mass market generic domains such as .xyz and .website, industry-specific TLDs such as .tickets, and .bar. For country code market extensions, CentralNic works with the local providers to develop marketing, distribution and policy initiatives. For example, the country code for Lao PDR (.LA) has been repurposed to address the alternative geographies of



# Strategic report continued

Los Angeles and Latin America, while successfully retaining its country's national Internet identity. Similarly, .FM (the country code for Micronesia) has been retargeted to address the radio broadcast and music streaming industries. CentralNic is active in developing a pipeline of new domain extensions to add to its Wholesale platform. In 2017, CentralNic continued to win new clients in its Wholesale Division, including a contract to manage 14 Top Level Domains from OpenRegistry.

Group-wide, CentralNic deploys a number of online customer acquisition strategies, including search engine and user interface optimisation, search engine marketing, and email marketing. The Group also employs a number of offline marketing mechanisms such as promotion at events and exhibitions, partnerships with registries and resellers, outbound activity from its call centres and direct sales.

CentralNic also excels in customer retention thanks to its philosophy of having a close collaboration with its clients and a focus on providing added value. For example, to bring more value to its clients, CentralNic offers expert advisers. These include sales, marketing, policy and technical development resources on a fee-for-service or revenue share model. The Group's clients are also provided with business information to track service provision.

## Financial performance

A review of the financial performance of the Group is provided in the Chief Financial Officer's report on pages 16 to 19.

## Key Performance Indicators

Details of the Key Performance Indicators are provided on page 16.

## Principal risks and uncertainties facing the Group

The Directors have considered the principal risks and uncertainties facing the Group and the main ones are outlined below.

### Regulatory

The businesses of both registries and registrars are subject to the legal and contractual environment, and to comply with ICANN and country code policies. These are subject to change, which has the potential to influence business outcomes.

CentralNic satisfies the technical and operational requirements of ICANN and other regulators and maintains an active voice in the development of policy within the ICANN community.

### Market

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 Board.

In either case, the Group's revenues could reduce below expectations with an impact on profitability.

The risk is mitigated to a degree by operating multiple lines of business themselves exposed to many vertical markets and segments, the majority of which have very little reliance on new TLDs.

### IT security

If the Group does not prevent security breaches or becomes susceptible to cyber-attacks, it may be exposed to lawsuits, lose customers, suffer harm to its reputation, and incur additional costs. Unauthorised access, computer viruses, accidents, employee error or malfeasance, intentional misconduct by computer "hackers" and other disruptions can occur that could compromise the security of the Group's infrastructure or confidential information.

The Group has created a resilient network infrastructure and Domain Name System server constellation, with failover secondary systems to ensure critical registry functions are maintained. The Wholesale business has been certified under ISO 27001/2013 for data security, thereby mitigating risk by adherence to international best practice.

### Impact on society

The Company 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.

### Supplier risk

A number of the key technical services used by the Group are outsourced to key suppliers, thereby creating the potential for risk in the case of the failure or loss of a supplier. In view of these risks, redundancies have been introduced between the suppliers and internal resources, ensuring that no single point of failure could result in the inability of CentralNic to meet its contractual or compliance obligations.

### Currency risk

The Group reports its revenues and costs in British Pounds Sterling, whilst some of these revenues and costs may arise in other currencies. Fluctuations in exchange rates may adversely affect the Group's reported profits and make its overseas contracts relatively less valuable.

CentralNic contracts are usually denominated in British Pounds Sterling, US Dollars, Euros or Australian Dollars and the Directors keep the currency exposure under regular review. The Directors consider the use of hedging instruments in the event that currency exposure is considered a material performance risk.

### Dependence on key personnel

The Group has a small management team and the loss of any key individual or the inability to attract appropriate personnel could impact upon the Group's future performance. Incentives and a performance culture remain an important focus to the achievement of the Group's objectives.

### Other risk factors

In addition to the impact of the downturn of the world's economies, the Group may be adversely affected by other changes in economic, political, judicial, administrative, taxation or other regulatory or other unforeseen matters. For example, the impact on the Group from the UK exiting the European Union is to emerge and will be monitored and assessed over the coming months and years.

### Director and employee gender

At the year-end the Board of Directors comprised of seven members, all of whom are male, the Senior Management team of eight was made up of five men and three women, and the overall staff number of 92 contained 61 males and 31 females.

This strategic report was approved by the Board of Directors on 30 May 2018 and signed on its behalf by:



**Mike Turner** Chairman

# Chief Financial Officer's report



The Group showed overall year on year growth in revenue of 10% and Adjusted EBITDA of 20%. Organic growth of 10% was achieved with revenue growing to £24.3m (2016: £22.1m). This was driven predominately by growth in the Wholesale and Retail Divisions, which enjoyed 48% and 9% year-on-year growth respectively.

**Don Baladasan** Chief Financial Officer

The Group's continued focus on improving the quality of the revenue mix and earnings was highly successful with recurring revenues rising to 84% of total revenue, compared to 81% in 2016. The contribution from one-off premium sales was reduced in line with the Board's strategy to focus on visibility and quality of earnings.

The growth in the revenue line flowed down to the Adjusted EBITDA, which increased by 20% to £6.6m (2016: £5.5m). The overall Adjusted EBITDA Margin grew to 27% (2016: 25%). Adjusted EBITDA is before share based payment expenses, acquisition deal fees and exceptional items. This growth in Adjusted EBITDA was despite adverse foreign exchange movements of £0.6 million, compared to a positive impact of £0.6 million in 2016.

The attractive cash generative profile for the Group continued in 2017 with the net operating cashflow, before tax and one-off deal costs, being £6.8m (2016: £5.1m). Cash at the end of 2017 was £10.9m (2016: £9.9m), an increase of 10% with Net Debt (excluding prepaid costs) of £7.2m (2016: net cash £7.3m).

In December 2017, the Group progressed its acquisition strategy with the completion of the acquisition for the country code of Slovakia, SK-NIC. SK-NIC matched the characteristics of our acquisition target profile, as a high quality, high margin and recurring revenue asset in a significant growth emerging market. We continue to seek acquisitions which add considerable high quality, high margin and recurring revenues to the Group.

The initial cash consideration of €20.3m (£17.8m) to acquire SK-NIC was funded by loan-finance from Silicon Valley Bank ("SVB") through a £12m term loan and a £6m revolving credit facility. SVB also provided a £3m overdraft facility which has not been utilised. This transaction created a more balanced capital structure which leverages the cash generative profile for the Group, so this was deemed to be the most appropriate funding route in order to achieve this.

## Key Performance Indicators 2017

- Revenue £24.3m (2016: £22.1m)
- Adjusted EBITDA\* £6.6m (2016: £5.5m)
- Profit after taxation £1.02m (2016: £0.96m)
- Cash Balance 31 Dec 2017 £10.9m (2016: £9.9m)
- Net Debt (excluding prepaid costs) 31 Dec 2017 £7.2m (2016: Net Cash £7.3m)

\* Excludes impact of share payment expense for the share options issued to Directors and Employees and acquisition costs and exceptional items

## Wholesale Division

The increase of revenue in the Wholesale Division was driven predominately by the .xyz and radix TLDs, along with registry consultancy. SK-NIC contributed £0.3m of revenue, following the completion of its acquisition on 5 December 2017.

Adjusted EBITDA for the Wholesale Division grew by 70% to £2.1m (2016: £1.2m). This included £0.2m contribution from SK-NIC, representing an Adjusted EBITDA margin for SK-NIC of 79%. Excluding the contribution from SK-NIC, the like for like Adjusted EBITDA for Wholesale grew by 51% to £1.9m (2016: £1.2m) representing an adjusted EBITDA margin of 42% (2016: 39%).

### Retail Division

Retail revenue continues to be driven by the Instra Group, with smaller contributions from Internet.bs and the flagship stores. All three Retail businesses showed year-on-year revenue growth with overall retail revenue growing by 9% to £15.6m (2016: £14.3m).

Instra improved its year-on-year revenue to £11.4m (2016: £10.3m). This was achieved by selling high value domains, which benefit from higher margins, as well as cutting costs. The resulting improved margins flowed down to the Adjusted EBITDA line with Instra showing 20% growth to £2.6m (2016: £2.2m).

### Enterprise Division

Revenue for the Enterprise Division was £4.1m (2016: £4.6m). The reduction was expected as the Group continued to move away from its reliance on the sale of Premium Domain names, to focus on improving quality of earnings by shifting the mix from these one-off sales to more predictable, recurring revenue streams. Although revenue reduced for one-off premium domain sales, revenue increased from other Enterprise Division recurring revenue streams to £1.1m (2016: £0.9m).

Overall Adjusted EBITDA was £2.8m (2016: £2.8m) with adjusted EBITDA margin of 70% (2016: 60%).

### Revenue profile

The quality of the Group's earnings remains an important strategic priority for the Group and its investors, as we increase the proportion of its revenues derived from predictable sources. This was one important factor in assessing the SK-NIC acquisition, with all of SK-NIC's revenues, earnings and cash flow derived from new registrations and renewals of domain names. This, combined with the management's focus on recurring revenue streams, resulted in the proportion of recurring revenues increasing to 84% (2016: 81%).

AIM and corporate overheads, which have not been allocated by division, were consistent with the prior year at £1.0m (2016: £1.0m).

Acquisition costs and exceptional items totaled £2.0m (2016: £1.3m). The acquisition-related costs, supporting the Group's acquisition programme, included a variety of deal costs for SK-NIC and Key Drive Group.

Finance costs include £0.3m of expenses for the term loan arrangement fees and associated legal costs related to the acquisition of SK-NIC.

Other non-cash expenses included the amortisation of intangible assets, totaling £2.2m (2016: £2.1m), reflecting the charges for the Instra customer list, domain names and software acquired. They also included depreciation and the share based payments expense. In accordance with IFRS 2 Share Based Payments, we have included a £0.5m charge for Director and employee share options within administrative expenses (2016: £0.6m). Further details can be found in note 28 to the financial statements.

The Group's effective tax rate during the year was 25.4% (2016: 17.5%), with the primary reason for the year-on-year increase being the disallowable nature of the higher acquisition related costs incurred during the period.

Basic earnings per share of 1.07 pence (2016: 1.00 pence), reflected the improved Adjusted EBITDA in the business which were offset by non-recurring acquisition costs, amortisation charges, exceptional items and non-cash charges. Diluted earnings per share, at 1.04 pence (2016: 0.97 pence), reflected the dilutive effect of the share options "in the money" at the average share price for the year.

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

### Pensions

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

### Dividends

It remains the intention of the Group to generate income returns for investors in the future as part of a progressive and commercially prudent dividend policy. However, due to the continued expansion opportunities presented by the sector, the Directors do not propose a final dividend in 2017.

### Group statement of financial position

The Group had net assets of £26.5m at 31 December 2017 (2016: £25.2m). This increase was driven by the retained profit for the year offset by downward movements on the foreign exchange translation reserve, mainly due to movements in AU\$/£GBP exchange rates.

# Chief Financial Officer's report continued

## Capital expenditure and investing activities

The most significant investment made during the year was the acquisition of SK-NIC, with further details of the acquisition entries provided under Business Combinations in note 25 to the financial statements. The total value of intangible assets includes £25.7m of intangibles relating to SK-NIC.

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

With the exception of goodwill, the Group's intangible assets are amortised in line with the accounting policy. The carrying value of customer lists and goodwill are tested annually for impairment, while the Directors also consider other intangible assets and investments for indications of impairment. Further details are provided in note 14 and 16 to the financial statements.

Capital expenditure on tangible assets was £0.1m during the year (2016: £0.2m). Expenditure on plant and equipment was again modest, reflecting the business model, which has a relatively low capital expenditure requirement. Intangible asset additions totaled £0.4m (2016: £0.4m), including the costs of development activities satisfying the criteria detailed in note 3 part to the financial statements. The slight increase related to capitalised development activities in Instra and dnsXperts UG.

Further details are provided in notes 13, 14 and 25 to the financial statements.

## Cashflow and net cash

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

Net cashflow from operating activities was higher than the previous year at £3.7m (2016: £3.3m). In both years, the net cashflow from operating activities was in line with expectations relative to Adjusted EBITDA. 2017 benefitted from favourable working capital movements of £0.3m.

Investing activities were mainly related to the SK-NIC acquisition, which was completed in December 2017. The net cash outflow related to the SK-NIC acquisition totalled £17.4m (net of cash acquired) in 2017 with a further £4.8m of deferred and contingent consideration due up to 2024, which was funded by additional SVB debt of £16.25m.

## Banking facilities

A new facility agreement was entered into with SVB on 29 August 2017, which was amended and restated on the 30th November 2017 to support the SK-NIC acquisition on 5 December 2017.

This agreement refinanced the remaining principal of £1.75m due under the original SVB facility agreement entered into for the purposes of acquiring Instra in December 2015.

The new SVB facilities comprises a £12m term loan, a £6m revolving credit facility, and a £3m overdraft facility. The term and revolving credit facility were fully utilised at the end of the year, the overdraft was unutilised.

The principal terms of the debt facility include amortisation of the term loan over 5 years (£2 million per annum) with a bullet payment at the end of term. Interest repayments have also been settled quarterly based at a margin above LIBOR. The debt facility is secured over the material companies within the Group. Further detail is provided in note 24 of the financial statements.

Scheduled quarterly repayments were made during the year along with the release of associated finance costs.

## Critical accounting policies

The Summary of the Group's Significant Accounting Policies is set out in note 3 to the Financial Statements.

The Group's Revenue recognition policy may be summarised as:

- Revenue from the sale of services is recognised when the amounts of revenue and cost can be measured reliably;
- Domain sales are recognised over the period to which the underlying sales contract relates, which can be for periods between one and ten years. Revenues attributable to future periods are deferred to future periods and are included in "Deferred Revenues" and in the case of the Retail business, the direct costs, associated with domain name Retail revenues, that are payable to wholesale suppliers of the domains, are recognised in deferred costs; and
- Revenues from strategic consultancy and other similar services are recognised in proportion to the stage of completion of the work.

The Group makes estimates and assumptions regarding the future, which are regularly evaluated including expectations of the future that are considered reasonable given historic experience and current circumstances. In the future, actual experience may differ from these estimates and assumptions.

The Board considers the carrying value of Intangible assets in particular given the relative materiality to the Group. While the Board acknowledges that estimates and assumptions could have a material impact on the carrying value of the intangible assets, the Board has considered the potential for impairment as well as the estimated useful lives of the assets and does not consider the carrying values to be impaired. Further details are provided in note 4 to the financial statements.

#### **Group financial risk management**

The Board reviews the financial risk management policy, noting that the Group is exposed to market risk, credit risk and liquidity risk arising from financial instruments. Further details of the Financial Risk Management Framework is provided in note 29 to the financial statements.

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

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

The Group's financial instruments comprise cash and various items such as trade and deferred receivables. The Group had £10.9m of cash at the year-end, with interest bearing financial assets bearing interest at fixed interest rates. Deposit risk is mitigated by the Directors setting policy that the Group only places deposits with banks and financial institutions with high credit ratings.

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

#### **Foreign currency risk**

The Board notes 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.



**Don Baladasan** Chief Financial Officer  
30 May 2018



# Board of Directors

The Board's principal duties include the provision of entrepreneurial leadership to the Group, setting strategy and overseeing business performance and compliance; deploying good corporate governance commensurate with the size and scope of the Group's activities.



**Mike Turner** Chairman (aged 57)

Mike has 30 years' M&A experience in London and the US, advising clients in technology, telecoms, advertising and marketing services, media, internet and e-commerce sectors.



**Benjamin Crawford** Chief Executive Officer (aged 52)

Ben is a specialist in global business and corporate development for internet-related companies. Previous roles include Founding President of Louise Blouin Media, where he integrated 11 acquisitions in three countries.



**Don Baladasan** Chief Financial Officer (aged 44)

Don, a Chartered Management Accountant, is a highly experienced quoted company Finance Director. Since 2013, he has helped raise £25m on AIM and integrated many acquisitions and reverse takeovers.





**Thomas Rickert** Non-Executive Director (aged 48)

Thomas is a domain industry legal expert working on disputes, as well as advising registrars, registry service providers and registry operators.



**Samuel Dayani** Non-Executive Director (aged 41)

Responsible for purchasing CentralNic in 2003, managing the restructuring and building a strong management team, ready for the Group's AIM listing in 2013.



**Thomas Pridmore** Non-Executive Director (aged 46)

Tom is a director of the Investment Advisor of Civitas Social Housing PLC, a real-estate investment trust. He has broad investment and corporate finance experience.



**Iain McDonald** Non-Executive Director (aged 47)

Iain is a global expert in technology and e-commerce with a strong track record investing in early stage companies, including ASOS, The Hut Group and Boohoo.com. He was a top-ranked retail equities analyst.

# 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 Wholesale (registry), Retail (registrar) and Enterprise services. A more comprehensive description of the Group's activities, performance, and likely developments are provided in the Chairman's statement, the Chief Executive'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 78 and 79 of the Financial Statements.

## Financial instruments

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

## Results and dividends

Information on the results is provided in the Chairman's Statement and the Chief Financial Officer's Report.

It remains the intention of the Group to generate income returns for investors in the future as part of a progressive and commercially prudent dividend policy. However, due to the continued expansion opportunities presented by the sector, the Directors do not propose a final dividend in 2017.

## 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 2017 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)

**Glenn Hayward** (Chief Financial Officer and Company Secretary) – resigned from the Board on 24 July 2017

**Desleigh Jameson** (Executive Director) – resigned from the Board on 17 August 2017

**Donald Baladasan** (Chief Financial Officer) – appointed to the Board on 24 July 2017

### Non-Executive Directors

**Mike Turner** (Non-Executive Chairman)

**Samuel Dayani**

**Thomas Rickert**

**Thomas Pridmore**

**Iain McDonald**

The biographical details of the Directors are provided on pages 20 and 21 of this 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 29 to 31 of this report.

Transactions with any parties related to the Directors are disclosed in note 26 to the Financial Statements.

## Post year end

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

## Directors' conflicts of interest

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

## Articles of Association

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

A copy of the Company's Articles of Association is available on the Group's website (<https://www.centralnic.com/investors/reports>).

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 26 to 28 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 14 to 15.

### Substantial shareholders

In addition to the Directors Interests disclosed in the Remuneration Report, the Company has been notified that the following shareholder's interests exceeded 3% of the Company's ordinary share capital in issue at 30 April 2018:

	Ordinary shares	Percentage
Erin investments	21,630,382	22.42%
Kestrel Partners LLP	17,375,593	18.01%
Living Bridge VC LLP	9,083,019	9.41%
Schroder Investment Management	7,509,131	7.78%
Jabella	5,687,891	5.89%
Cavendish Asset Management	5,643,201	5.85%
Herald Investment Management Ltd	5,025,000	5.21%
Miton Asset Management Ltd	4,128,211	4.28%
Natwest FIS Nominees	3,699,000	3.83%
Estate of Antonio Lentino	3,047,042	3.16%

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 26 to 28 is incorporated into this report by reference.

### Corporate responsibility

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

### Management and staff

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

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

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

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

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

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

The Board recognises the importance of engaged employees working within the Group and how they are vital to the future success of the business. However, given the size of the Group and the specialist nature of its technical operations, there is dependency on a few key individuals and this is discussed further in the Strategic Report on page 15.

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

### Standards accreditations

CentralNic's wholesale business is certified against ISO 27001 (Information security management), ISO 9001 (Quality management system) and ISO 22301 (Business continuity management) having achieved ISO22301 accreditation during 2016. These certifications are internationally recognised and provide CentralNic's stakeholders with additional levels of assurance as to the technical integrity of the Group's IT system.

# Directors' report continued

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

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

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

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

## Environment

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

## The community, charitable and political donations

The Directors consider the impact on the community when making decisions. During the year charitable donations totalling £nil were made (2016: £300).

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 supplier meeting their obligations.

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

## R&D activity

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

## Health and safety

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

## Business continuity

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

## Statement of Directors responsibilities in respect of the Annual Report and the Financial Statements

The Directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and applicable law.

Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- 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 Report of the Directors 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 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 and these financial statements, so far as each Director is aware there is no relevant audit information of which the Company's auditor is unaware and that he or she has taken all the steps that he or she ought to have taken as a Director in order to make himself or herself aware of any relevant audit information and to establish that the Company's auditor is aware of that information.

#### **Going concern**

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

As with all forecasts, the Directors cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty relating to future events. Principal areas of Uncertainty and Risks are highlighted on pages 14 and 15.

#### **Auditors**

The Company's independent external auditors, Crowe Clark Whitehill LLP, were initially appointed on 17 July 2013 and were most recently reappointed at the Company's Annual General Meeting of 7 June 2017. It is proposed by the Board they be put forward for reappointment as auditors and a resolution concerning their reappointment will be proposed at the forthcoming AGM.

#### **Registered office**

35-39 Moorgate, London EC2R 6AR

Registered number: 08576358

Approved by the Board and signed on it's behalf by:



**Mike Turner** Chairman

30 May 2018

#### **Cautionary statement**

Under the Companies Act 2006, a Company's Directors' are required to produce a Strategic Report which contains, among other matters, a fair review by the Directors of the Group's business, through a balanced and comprehensive analysis of the development and performance of the business of the Group and the position of the Group at the year end, consistent with the size and complexity of the business.

The Directors' Report set out above, including the Chairman's Statement, the Chief Executive's Report, and the Chief Financial Officer's Report incorporated into it by reference (together with the Directors' Report), has been prepared only for the shareholders of the Company as a whole, and its sole purpose and use is to assist shareholders to exercise their governance rights. In particular, the Directors' Report has not been audited or otherwise independently verified. The Company and its Directors and employees are not responsible for any other purpose or use or to any other person in relation to the Directors' Report.

The Directors' Report contains indications of likely future developments and other forward-looking statements that are subject to risk factors associated with, among other things, the economic and business circumstances occurring from time to time in the countries, sectors and business segments in which the Group operates.

These factors include, but are not limited to, those discussed under Principal Risks and Uncertainties. These and other factors could adversely affect the Group's results, strategy and prospects. Forward-looking statements involve risks, uncertainties and assumptions. They relate to events and/or depend on circumstances in the future which could cause actual results and outcomes to differ materially from those currently anticipated. No obligation is assumed to update any forward looking statements, whether as a result of new information, future events or otherwise.

# Corporate governance

## Introduction

The Board of CentralNic Plc places governance and controls at the centre of its strategy. CentralNic Plc 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 CentralNic Plc Group. Don Baladasan, the CFO of CentralNic Plc, chairs this committee and provides a conduit between The Board and The Compliance 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.

CentralNic takes a multi-disciplinary approach to governance as it is not possible to have strong governance being driven by one department due to departments interacting on day-to-day operations. The Compliance Committee has representation from Sales, Marketing, Technology, Operations, Legal and Finance departments. By engaging with each department and team leaders, CentralNic works to improve communication, transparency and accountability in compliance matters. CentralNic manages enforcement through well publicised guidelines and policies.

CentralNic views this approach as integral to having a compliant and robust governance structure. Governance in CentralNic is seen as a culture and is communicated to staff and embedded in policies and procedures to ensure compliance. CentralNic uses legal, industry and political frameworks to create a culture and infrastructure to attain strong governance and controls.

CentralNic sees governance not only as compliance driven requirement but as an opportunity to gain commercial sustainability and advantage. Improved compliance can build customer trust by ensuring high standards of data processing and security standards. With GDPR coming into force the measures put into place in the preceding years on data security, internal training, and experience of implementing new procedures are engaged to meet the changes required. This is done by placing all stakeholders at the centre of governance policy and implementation.

CentralNic uses formalised frameworks and directives such as MAR, ISO standards and AIM regulations to help build and maintain a compliant governance structure. Critical to the business is the infrastructure and technology CentralNic uses to provide services. Robust business continuity and disaster recovery plans are in place and tested on a regular basis. IT security policies and operational controls are in place. CentralNic continues to engage, monitor and shape internet governance at ICANN and other international forums, bodies and regulators.

A key tenet of this compliance is to look not only at procedures but also how technology and systems can drive and support compliance and manage risks appropriately.

## Board governance and policy

The Directors appreciate the value of good corporate governance and have regard to the provisions of the Corporate Governance Guidelines for Smaller Quoted Companies, published from time to time by the Quoted Companies Alliance, to the extent that they believe it is appropriate in light of the size, stage of development and resources of an AIM-quoted company.

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

In addition, procedures are in place to enable the Directors to obtain independent professional advice in the furtherance of their duties, if necessary, at the Company's expense. In line with the requirements of the Company's Articles of Association, the Group has voluntarily chosen that 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 three occasions.

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

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

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

#### **Remuneration Committee**

The Group's Remuneration Committee is responsible, on behalf of the Board, for developing remuneration policy. Details of objectives and policy are provided in the Remuneration Report on pages 29 to 30.

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; and
- 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 2017 the Committee met on four occasions.

It is the Group's policy that Executive Directors' service contracts contain at least a 3 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.

The Nominations Committee was created in September 2013 and is required to meet at least once a year. During 2017 the Committee met on one occasion.

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.



# Corporate governance continued

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 cashflow 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. The Company is also certified by the Carbon Neutral Company.

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

## **Communications with shareholders**

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

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

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

## **Annual General Meeting date**

The Annual General meeting will be convened in accordance with the provisions of the Companies Act 2006. The Annual General Meeting will take place on 25 June 2018 at 10.00am at the offices of the Company's solicitors:

## **DWF LLP**

20 Fenchurch Street  
London  
EC3M 3AG

The proposed resolutions together with proxy forms and this annual report will be distributed to shareholders by the 1 June 2018, if not before.

# 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 the annual report on page 27.

## 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 managements' interests with those of shareholders.

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

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

## Directors' remuneration

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

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

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

	Salaries & fees £'000	Bonus £'000	Pension £'000	Share-based payments £'000	2017 £'000	2016 £'000
<b>Non-Executive Directors</b>						
Samuel Dayani	–	–	–	–	–	45
Thomas Rickert	56	–	–	50	106	101
Tom Pridmore	51	–	–	50	101	106
Mike Turner	40	–	–	123	163	152
Iain McDonald	51	–	–	55	106	103
<b>Executive Directors</b>						
Robert Pooke	7	–	–	–	7	67
Ben Crawford	214	120	7	–	341	346
Glenn Hayward	182	–	10	10	202	290
Desleigh Jameson	321	–	4	29	354	213
Donald Baladasan	96	–	–	–	96	–
	1,018	120	21	317	1,476	1,423

Included in the Directors' emoluments above are the following;

- A charge of £7,000 in relation to Robert Pooke's contractual notice period which expired in February 2017 (2016: £67,000).
- There were no charges included in the year to the Company and Group by Samuel Dayani (2016: £45,000).
- There were no charges included in the year which were invoiced (2016: £11,250) by Thomas Rickert.
- There were no charges included in the year to the Company and Group by Ben Crawford FZE of which Ben Crawford has a controlling interest (2016: £66,272).
- A charge of £40,000 to the Company and Group by Taylor Wessing LLP, a partnership where Mike Turner is a partner (2016: £40,000).
- A charge of £234,000 in relation to Desleigh Jameson's contractual notice period and redundancy compensation (2016: £nil).

- A charge of £81,000 in relation to Glenn Hayward's contractual notice period (2016: £nil).
- A charge of £96,000 in the year to the Company and Group by Maxis Ltd of which Donald Baladasan has a controlling interest (2016: £nil).

## Share options

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

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 3 month intervals following the Admission (so that the options have fully vested). The unapproved options granted on 14 October 2013 vest 3 years after the date of grant (so again these options have fully vested).

# Remuneration report continued

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

Glenn Hayward (a former Director) participates in the EMI scheme, with options granted on 28 April 2015. The EMI options granted to Glenn Hayward vested on 10 February 2017.

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

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

further unapproved options issued to Tom Pridmore and Thomas Rickert, both with a vesting date of 3 February 2019.

No options were issued to the Directors during the year.

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

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

The table below shows the outstanding share options issued to Directors and former Directors at 31 December 2017:

	Number of options	Exercise price	Options granted
<b>Outstanding at 1 January 2017 and 31 December 2017</b>			
Ben Crawford	1,316,000	10p	1 June 2013
Donald Baladasan	52,083	10p	1 June 2013
Ben Crawford	850,000	55p	14 October 2013
Thomas Rickert	88,000	55p	14 October 2013
Tom Pridmore	88,000	55p	14 October 2013
Glenn Hayward (former Director)	500,000	35p	28 April 2015
Mike Turner	750,000	40p	4 February 2016
Iain McDonald	350,000	40p	4 February 2016
Thomas Rickert	350,000	40p	4 February 2016
Tom Pridmore	350,000	40p	4 February 2016
Desleigh Jameson (former Director)	200,000	40p	4 February 2016
<b>Total</b>	<b>4,894,083</b>		

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

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

In addition, a further 2,035,083 options over ordinary shares were in issue at 31 December 2017 (2016: 2,150,083), being held by the Group's employees.

The IFRS2 charge in the year for all share option plans relating to the Directors was £452,989 (2016: £497,806).

On 31 December 2017, the closing market price of CentralNic Group plc ordinary shares was 62 pence. The highest and lowest price of these shares in the year were 68.0 pence between 25 August and 8 September 2017 and 46.25 pence during April 2017 respectively.

### Directors' interests

(a) As at 31 December 2017, the interests of the Directors (including Directors who were appointed during the year and those who retired), including persons connected with the Directors within the meaning of section 252 of the Companies Act 2006, in the issued share capital of the Company are as follows:

	Ordinary Shares	Percentage
Erin Invest & Finance Ltd*	21,630,382	22.56%
Jabella Group Ltd**	5,687,891	5.93%
Natwest FIS Nominees***	3,699,000	3.86%
Donald Baladasan	72,917	0.08%
Iain McDonald****	11,500	0.01%

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

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

\*\*\* 5,687,891 Ordinary Shares are held by Jabella Group Limited in which Natwest FIS Nominee Limited has a 8.30 per cent interest and Erin Invest & Finance Ltd has a 53.30 per cent interest

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

There are no changes to this information as at the date of this report.

(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 Document, no Director has any option over any warrant to subscribe for any shares in the Company.

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

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

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

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

# Independent auditors report

to the Members of CentralNic Group plc

## Opinion

We have audited the financial statements of CentralNic Group plc (the "Parent Company") and its subsidiaries (the "Group") for the year ended 31 December 2017, which comprise:

- the Group income statement and statement of comprehensive income for the year ended 31 December 2017;
- the Group and parent company statements of financial position as at 31 December 2017;
- the Group statement of cash flows for the year then ended;
- the Group 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 Group 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 and Republic of Ireland (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 2017 and of the Group's profit for the period then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which ISAs (UK) require us to report to you when:

- The directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- The directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Group's or the parent company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

## Overview of our audit approach

### Materiality

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

Based on our professional judgement, we determined overall materiality for the Group financial statements as a whole to be £200,000 (2016: £170,000). In determining this, we considered a range of benchmarks with specific focus and weighting on revenue (0.75% of Group revenue) and profit (8% of Group profit) 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 £6,000. Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

## Overview of the scope of our audit

We conducted full scope audit work, engaging where appropriate with component auditors, in four countries (UK, Australia, New Zealand and Slovakia) 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 and Slovakia, where the work was performed by two 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 and reviewed all relevant working papers. 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 1.

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the

allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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 SK-Nic A.S. business combination as a significant audit risk was specific for the current year ended 31 December 2017, being the year of acquisition.
- The assessment of the Instra Holdings business combination was specific for the prior year ended 31 December 2016.

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 in the audit of the group

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

### Revenue recognition

The Group's operating revenue arises from domain sales, consultancy services, corporate revenues and software licensing services and amounted to £24.3 million for the year ended 31 December 2017.

The revenue recognition for these various revenue streams is sometimes different to the timing of cash flows received and is recognised in the accounting period in which the services are rendered, as per the Group's accounting policy in Note 3 to the financial statements.

Revenue is a key measure of the financial performance of the Group, and in our view is of particular interest to the users of the financial statements in assessing the performance of the Group.

We obtained an understanding of the revenue agreements and evaluated the Group's processes and controls in place to calculate the amount and timing of subscription and activity based revenue transactions.

We performed the following audit procedures on a sample basis, for both existing and new contracts, to assess the appropriateness of revenue recognition for individual transactions:

- assessed the appropriateness of the allocation of various revenue elements with reference to the terms of the contract;
- ensured revenue recognised from subscription fees was supported by signed contracts;
- assessed the existence of debtors through testing to contracts, cash received where applicable and a review of credit notes issued after year-end;
- assessed that revenue was recognised in the correct period, agreeing back to supporting documentation the contract price and the period in which the services were delivered.



# Independent auditors report continued

## Key audit matter in the audit of the group

## 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)

During the year, the Group completed the acquisition of SK-Nic a.s. as disclosed in Note 25. The Group has determined this acquisition to be a business combination for which the 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.

The Group used projected financial information in the purchase price allocation ('PPA') exercise.

Management use their best knowledge to make estimates when utilising the Group's valuation methodologies. In order to determine the fair value of the separately identifiable intangible assets on a business combination, the valuation methodologies require input based on assumptions about the future and use discounted cash flows and cash flow forecasts.

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

Our procedures included the following:

- 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;
- We used our knowledge of the acquired business, and its industry, to assess the cash flow forecasts used to determine the value of intangible assets recognised on date of acquisition. We challenged the key assumptions used to determine the value of intangible assets, including those relating to growth rates and discount rates; and
- Assessing the disclosures in respect of the business combination.

### Carrying value of goodwill, investments and intangible assets

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.

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

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

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

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

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

#### **Other information**

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

We have nothing to report in this regard.

#### **Opinion on other matter prescribed by the Companies Act 2006**

In our opinion based on the work undertaken in the course of our audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report and strategic report have been prepared in accordance with applicable legal requirements.

#### **Matters on which we are required to report by exception**

In light of the knowledge and understanding of the group and the parent company and their environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### **Responsibilities of the directors for the financial statements**

As explained more fully in the directors' responsibilities statement set out on page 24, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the group's and parent company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the group or the parent company or to cease operations, or have no realistic alternative but to do so.

# Independent auditors report continued

## **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://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 Clark Whitehill LLP  
Statutory Auditor  
London

30 May 2018

# Consolidated statement of comprehensive income

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
Revenue	5,6	24,348	22,129
Cost of sales		(14,554)	(14,462)
Gross profit		9,794	7,667
Administrative expenses		(7,453)	(5,637)
Share based payments expense		(453)	(621)
<b>Operating profit</b>		<b>1,888</b>	<b>1,409</b>
Adjusted EBITDA*		6,607	5,483
Depreciation	13	(100)	(125)
Amortisation of intangible assets	14	(2,184)	(2,066)
Acquisition costs & settlement items	9	(1,982)	(1,262)
Share based payments expense	28	(453)	(621)
<b>Operating profit</b>		<b>1,888</b>	<b>1,409</b>
Finance income	10	19	18
Finance costs	10	(536)	(270)
Finance income costs	10	(517)	(252)
<b>Profit before taxation</b>	7	<b>1,371</b>	<b>1,157</b>
Income tax expense	11	(349)	(202)
<b>Profit after taxation attributable to equity shareholders</b>		<b>1,022</b>	<b>955</b>
<b>Items that may be reclassified subsequently to profit and loss</b>			
Exchange difference on translation of foreign operation		(302)	1,910
Cash flow hedges – effective portion of changes in fair value		–	(245)
<b>Total comprehensive income for the financial year attributable to equity shareholders</b>		<b>720</b>	<b>2,620</b>
	Note	2017 pence	2016 pence
<b>Earnings per share</b>			
Basic (pence)	12	1.07	1.00
Diluted (pence)	12	1.04	0.97

\*Earnings before interest, tax, depreciation and amortisation, acquisition costs, settlement items and non-cash charges.

All amounts relate to continuing activities.

The notes on pages 41 to 70 form an integral part of these financial statements.

# Consolidated statement of financial position

As at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	13	208	161
Intangible assets	14	53,460	29,822
Deferred receivables	15	1,050	1,486
Investments	16	997	997
Deferred tax assets	22	1,502	1,121
		<b>57,217</b>	<b>33,587</b>
<b>Current assets</b>			
Trade and other receivables	17	14,054	11,529
Inventory		327	390
Cash and bank balances	18	10,862	9,902
		<b>25,243</b>	<b>21,821</b>
<b>Total assets</b>		<b>82,460</b>	<b>55,408</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	19	96	96
Share premium	19	16,545	16,545
Merger relief reserve	19	1,879	1,879
Share based payments reserve		2,507	2,004
Foreign exchange translation reserve		1,608	1,910
Foreign currency hedging reserve		–	–
Retained earnings		3,817	2,785
<b>Total equity</b>		<b>26,452</b>	<b>25,219</b>
<b>Non-current liabilities</b>			
Other payables	20	5,634	3,820
Deferred tax liabilities	22	5,519	3,282
Borrowings	24	15,541	1,324
		<b>26,694</b>	<b>8,426</b>
<b>Current liabilities</b>			
Trade and other payables and accruals	23	27,047	19,947
Taxation payable		413	783
Borrowings	24	1,854	1,033
		<b>29,314</b>	<b>21,763</b>
<b>Total liabilities</b>		<b>56,008</b>	<b>30,189</b>
<b>Total equity and liabilities</b>		<b>82,460</b>	<b>55,408</b>

These financial statements were approved and authorised for issue by the Board of Directors on 30 May 2018 and were signed on its behalf by:



Mike Turner Chairman

Company Number: 08576358

The notes on pages 41 to 70 form an integral part of these financial statements.

# Consolidated statement of changes in equity

for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Merger relief reserve £'000	Share based payments reserve £'000	Foreign exchange translation reserve £'000	Foreign currency hedging reserve £'000	Retained earnings £'000	Total £'000
<b>Balance as at 31 December 2015</b>	92	16,522	–	1,390	–	245	1,797	20,046
Profit for the year	–	–	–	–	–	–	955	955
<b>Other comprehensive income</b>								
Translation of foreign operation	–	–	–	–	1,910	–	–	1,910
Cash flow hedge	–	–	–	–	–	(245)	–	(245)
Total comprehensive income for the year	–	–	–	–	1,910	(245)	955	2,620
<b>Transactions with owners</b>								
Issue of new shares	4	23	1,879	–	–	–	–	1,906
Share based payments	–	–	–	621	–	–	–	621
Share based payments – reclassify lapsed options	–	–	–	(33)	–	–	33	–
Share based payments – deferred tax asset	–	–	–	26	–	–	–	26
<b>Balance as at 31 December 2016</b>	96	16,545	1,879	2,004	1,910	–	2,785	25,219
Profit for the year	–	–	–	–	–	–	1,022	1,022
<b>Other comprehensive income</b>								
Translation of foreign operation	–	–	–	–	(302)	–	–	(302)
Total comprehensive income for the year	–	–	–	–	(302)	–	1,022	720
<b>Transactions with owners</b>								
Share based payments	–	–	–	453	–	–	–	453
Share based payments – reclassify lapsed options	–	–	–	(10)	–	–	10	–
Share based payments – deferred tax asset	–	–	–	60	–	–	–	60
<b>Balance as at 31 December 2017</b>	96	16,545	1,879	2,507	1,608	–	3,817	26,452

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

The notes on pages 41 to 70 form an integral part of these financial statements.



# Consolidated statement of cash flows

for the year ended 31 December 2017

	Note	2017 £'000	2016 £'000
<b>Cash flow from operating activities</b>			
Profit before taxation		1,371	1,157
Adjustments for:			
Depreciation of property, plant and equipment		100	124
Amortisation of intangible assets		2,184	2,066
Finance cost – net		428	130
Share based payments		453	621
Decrease/(increase) in trade and other receivables		1,196	(4,066)
(Decrease)/increase in trade and other payables and accruals		(1,011)	3,350
Decrease in inventories		77	474
<b>Cash flow from operations</b>		<b>4,798</b>	<b>3,856</b>
Income tax paid		(1,098)	(538)
<b>Net cash flow generated from operating activities</b>		<b>3,700</b>	<b>3,318</b>
<b>Cash flow used in investing activities</b>			
Purchase of property, plant and equipment		(104)	(145)
Purchase of intangible assets		(415)	(350)
Acquisition of a subsidiary, net of cash acquired	25	(17,368)	(14,831)
<b>Net cash flow used in investing activities</b>		<b>(17,887)</b>	<b>(15,326)</b>
<b>Cash flow used in financing activities</b>			
Proceeds from borrowings (net)		15,298	2,625
Proceeds from issuance of ordinary shares		–	23
Payment of deferred consideration		–	(36)
<b>Net cash flow generated from financing activities</b>		<b>15,298</b>	<b>2,612</b>
Net increase/(decrease) in cash and cash equivalents		1,111	(9,396)
Cash and cash equivalents at beginning of the year		9,902	19,060
Exchange (losses)/gains on cash and cash equivalents		(151)	238
<b>Cash and cash equivalents at end of the year</b>		<b>10,862</b>	<b>9,902</b>
Bank borrowings		(18,078)	(2,625)
<b>Net (debt)/cash excluding issue costs of debt</b>		<b>(7,216)</b>	<b>7,277</b>

The notes on pages 41 to 70 form an integral part of these financial statements.

# Notes to the consolidated financial statements

for the year ended 31 December 2017

## 1. General information

### (a) Nature of operations

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

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

### (b) Component undertakings

The principal activities of the subsidiaries and other entities included in the financial statements are presented within the Particulars of Subsidiaries and Associates on pages 78 and 79 of these financial statements.

## 2. Application of IFRS

### (a) Basis of preparation

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

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

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

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

A number of new standards and amendments to standards and interpretations have been issued but are not yet effective and in some cases have not yet been adopted by the EU.

As described below, the Directors have completed their detailed review of IFRS 9 and IFRS 15 and concluded that the adoption of these standards would have no material impact on Financial Instruments and Revenue Recognition respectively from the next set of financial statements. Whilst Directors carry out their detailed review on IFRS 16, which is effective from 1 January 2019, it is currently expected that no material impact will arise from the adoption of this standard.

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

IFRS 9 relates to Financial Instruments which contains the requirement for a) the classification and measurement of financial assets and financial liabilities, b) Impairment methodology, and c) general hedge accounting. As disclosed in note 29, the Group measures its financial assets and liabilities and accounts for any expected credit losses on the basis of fair value recognition. Therefore, the adoption of the IFRS 9 causes no material impact on the financial statements.

# Notes to the consolidated financial statements continued

## 3. Summary of significant accounting policies

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

### (a) Basis of consolidation

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

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

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

### (b) Business combinations

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

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

If the business combination is achieved in stages, any previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of IAS 39 Financial Instruments: Recognition and Measurement, is measured at fair value with changes in fair value recognised in profit or loss. If the contingent consideration is not within the scope of IAS 39, it is measured in accordance with the appropriate IFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 reassessment 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) Functional and presentation currency

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

### 3. Summary of significant accounting policies *continued*

#### **(ii) Transactions and balances**

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

#### **(iii) Group companies**

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

- a) assets and liabilities for each statement of financial position are translated at the closing rate at the date of that statement of financial position;
- b) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing at the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions).
- c) All resulting exchange differences are recognised in other comprehensive income.

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

#### **(d) Financial instruments**

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

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

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

Financial instruments recognised in the pro forma aggregated statements of financial position are disclosed in the individual policy statement associated with each item.

#### **(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.

##### **Derivative financial instruments**

###### *Cash flow hedge*

Derivatives are initially recognised at fair-value on the date a derivative contract is entered into and are subsequently re-measured at their fair-value. The method of recognising the resulting gain or loss depends on whether the derivative is designated a hedging instrument and if so, the nature of the item being hedged.

The Group has only undertaken hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedges).

# Notes to the consolidated financial statements **continued**

## 3. Summary of significant accounting policies **continued**

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives which are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion, if any, is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to profit and loss in the period or periods that the hedged item affects profit and loss. When a hedging instrument expires or is sold, or where a hedge no longer meets the criteria for hedge accounting any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss which was reported in equity is immediately transferred to the income statement.

### *Cash and bank balances*

Cash and bank balances comprise cash balances that are subject to insignificant risk of changes in their fair value and are used by the CentralNic Group in the management of its short-term commitments.

### **(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 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.

### **(e) Property, plant, and equipment**

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

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

	UK	Australia	New Zealand	Germany	Slovakia
Depreciation method	Reducing Balance	Reducing Balance	Reducing Balance	Straight Line	Straight Line
Computer equipment	60% – 65%	25%	25%	33%	20%
Furniture and fittings	15% – 20%	5-10%	5-20%	10%	20%

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

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

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

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

#### **(f) Intangible assets**

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

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

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

The useful economic life for the software acquired as part of the Internet.BS, Instra and SK-NIC acquisitions is five years with the customer list acquired being amortised over ten 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; and
- the expenditure attributable to the software product during its development can be reliably measured.
- that there are adequate technical and finance resources available to complete this development.

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

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

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

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



# Notes to the consolidated financial statements continued

## 3. Summary of significant accounting policies continued

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**

#### **(i) Impairment of financial assets**

Financial assets not categorised at fair value through profit or loss are assessed at the end of each reporting period to determine whether there is any objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that loss event(s) had an impact on the estimated future cash flows of the asset. Objective evidence that financial assets are impaired includes default or delinquency by a debtor and the restructuring of an amount due to the CentralNic Group on terms that the CentralNic Group would not consider otherwise.

An impairment loss in respect of a financial asset measured at amortised cost, including other receivables and deposits, is recognised in profit or loss and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate. Losses are recognized in profit or loss and reflected in an allowance account against the amounts receivable.

When the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

#### **(ii) Impairment of non-financial assets**

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

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

An impairment loss is recognised in profit or loss immediately.

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

### **(h) Cash and cash equivalents**

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

### **(i) Employee benefits**

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

### **(j) Leases**

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

### 3. Summary of significant accounting policies *continued*

#### **(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.

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.

# Notes to the consolidated financial statements continued

## 3. Summary of significant accounting policies continued

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 amounts of revenue and cost can be measured reliably. In particular:

#### (i) Sale of Wholesale (“registry”) services for domain names (“Wholesale Domain sales”)

Wholesale revenues are generated from the provision of wholesale and related services between a registrar and registry operator. The sub revenue streams would be those of new registrations and renewals. The division performs the role of both the registry operator and registry service provider for the legacy proprietary domains that the company owns and operates. For third party domain names, the division provides the registry service provision, whether this be purely technical provision, or incorporate marketing and billing and cash collection services. An invoice under the Wholesale Division could cover the sale of a domain name for a fixed term period which could vary between one and ten years. An invoice generated to the registrar is offset by invoice from the registry operator to derive net revenues. 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.’

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

#### (ii) Sale of Retail (“registrar”) services for domain names (“Retail Domain sales”)

Retail revenues are generated from the provision of retail and similar services to domain registrants and resellers. 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. The transaction constitutes a term period which may vary between one and ten years. 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’. These revenues are matched to deferred wholesale costs which cover the same period of the underlying sale.

#### (iii) Sale of Enterprise services including premium domain names (“Enterprise including Premium Domain Name Sales”)

Revenue from enterprise services and premium domain name sales are recognised in profit and loss at the point of sale. 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. Where no adaptations are required revenue is recognised on delivery.

Revenue from strategic consultancy and similar services is recognised in profit and loss in proportion to the stage of completion of the assignment at the reporting date. The stage of completion is determined based on completion of work performed.

## 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 or 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 available for sale assets held at fair value, 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 investments, tangible and intangible 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.

Judgement was exercised in determining the fair value of the SK-NIC a.s. acquisition. Further details are set out in note 25.

# Notes to the consolidated financial statements continued

## 5. Segment analysis

CentralNic is an independent global domain name service provider. It provides Wholesale, Retail and Enterprise 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 segmental analysis is organised around the products and services of the business.

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

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

	2017					
	Revenue £'000	Adjusted EBITDA £'000	Non-current assets £'000	Current assets £'000	Non-current liabilities £'000	Current liabilities £'000
Wholesale Domain Sales	4,706	2,098	29,514	13,896	22,203	19,530
Retail Domain Sales	15,577	2,650	27,571	11,070	4,491	9,759
Enterprise including Premium Domain Name Sales	4,065	2,828	132	277	–	25
Group overheads including costs associated with public company status	–	(969)	–	–	–	–
	<b>24,348</b>	<b>6,607</b>	<b>57,217</b>	<b>25,243</b>	<b>26,694</b>	<b>29,314</b>

	2016					
	Revenue £'000	Adjusted EBITDA £'000	Non-current assets £'000	Current assets £'000	Non-current liabilities £'000	Current liabilities £'000
Wholesale Domain Sales	3,176	1,237	2,901	12,614	1,775	13,578
Retail Domain Sales	14,320	2,417	30,564	8,848	6,651	8,159
Enterprise including Premium Domain Name Sales	4,633	2,785	122	359	–	26
Group overheads including costs associated with public company status	–	(956)	–	–	–	–
	<b>22,129</b>	<b>5,483</b>	<b>33,587</b>	<b>21,821</b>	<b>8,426</b>	<b>21,763</b>

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

	2017			
	Non-current assets £'000	Current assets £'000	Non-current liabilities £'000	Current liabilities £'000
UK	3,260	14,817	16,346	18,257
North America	–	117	–	(12)
Europe	25,874	689	5,857	2,623
Australasia	23,471	5,824	4,491	5,766
ROW	3,036	3,796	–	2,680
	<b>55,641</b>	<b>25,243</b>	<b>26,694</b>	<b>29,314</b>

## 5. Segment analysis continued

	2016			
	Non-current assets £'000	Current assets £'000	Non-current liabilities £'000	Current liabilities £'000
UK	2,993	13,781	5,010	13,786
North America	–	33	–	(123)
Europe	9	135	–	26
Australasia	25,817	4,804	3,023	5,803
ROW	3,647	3,068	393	2,271
	32,466	21,821	8,426	21,763

## 6. Revenue

The Wholesale Division generated its revenue from sale of domain names totalling £4,105,000 (2016: £3,112,000) and £601,000 (2016: £64,000) from consultancy and other services. The Retail Division wholly represents revenue from provision of reselling domain names totalling £15,577,000 (2016: £14,320,000). The Enterprise Division generates its revenue from sale of premium domain names amounting to £2,992,000 (2016: £3,744,000), corporate revenues of £590,000 (2016: £574,000), software licensing revenues of £287,000 (2016: £150,000) and dotbrand revenues of £196,000 (2016: £165,000).

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

	2017 £'000	2016 £'000
<b>Wholesale Domain Sales</b>		
UK	451	805
North America	1,092	904
Europe	1,260	451
ROW	1,903	1,016
	4,706	3,176

	2017 £'000	2016 £'000
<b>Retail Domain Sales</b>		
UK	1,402	1,215
North America	3,209	3,416
Europe	4,285	3,723
ROW	6,681	5,966
	15,577	14,320

	2017 £'000	2016 £'000
<b>Enterprise including Premium Domain Name Sales</b>		
UK	–	4
North America	2,697	3,745
Europe	811	575
ROW	557	309
	4,065	4,633

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

The Wholesale Division had one customer that representing more than 10% of the division's revenue at £613,000 (2016: none). No single customer contributes greater than 10% or more of the retail domain sales.

The enterprise including premium domain name sales were principally driven by premium domain name sales of £2,992,000 (2016: £3,744,000) of which £2,638,000 was made to one customer (2016: £3,555,000 to one customer).



# Notes to the consolidated financial statements continued

## 6. Revenue continued

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

	2017 £'000	2016 £'000
<b>Revenue by customer location</b>		
United States of America	6,054	7,552
United Kingdom	1,603	1,580
Australia	1,434	1,359
China	1,369	670
Germany	866	908
United Arab Emirates	687	595
France	562	488
Singapore	523	476
Italy	508	436
Hong Kong	452	406
New Zealand	404	346
Canada	402	351
Russian Federation	341	325
Chile	268	426
Switzerland	232	225
India	226	199
Other	8,417	5,787
	<b>24,348</b>	<b>22,129</b>

## 7. Profit before taxation

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

	2017 £'000	2016 £'000
Employee benefit expense – wages and salaries	3,788	3,057
Employee benefit expense – social security	354	275
Employee benefit expense – pension	178	132
Employee benefit expense – share based payments	136	123
Staff consultancy fees	468	567
Directors' remuneration – fees and salaries	843	925
Directors' remuneration – share based payments	317	498
Operating leases – land and buildings	162	148
Operating leases – equipment	451	431
Fees payable to the company's auditor for the audit of Parent Company and consolidated financial statements – UK auditor office	55	50
Fees payable to the company's auditor for the audit of subsidiary companies – Overseas auditor associates	50	45
Fees payable to company's auditors for due diligence and other acquisition costs	102	128
Net loss/(gain) on foreign currency translation	588	(567)
Depreciation and amortisation expense	2,284	2,190

## 8. Employee information

The average number of persons employed by the Group (excluding Directors) during the year were 92 (2016: 87), analysed by category, as follows;

	2017 Number	2016 Number
Management and finance	10	7
Technical	28	29
Sales and marketing	23	21
Administrative	5	6
Operations	26	24

### Key management personnel

Total remuneration of key management personnel being the Directors and key senior personnel is £2,360,000 (2016: £1,810,000), and is set out below in aggregate for each of the categories specified in IAS24, related party disclosures.

	2017			2016		
	Directors £'000	Senior key personnel £'000	Total £'000	Directors £'000	Senior key personnel £'000	Total £'000
Wages and salaries	621	743	1,364	623	328	951
Employers NI	68	70	138	57	18	75
Pension	21	37	58	16	16	32
Share based payments	317	35	352	498	25	523
Directors consultancy fees	133	–	133	162	–	162
Settlements	315	–	315	67	–	67
	<b>1,475</b>	<b>885</b>	<b>2,360</b>	<b>1,423</b>	<b>387</b>	<b>1,810</b>

The Group made contributions to defined contribution personal pension schemes for 6 Directors in the period (2016: 5). The number of individuals included within the senior key personnel increased to 8 (2016: 4). Included in the above tables, the highest paid Director had wages and salaries including pensions of £90,000 (2016: £162,000), Director's consultancy fees £nil (2016: 66,000), share based expense of £29,000 (2016: £118,000), and settlement payments of £234,000 (2016: nil) totalling to £353,000 (2016: £346,000).

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

## 9. Acquisition costs and settlement costs

	2017 £'000	2016 £'000
Acquisition related costs	1,554	1,094
Costs in relation to Director and employee settlements	428	–
Other non trading items	–	168
	<b>1,982</b>	<b>1,262</b>

# Notes to the consolidated financial statements continued

## 10. Finance income and costs

	2017 £'000	2016 £'000
Interest income on loans to shareholders	17	18
Interest income on loans to Accent Media Ltd (related party)	2	–
<b>Finance income</b>	<b>19</b>	<b>18</b>
Interest expense on short-term borrowings	(7)	–
Interest expense on long-term bank borrowings	(529)	(232)
Cash flow hedges	–	(38)
<b>Finance costs</b>	<b>(536)</b>	<b>(270)</b>
<b>Net finance costs</b>	<b>(517)</b>	<b>(252)</b>

## 11. Income tax expense

	2017 £'000	2016 £'000
Current tax on profits for the year	887	282
Adjustments in respect of prior years	(45)	(48)
Current income tax	842	234
Deferred income tax (note 22)	(493)	(32)
Income tax expense	349	202

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:

	2017 £'000	2016 £'000
Profit before taxation	1,371	1,157
Tax calculated at domestic tax rates applicable to profits in the respective countries	204	158
Tax effects of:		
– Expenses not deductible for tax purposes	199	82
– Unutilised tax losses	(9)	10
Adjustment in respect of prior years	(45)	(48)
Current income tax	349	202

## 11. Income tax expense continued

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 25.4% (2016: 17.5%).

In the UK, the applicable statutory tax rate for 2017 is 19% (2016: 20%).

In the USA, federal taxes are due at 15% on taxable income. Under California tax legislation a statutory minimum of \$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 c.17% is also levied with rates determined by the municipality.

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.

	2017	2016
Profit after tax attributable to owners (£'000)	1,022	955
<b>Weighted average number of shares:</b>		
Basic	95,894,348	95,632,390
Effect of dilutive potential ordinary shares	2,922,785	2,745,348
Diluted	98,817,133	98,377,738
<b>Earnings per share:</b>		
Basic (pence)	1.07	1.00
Diluted (pence)	1.04	0.97

# Notes to the consolidated financial statements continued

## 13. Property, plant and equipment

	Computer equipment £'000	Furniture and fittings £'000	Total £'000
<b>Cost</b>			
At 1 January 2016	356	38	394
Additions	139	6	145
Acquisition of Subsidiary	31	32	63
Exchange differences	51	25	76
Disposals	(12)	–	(12)
At 31 December 2016	565	101	666
Additions	103	1	104
Acquisition of Subsidiary	47	–	47
Exchange differences	(7)	(6)	(13)
Disposals	(1)	–	(1)
<b>At 31 December 2017</b>	<b>707</b>	<b>96</b>	<b>803</b>
<b>Accumulated depreciation</b>			
At 1 January 2016	297	32	329
Charge for the year	112	13	125
Exchange differences	45	18	63
Disposals	(12)	–	(12)
At 31 December 2016	442	63	505
Charge for the year	91	9	100
Exchange differences	(2)	(7)	(9)
Disposals	(1)	–	(1)
<b>At 31 December 2017</b>	<b>530</b>	<b>65</b>	<b>595</b>
<b>Property, plant, and equipment, net</b>			
<b>At 31 December 2017</b>	<b>177</b>	<b>31</b>	<b>208</b>
At 31 December 2016	123	38	161

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

## 14. Intangible assets

	Domain names £'000	Software £'000	Customer List £'000	Goodwill £'000	Total £'000
<b>Cost or deemed cost</b>					
At 1 January 2016	2,340	1,064	2,548	1,573	7,525
Additions	–	350	–	–	350
Acquisition of Subsidiary	1,121	1,615	8,738	11,774	23,248
Reclassification	(2,295)	–	–	–	(2,295)
Exchange Differences	–	265	1,430	1,956	3,651
At 31 December 2016	1,166	3,294	12,716	15,303	32,479
Additions	–	415	–	–	415
Acquisition of Subsidiary	–	132	11,709	13,839	25,680
Reclassification	(25)	–	–	–	(25)
Exchange Differences	–	(36)	(87)	(134)	(257)
<b>At 31 December 2017</b>	<b>1,141</b>	<b>3,805</b>	<b>24,338</b>	<b>29,008</b>	<b>58,292</b>
<b>Amortisation</b>					
At 1 January 2016	1,473	280	382	–	2,135
Charge for the year	196	640	1,230	–	2,066
Reclassification	(1,544)	–	–	–	(1,544)
At 31 December 2016	125	920	1,612	–	2,657
Charge for the year	104	761	1,319	–	2,184
Reclassification	(9)	–	–	–	(9)
<b>At 31 December 2017</b>	<b>220</b>	<b>1,681</b>	<b>2,931</b>	<b>–</b>	<b>4,832</b>
<b>Intangible assets, net</b>					
<b>At 31 December 2017</b>	<b>921</b>	<b>2,124</b>	<b>21,407</b>	<b>29,008</b>	<b>53,460</b>
At 31 December 2016	1,041	2,374	11,104	15,303	29,822

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

Certain domain names previously held as intangible assets were reclassified to stock held for resale in the 2017 and the 2016 periods.

### 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 as follows:

	Customer list		Goodwill	
	2017 £'000	2016 £'000	2017 £'000	2016 £'000
Wholesale Division	11,727	–	13,957	–
Retail Division	9,680	11,104	14,933	15,189
Enterprise Division	–	–	118	114
Total carrying value	21,407	11,104	29,008	15,303

The recoverable amount of goodwill of £29,008,000 (2016: £15,303,000) at 31 December 2017, is determined based on a value in use using cash flow projections from financial budgets approved by senior management covering a three year period. Cash flow projections beyond the three year timeframe 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 10.0%. As a result of the analysis, management did not identify any impairment of goodwill.



# Notes to the consolidated financial statements continued

## 14. Intangible assets continued

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

	Growth rates
Wholesale Division	9%
Retail Division	1%
Enterprise Division	–%

### Discount rates

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

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

## 15. Deferred receivables

	2017 £'000	2016 £'000
Deferred costs	976	1,486
Amounts due from related parties	74	–
	<b>1,050</b>	<b>1,486</b>

In June 2017 the Company loaned Accent Media Ltd \$100k (£74k). The loan is due for repayment in three years and accrues interest at 5% which is payable quarterly in arrears. The deferred costs are prepaid invoices for a period over 12 months relating to domain name purchases from wholesalers

## 16. Investments

### Available for sale investments carried at fair value

	£'000
At 31 December 2016	997
Additions	–
<b>At 31 December 2017</b>	<b>997</b>

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 2017 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.

## 16. Investments continued

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. The Directors have considered that whilst Accent Media Limited continues to be at an early-stage, more recent developments within the business provide indicators that it is now anticipated to progress during 2018/19 in line with the expectations set when the initial investment was made by the Group.

For the corroborative valuation measures determined by use of DCF techniques, the key significant unobservable inputs include cumulative average growth rate, weighted average cost of capital and expected operating margins. A reasonable change to the input assumptions, such as 2% change in weighted average cost of capital would lead to an increase or decrease in the value of this investment of approximately £250,000.

In the event that the performance of Accent Media Limited does not meet future expectations there is a risk that a reduction in the fair value of the investment could arise. The net assets of Accent Media Limited (in which the Group has 10.4% shareholding) in the most recently publicly available unaudited financial statements for the year ended 31 March 2017 were £3,619,466.

## 17. Trade and other receivables

	2017 £'000	2016 £'000
Trade receivables	3,826	5,361
Accrued revenue	3,056	1,123
Deferred costs	3,435	3,315
Prepayments	222	163
Supplier payments on account	563	376
Amounts due from shareholders	764	747
Other receivables	2,188	444
	<b>14,054</b>	<b>11,529</b>

As of 31 December 2017, trade receivables of £294,000 (2016: £451,000) were past due but not impaired. These primarily relate to four customers for whom there is considered a low risk of default.

The aging of the trade receivables past due but not impaired is as follows; 0-30 days £3,000 (2016: £163,000), 30-60 days £46,000 (2016: £229,000), 60-90 days £20,000 (2016: £29,000), and over 90 days £225,000 (2016: £30,000).

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 Internet.BS retail business.

Amounts due from shareholders represent amounts due from Jabella Group Limited, a shareholder during the period. Amounts due from Jabella Group Limited were interest free until 31 August 2013, from which time the balance accrued interest at 2% above LIBOR (2017: £17,359; 2016: £17,749). The loan was granted in August 2011 for an initial term of five years, the balance is currently £764,000. The loan is now repayable on demand.

The Directors are reviewing the terms of the loan and consider the loan to be fully recoverable. The Directors consider that the fair value of this receivable is not materially different from the carrying value.

# Notes to the consolidated financial statements continued

## 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	2017 £'000	2016 £'000
GBP	1,530	939
USD	7,202	7,428
EUR	1,884	1,171
AUD	157	203
NZD	32	159
CAD	54	–
Other	3	2
	<b>10,862</b>	<b>9,902</b>

## 19. Share capital

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

Ordinary shares of 0.1 pence each	Number	Share capital £'000	Share premium £'000	Merger relief reserve £'000
<b>At 31 December 2016 and 31 December 2017</b>	<b>95,894,348</b>	<b>96</b>	<b>16,545</b>	<b>1,879</b>

The Company has no authorised share capital.

## 20. Non-current other payables

	2017 £'000	2016 £'000
Deferred revenue	2,282	3,820
Deferred consideration	3,352	–
	<b>5,634</b>	<b>3,820</b>

## 21. Reserves

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

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

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

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

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

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

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

## 22. Deferred tax

	Share-based payments £'000	Losses £'000	Other temporary differences £'000	Total £'000
<b>Deferred tax assets</b>				
At 1 January 2016	168	–	–	168
Acquisition of subsidiary	–	–	835	835
(Charge)/credit to income	79	194	(357)	(84)
(Charge)/credit to equity	26	–	–	26
Exchange differences	–	–	176	176
At 31 December 2016	273	194	654	1,121
Acquisition of subsidiary	–	–	95	95
(Charge)/credit to income	205	27	17	249
(Charge)/credit to equity	60	–	–	60
Exchange differences	–	–	(23)	(23)
<b>At 31 December 2017</b>	<b>538</b>	<b>221</b>	<b>743</b>	<b>1,502</b>

	SK-NIC intangible assets £'000	Intra intangible assets £'000	Other temporary differences £'000	Total £'000
<b>Deferred tax liabilities</b>				
At 1 January 2016	–	–	65	65
Acquisition of subsidiary	–	3,002	–	3,002
(Credit)/charge to income	–	(399)	(18)	(417)
Exchange differences	–	632	–	632
At 31 December 2016	–	3,235	47	3,282
Acquisition of subsidiary	2,451	–	–	2,451
(Credit)/charge to income	(5)	(286)	47	(244)
(Credit)/charge to other comprehensive income	–	–	(53)	(53)
Exchange differences	23	60	–	83
<b>At 31 December 2017</b>	<b>2,469</b>	<b>3,009</b>	<b>41</b>	<b>5,519</b>

## 23. Trade and other payables and accruals

	2017 £'000	2016 £'000
Trade payables	3,091	3,120
Accrued expenses	7,024	4,596
Other taxes and social security	208	220
Deferred consideration	523	–
Deferred revenue	9,218	7,375
Customer payments on account	6,877	4,602
Accrued interest	70	22
Other liabilities	36	12
	<b>27,047</b>	<b>19,947</b>

# Notes to the consolidated financial statements continued

## 24. Borrowings

	2017 £'000	2016 £'000
<b>Non-current</b>		
Bank borrowings	16,078	1,458
Prepaid finance costs	(537)	(134)
	15,541	1,324
<b>Current</b>		
Bank borrowings	2,000	1,167
Prepaid finance costs	(146)	(134)
	1,854	1,033
<b>Total borrowings</b>	<b>17,395</b>	<b>2,357</b>

Bank borrowings relate to the £18.0m secured debt facility entered into with Silicon Valley Bank ("SVB") on 29 August 2017 as amended and restated on 30 November 2017. The debt facility refinanced the remaining £1.75m due in relation to the original debt facility entered into with SVB on 8 December 2015, with the remaining £16.25m being drawn down on 30 November 2017 to fund the initial cash consideration of the SK-NIC acquisition.

Interest for the period has been accrued at the applicable margin plus LIBOR. The term of the loan is 5 years with quarterly loan and interest repayments.

	Bank borrowings £'000	Prepaid finance costs £'000	Total £'000
Bank borrowings 1 January 2016	–	–	–
Term Loan draw down (January 2016)	3,500	(396)	3,104
Repayment in 2016	(875)	128	(747)
Total borrowing as at 31 December 2016	2,625	(268)	2,357
Repayment of initial loan	(2,625)	268	(2,357)
New financing draw down (August 2017)	1,750	–	1,750
New financing draw down (November 2017)	16,250	(732)	15,518
Repayment of new financing	–	49	49
Exchange differences	78	–	78
<b>Total borrowing as at 31 December 2017</b>	<b>18,078</b>	<b>(683)</b>	<b>17,395</b>

## 25. Business combinations

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

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

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

## 25. Business combinations continued

<b>Consideration</b>	€'000s	£'000s
Initial cash consideration	20,273	17,843
Contingent consideration	4,850	4,269
Deferred consideration	1,000	880
Maximum cash consideration	26,123	22,992
Adjustment for working capital	(421)	(371)
<b>Total cash consideration</b>	<b>25,702</b>	<b>22,621</b>
Fair value adjustment for deferred and contingent consideration	(1,064)	(937)
Assumption of loans due from the vendor DanubiaTel a.s.	3,413	3,004
<b>Total consideration</b>	<b>28,051</b>	<b>24,688</b>
<b>Fair value recognised on acquisition</b>	<b>€'000s</b>	<b>£'000s</b>
<b>Assets</b>		
Intangible assets – customer list	13,304	11,709
Other intangible assets	150	132
Property, plant & equipment	53	47
Trade receivables	244	215
Other receivables	3,905	3,436
Deferred income tax asset	108	95
Cash	539	474
	<b>18,303</b>	<b>16,108</b>
<b>Liabilities</b>		
Trade payables	751	661
Other payables and accruals	571	502
Deferred revenue	2,028	1,785
Deferred income tax liability	2,785	2,451
Other income tax liabilities	(159)	(140)
	<b>5,976</b>	<b>5,259</b>
<b>Total identifiable net liabilities at fair value</b>	<b>12,327</b>	<b>10,849</b>
Goodwill arising on acquisition	15,724	13,839
<b>Purchase consideration</b>	<b>28,051</b>	<b>24,688</b>

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

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

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

# Notes to the consolidated financial statements continued

## 25. Business combinations continued

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 cashflow that is expected to derive from the existing customer base, with the residual intangible classed as goodwill. Goodwill arising on acquisition primarily relates to the inherent value of the acquired .sk ccTLD and goodwill in relation to employees.

Acquisition related costs of £883k (2016: £348k) have been recognised in the income statement, which are included in note 9.

For the post-completion period to 31st December 2017 revenues of £291k (€330k) and Adjusted EBITDA of £230k (€260k) have been generated by SK-NIC. SK-NIC's revenue for the year ended 31 December 2017 was £3,207k (€3,664k) and Adjusted EBITDA was £2,328k (€2,659k), with profit before tax of £2,292k (€2,168k).

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

## 26. Related party disclosures

### (a) Ultimate controlling party

The Company is not controlled by any one party.

### (b) Related party transactions

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

#### (i) Shareholders

Balances outstanding with shareholders:

	2017 £'000	2016 £'000
Jabella Group Limited	764	747

Amounts due from Jabella Group Limited were interest free until 31 August 2013, from which time the balance accrued interest at 2% above LIBOR (2017: £17k; 2016: £18k).

Transactions with one member of Erin Investments & Finance Limited, of which no amounts were outstanding at 2017 and 2016 year ends:

	2017 £'000	2016 £'000
Operating lease payments	64	73

#### (ii) Non-Executive Directors

During the year CentralNic engaged with Rickert Rechtsanwalts-gesellschaft mBH, 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. The fees for 2017 were £9,000 (2016 £20,000) and no amounts were outstanding as at 2017 and 2016 year ends.

#### (ii) Other related parties

Balances outstanding with other related parties:

	2017 £'000	2016 £'000
Accent Media Ltd	74	–

In June 2017 the Company loaned Accent Media Ltd \$100k (£74k). The loan is due for repayment in three years and accrues interest at 5% which is payable quarterly in arrears.



## 27. Commitments

### Operating lease commitments

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

	2017 £'000	2016 £'000
<b>Land and buildings</b>		
Less than one year	88	136
Between one and five years	11	28
	<b>99</b>	<b>164</b>

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

**London, UK.** The lease agreement was entered into on 1 January 2010 for an initial term of 6 years, extended to 1 April 2018, and subsequently extended on a month by month basis.

**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 3 years, with the right to renew every 3 years. The final expiry date is 31 July 2021.

**Bonn, Germany.** The lease agreement was entered into on 1 January 2015 for an initial term of 3 years. The lease will renew each year for a further year unless either party terminates with 6 months notice.

**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.

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

## 28. Share options and warrants

### Share options

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

The share option scheme is administered by the Remuneration Committee.

No options were granted during 2017 (2016: 2,820,000). Out of the 6,929,166 outstanding options (2016: 7,044,166), 3,730,166 options (2016: 3,230,166) were exercisable.

No options were exercised in 2017 (2016: 230,417), with 115,000 options lapsing during the year (2016: 150,000).

A charge of £452,989 (2016: £621,204) has been recognised in the statement of comprehensive income for the year relating to these options.

# Notes to the consolidated financial statements continued

## 28. Share options and warrants continued

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

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

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

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

	Number 31 Dec 2017	WAEP* 31 Dec 2017	Number 31 Dec 2016	WAEP* 31 Dec 2016
Outstanding at 1 January	7,044,166	32p	4,604,583	26p
Granted during year	–	–	2,820,000	40p
Exercised during year	–	–	(230,417)	10p
Lapsed during year	(115,000)	40p	(150,000)	10p
Outstanding at 31 December	6,929,166	32p	7,044,166	32p
Exercisable at 31 December	3,730,166	26p	3,230,166	25p

\* weighted average exercise price.

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 6.8 years.

### Warrants

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

## 29. Financial instruments

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

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

	2017 £'000	2016 £'000
<b>Current financial assets</b>		
Loan and receivables		
Trade and other receivables	9,835	7,673
Cash and cash equivalents	10,862	9,902
	20,697	17,575
<b>Current financial liabilities measured at amortised costs</b>		
Trade and other payables and accruals	10,432	7,971
Loan and borrowing	1,854	1,033
	12,286	9,004

### (a) Financial risk management framework

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

#### (i) Market risk

##### Foreign currency risk

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

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

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

# Notes to the consolidated financial statements continued

## 29. Financial instruments continued

The carrying amounts of the CentralNic Group's financial instruments are denominated in the following currencies at 31 December 2017:

	GBP £'000s	US\$ £'000s	Euro £'000s	AUS\$ £'000s	Other currencies £'000s	Total £'000s
<b>Current financial assets</b>						
<b>Loan and receivables</b>						
Trade and other receivables	4,499	4,419	789	112	16	9,835
Cash and cash equivalents	1,530	7,202	1,884	157	88	10,862
	6,029	11,621	2,673	269	104	20,697
<b>Current financial liabilities measured at amortised costs</b>						
Trade and other payables	7,000	2,461	566	280	125	10,432
Loan and borrowing	(146)	–	2,000	–	–	1,854
	6,854	2,461	2,566	280	125	12,286

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 2017.

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

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

	Strengthen/Weaken £'000
<b>2017</b>	
USD	+/- 378
EUR	+/- 225
AUD	+/- 337

### Interest rate risk

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

As at each of 31 December 2016 and 2017, CentralNic Group's long-term debt facility entered into with SVB bearing interest at a margin plus LIBOR.

	2017 £'000	2016 £'000
Cash and bank balances	10,862	9,902
Effect of interest rate change of 100 basis points on cash and bank balances	+/- 109	+/- 99
SVB Bank Facilities	17,395	2,357
Effect of interest rate change of 100 basis points on cash and bank balances	+/- 174	+/- 24

### Equity price risk

The CentralNic Group does not have any quoted investments as at each of 31 December 2016 and 2017 and as such does not have significant exposure to equity price risk. At 31 December 2016 and 2017 the CentralNic Group held an unquoted investment in Accent Media of £1.0m which represents a shareholding of 10.4% of the share capital.

## 29. Financial instruments *continued*

### (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.

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.

	2017 £'000	2016 £'000
Deferred receivables	74	–
Trade and other receivables	9,835	7,673
Investments	997	997
Cash and bank balances	10,862	9,902
	<b>21,768</b>	<b>18,572</b>

### (iii) Liquidity risk

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

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

£'000	Carrying amount	Total	Within 1 year	1 – 5 years
<b>31 December 2016</b>				
Trade and other payables and accruals	7,971	7,971	7,971	–
Borrowings	2,357	2,357	1,033	1,324
	10,328	10,328	9,004	1,324
<b>31 December 2017</b>				
Trade and other payables and accruals	10,432	10,432	10,432	–
Borrowings	17,395	17,395	1,854	15,541
	27,827	27,827	12,286	15,541

### (b) Capital risk management

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

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

# Notes to the consolidated financial statements continued

## 29. Financial instruments continued

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

	2017 £'000	2016 £'000
Total liabilities	27,827	10,328
Less: cash and bank balances	(10,862)	(9,902)
Net debt/(cash)	16,965	426
Total equity	26,452	25,219
Debt-to-equity ratio	0.64	0.02

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

	2017 £'000	2016 £'000
Cash and bank balances	10,862	9,902
Less: Borrowings (excluding prepaid finance costs)	(18,078)	(2,625)
Net (debt)/cash	(7,216)	7,277

### (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:

£'000	2017		2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Trade and other receivables	9,835	9,835	7,673	7,673
Deferred receivables	74	74	–	–
Investments	997	997	997	997
Cash and bank balances	10,862	10,862	9,902	9,902
	21,768	21,768	18,572	18,572
Trade and other payables and accruals	10,432	10,432	7,971	7,971
	11,336	11,336	10,601	10,601

The SK-NIC acquisition on 5 December 2017 had an element of deferred and contingent consideration of €5.85m that has been placed in to an escrow account and subject to any claims will be released to the vendor in tranches until 2024. Deferred cash consideration of €5.85m is dependent on SK-NIC attaining defined growth targets over the next three years. At 2017 year end, the deferred cash consideration has been accounted for in the consolidated statement of financial position at fair value, using a discount factor of 10%, which has amounted to €1.06m. This will unwind as the payment stages become due through the consolidated statement of comprehensive income.

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

### (d) Fair value hierarchy

Financial instruments carried at fair value are analysed by the levels in the 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).

# Company statement of financial position

as at 31 December 2017

	Note	2017 £'000	2016 £'000
<b>ASSETS</b>			
<b>Fixed assets</b>			
Investments	7	13,528	4,575
Deferred tax asset		361	181
		<b>13,889</b>	<b>4,756</b>
<b>Current assets</b>			
Other debtors, deposits and prepayments	9	27,148	21,841
Cash and bank balances		127	335
		<b>27,275</b>	<b>22,176</b>
<b>Total assets</b>		<b>41,164</b>	<b>26,932</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Creditors – amounts falling due within one year			
Trade and other payables and accruals	11	1,229	969
Borrowings		1,854	1,033
		<b>3,083</b>	<b>2,002</b>
<b>Non-current liabilities</b>			
Creditors – amounts falling due after one year			
Borrowings		15,541	1,324
		<b>15,541</b>	<b>1,324</b>
<b>Total liabilities</b>		<b>18,624</b>	<b>3,326</b>
<b>Net assets</b>		<b>22,540</b>	<b>23,605</b>
<b>CAPITAL AND RESERVES</b>			
Share capital	10	96	96
Share premium	10	16,545	16,545
Merger relief reserve	10	1,879	1,879
Share based payments reserve		2,038	1,720
Retained earnings		1,982	3,365
<b>Shareholders funds</b>		<b>22,540</b>	<b>23,605</b>

The loss for the year, including Other Comprehensive Income was £1,383,000 (December 2016: profit £857,000).

These financial statements were approved and authorised for issue by the Board of Director's on 30 May 2018 and were signed on its behalf by:



Mike Turner Chairman

Company Number: 08576358

The notes on pages 73 to 77 form an integral part of these financial statements.



# Company statement of changes in equity

for the year ended 31 December 2017

	Share capital £'000	Share premium £'000	Share based payments reserve £'000	Merger relief reserve £'000	Foreign currency hedging reserve £'000	Retained Earnings £'000	Total £'000
<b>Balance as at 1 January 2016</b>	92	16,522	1,125	–	245	(387)	17,597
Total comprehensive income for the year	–	–	–	–	–	1,102	1,102
Other comprehensive income for the year							
– cash flow hedge	–	–	–	–	(245)	–	(245)
Issue of new shares	4	23	–	1,879	–	–	1,906
Share based payments	–	–	473	–	–	–	473
Share based payments – deferred tax asset	–	–	122	–	–	–	122
Dividend received	–	–	–	–	–	2,650	2,650
<b>Balance as at 31 December 2016</b>	96	16,545	1,720	1,879	–	3,365	23,605
Profit/(loss) for the year	–	–	–	–	–	(1,383)	(1,383)
Share based payments	–	–	282	–	–	–	282
Share based payments – deferred tax asset	–	–	36	–	–	–	36
Dividend received	–	–	–	–	–	–	–
<b>Balance as at 31 December 2017</b>	<b>96</b>	<b>16,545</b>	<b>2,038</b>	<b>1,879</b>	<b>–</b>	<b>1,982</b>	<b>22,540</b>

- 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 73 to 77 form an integral part of these financial statements.

# Notes to the company financial statements

for the year ended 31 December 2017

## 1. General information

### **Nature of operations**

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

## 2. Basis of preparation

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

## 3. Significant accounting policies

### **(a) Going concern**

At 31 December 2017, the Company had net current assets of £24,192,000 (2016: £20,174,000) with the main current asset being amounts owed from its subsidiaries amounting to £27,121,000 (2016: £21,818,000). The Company has assessed its ongoing costs with cash generated by its subsidiaries to ensure that it can continue to settle its debts as they fall due.

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

### **(b) Investments**

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

### **(c) Taxation**

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

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

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

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

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

### **(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.

# Notes to the company financial statements continued

## 3. Significant accounting policies continued

### (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.

#### Derivative financial instruments

##### *Cash flow hedge*

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged items affect profit or loss.

### (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.

### (g) Parent Company disclosure exemptions

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

- Only one reconciliation of the number of shares outstanding at the beginning and end of the period has been presented as the reconciliations for the Group (see note 19 in the notes to the Group financial statements) and the Parent Company would be identical. Hence, the Parent Company has not disclosed this reconciliation in its notes to the financial statements;
- Disclosures in respect of the Parent Company's financial instruments and share-based payment arrangements have not been presented as equivalent disclosures have been provided in respect of the Group as a whole;
- No disclosure has been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Group as a whole; and
- No cash flow statement has been presented for the Parent Company.

## 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.

## 5. Profit for the financial period

The Company has taken advantage of section 408 of the Companies Act 2006 and, consequently, a profit and loss account for the Company alone has not been presented. The Company's loss for the financial period was £1,383,000 (2016: profit £857,000) which included a net loss on foreign currency translation of £209,000 (2016: gain of £2,511,000). The Company's profit for the financial year has been arrived at after charging auditor's remuneration payable to Crowe Clark Whitehill LLP for audit services to the Company of £60,000 (2016: £59,000).

## 6. Employees and Directors' remuneration

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

	2017 £'000	2016 £'000
Wages and salaries	621	623
Employers NI	68	57
Pension	21	16
Share based payments	317	498
Directors consultancy fees	133	162
Settlements	315	67
	<b>1,475</b>	<b>1,423</b>

# Notes to the company financial statements continued

## 6. Employees and Directors' remuneration continued

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

	2017 Number	2016 Number
Directors under employment contracts only	7	5
Directors under service contracts only	2	2
Directors under a combination of employment and service contracts	–	2
	<b>9</b>	<b>9</b>

The Group made contributions to defined contribution personal pension schemes for 6 directors in the period (2016: 5). Included in the above tables, the highest paid director had wages and salaries including pensions of £90,000 (2016: £162,000), Director's consultancy fees £nil (2016: 66,000), share based expense of £29,000 (2016: £118,000), and settlement payments of £234,000 (2016: nil) totalling to £353,000 (2016: £346,000).

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

## 7. Investments

	£'000
At 1 January 2016	147
Additions – acquisition of Instra Group of companies	4,317
Share Options issued on behalf of subsidiaries	148
Share Options – deferred tax	(37)
At 31 December 2016	4,575
Additions – acquisition of SK-NIC	8,826
Share Options issued on behalf of subsidiaries	171
Share Options – deferred tax	(44)
<b>At 31 December 2017</b>	<b>13,528</b>

## 8. Deferred tax

	Share based payments £'000
<b>Deferred tax assets</b>	
At 1 January 2016	–
Credit to income	181
At 31 December 2016	181
Credit to income	180
At 31 December 2017	361

## 9. Debtors

	2017 £'000	2016 £'000
Amounts owed by Group undertakings	27,121	21,818
Other debtors	27	23
	<b>27,148</b>	<b>21,841</b>

## 10. Share Capital and share premium

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

## 11. Creditors: amounts falling due within one year

	2017 £'000	2016 £'000
Trade creditors	477	173
Accruals and deferred income	675	348
Accrued Interest	70	22
Taxation payable	7	426
	<b>1,229</b>	<b>969</b>

# Particulars of subsidiaries and associates

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

Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
CentralNic Limited	England and Wales	Domain registry services provider	35-39 Moorgate, London, EC2R 6AR
TLD Registrar Solutions Limited	England and Wales	Domain registrar services provider	35-39 Moorgate, London, EC2R 6AR
Hoxton Domains Limited	England and Wales	Aftermarket domain services	35-39 Moorgate, London, EC2R 6AR
Instra Holdings (UK) Ltd	England and Wales	Holding Company	35-39 Moorgate, London, EC2R 6AR
Instra Holdings (Aus) Pty Ltd	Australia	Holding Company	Level 2, 222-225 Beach Road, Mordialloc, Victoria, VIC3195
Instra Holdings (NZ) Ltd	New Zealand	Holding Company	C/o Grant Thomon New Zealand Ltd, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
SK-NIC Slovakia a.s.	The Slovak Republic	Holding Company	Panenská 6, Bratislava 811 03

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

Parent Company	Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
CentralNic Limited	CentralNic USA Limited	USA	US sales office	c/o C T Corporation System, 818 West 7th Street, Los Angeles, CA 90017
CentralNic Limited	GB.com Limited	England and Wales	Dormant – holds domain name	35-39 Moorgate, London, EC2R 6AR
CentralNic Limited	Whois Privacy Limited	England and Wales	Dormant	35-39 Moorgate, London, EC2R 6AR
CentralNic Limited	dnsXperts UG	Germany	Domain management software services	Beueler Bahnhofplatz 18, 53225 Bonn
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) Ltd	Domain Directors (Europe) Ltd	England and Wales	Domain registrar services provider	35-39 Moorgate, London, EC2R 6AR
Instra Holdings (UK) Ltd	Europe Registry Ltd	England and Wales	Domain registrar services provider	35-39 Moorgate, London, EC2R 6AR
Instra Holdings (UK) Ltd	Instra Corporation (Europe) Ltd	England and Wales	Domain registrar services provider	35-39 Moorgate, London, EC2R 6AR
Instra Holdings (UK) Ltd	White Label Domains SDN BHD B12	Malaysia	Domain registrar services provider	No/ 36B, 2nd floor, Jalan Tun Mohd Fuad 2. Taman Tun Dr Ismail, Kuala Lumpur, 60000, Malaysia
Instra Holdings (UK) Ltd	Domain Directors (Finland) Oy	Finland	Domain registrar services provider	5th floor, Keilaranta 16, Espoo, 02150, Finland
Instra Holdings (UK) Ltd	Sublime Technologies (France) Sarl	France	Domain registrar services provider	2, Rue Robert Geffré Bat n°11- 17000 La Rochelle – France
Instra Holdings (UK) Ltd	Domain Directors (France) Sarl	France	Domain registrar services provider	2, Rue Robert Geffré Bat n°11- 17000 La Rochelle – France
Instra Holdings (UK) Ltd	Tunglim International Pty Limited	Hong Kong	Domain registrar services provider	2003., 20/F Towers China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong
Instra Holdings (UK) Ltd	Sublime Technology Limited	Hong Kong	Domain registrar services provider	2003., 20/F Towers China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong
Instra Holdings (UK) Ltd	Domain Directors CA Inc	Canada	Domain registrar services provider	505 15183 Russell Avenue, White Rock Burnaby, BC, V4B2P4, Canada
Instra Holdings (Aus) Pty Ltd	Domain Directors PTY Ltd	Australia	Domain registrar services provider	Level 2, 222 Beach Road, Mordialloc, VIC 3195



Parent Company	Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
Instra Holdings (Aus) Pty Ltd	Ozenum PTY Ltd	Australia	Domain registrar services provider	Level 2, 222 Beach Road, Mordialloc, VIC 3195
Instra Holdings (Aus) Pty Ltd	Instra Corporation PTY Limited	Australia	Domain registrar services provider	Level 2, 222 Beach Road, Mordialloc, VIC 3195
Instra Corporation PTY Limited	Instra Domain Directors B.V.The Netherlands		Domain registrar services provider	Beechavenue 54-62, 1119PW, Schiphol-Rijk
Instra Corporation PTY Limited	Instra Corporation PTE Ltd	Singapore	Domain registrar services provider	c/o Asiabiz Services PTE Ltd, 30 Cecil Street, #19-08, Prudential Tower, Singapore 049712
Instra Corporation PTY Limited	Domain Escrow Services Limited	England and Wales	Domain registrar services provider	35-39 Moorgate, London, EC2R 6AR
Instra Corporation PTY Limited	Instra-Internet Services One-person LLC	Greece	Domain registrar services provider	1 Dimokraatias Square, Thessaloniki, 54629, Greece
Instra Corporation PTY Limited	Instra Domain Directors Inc	Canada	Domain registrar services provider	Suite 2300 Bentall 5, 550 Burrard Street, Vancouver, British Columbia, V6C 2B5
Instra Holdings (NZ) Ltd	Instra Corporation Limited	New Zealand	Domain registrar services provider	C/o Grant Thomon New Zealand Ltd, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
Instra Holdings (NZ) Ltd	Only Domains Limited	New Zealand	Domain registrar services provider	C/o Grant Thomon New Zealand Ltd, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
Instra Holdings (NZ) Ltd	Private Ranger Limited	New Zealand	Domain registrar services provider	C/o Grant Thomon New Zealand Ltd, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
SK-NIC Slovakia a.s.	SK-NIC a.s.	The Slovak Republic	Domain registry services provider	Panenská 6, Bratislava 811 03

# Shareholder information

## Financial calendar

### Annual General Meeting

The Annual General Meeting will be held on Monday, the 25 June 2018 at 10am at the offices of the Company's solicitors:

Taylor Wessing LLP  
5 New Street Square, London EC4A 3TW

### Announcements

- Half-year results for 2018 are expected in September 2018.
- Full year results for 2018 are expected in April 2019.

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

## Directors

Mike Turner (Chairman)

Benjamin Crawford (Chief Executive Officer)

Donald Baladasan (Chief Financial Officer)

Samuel Dayani (Non-Executive Director)

Thomas Rickert (Non-Executive Director)

Thomas Pridmore (Non-Executive Director)

Iain McDonald (Non-Executive Director)

## Registered office

35-39 Moorgate London EC2R 6AR

## Company Secretary

DWF LLP

## Company website

[www.centralnic.com](http://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 Clark Whitehill 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

Abchurch Communications  
125 Old Broad St  
London EC2N 1AR

## 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](http://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](mailto: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](http://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](http://www.sharegift.org.uk) or by telephoning 020 7930 3737.

### Share fraud warning

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

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

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

### PROTECT YOURSELF

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

- Get the name of the person and organisation contacting you.
- Check the Financial Services Register at <http://www.fca.org.uk/> to ensure they are authorised.

- Use the details on the FCA Register to contact the firm.
- Call the FCA Consumer Helpline on 0800 111 6768 if there are no contact details on the Register or you are told they are out of date.
- Search our list of unauthorised firms and individuals to avoid doing business with.

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

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

### REPORT A SCAM

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

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

### Identity theft

Tips for protecting your shares in the Company:

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

# Glossary

**Top Level Domain or 'TLD'**

The suffix attached to internet domain names e.g., .com, .net

**Second Level Domain or 'SLD'**

A domain that is directly below a top-level domain e.g. uk.com

**Country Code Top Level Domain or 'ccTLD'**

An Internet top-level domain generally used or reserved for a country, a sovereign state, or a dependent territory e.g., .uk, .jp

**Domain Name System or 'DNS'**

A hierarchical distributed naming system for computers, services, or any resource connected to the Internet or a private network

**Domain Name Registrar**

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

**Registry Service Provider**

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

**Internet Corporation for Assigned Names and Numbers or 'ICANN'**

A non-profit private organisation that was created to oversee a number of Internet-related tasks previously performed directly on behalf of the U.S. government

**Registry Operator**

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

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