

mmx.co

annual report
2016



Minds + Machines Group Limited (“MMX” or the “Company”) is a BVI incorporated company, which is traded on the AIM Market operated by the London Stock Exchange (“AIM”). The Company and its subsidiaries (the “Group”) is the owner and operator of a world class portfolio of top-level domain assets (gTLDs). As a sales and marketing-led registry business, the Company is focused on commercializing its portfolio in partnership with its expanding global network of distribution partners.

The MMX portfolio is currently focused around geographic domains (e.g. .london, .boston, .miami, .bayern), professional occupations (e.g. .law, .abogado, and .dds), consumer interests (e.g. .fashion, .wedding, .vip), lifestyle (e.g. .fit, .surf, .yoga), outdoor activities (e.g. .fishing, .garden, .horse) and generic names (e.g. .work and .casa). As a business, the Company works through its expanding international network of registrars and distribution partners to bring the benefits of affinity based domain addresses to B2B and consumer audiences. For more information on MMX, please visit www.mmx.co.

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financial highlights

a year of growth

1.2m

Domains under management
including committed orders

up from 821,000 as of 31.12.16
(31.12.15: 289,000)

\$15.8m

FY 2016 gross billings
up 100%

(FY 2015: \$7.9million)

\$15.3m

Cash and cash equivalents
as at 31.12.2016

\$4.2m

**FY 2016 billings operating
EBITDA profit**
before one-off restructuring costs

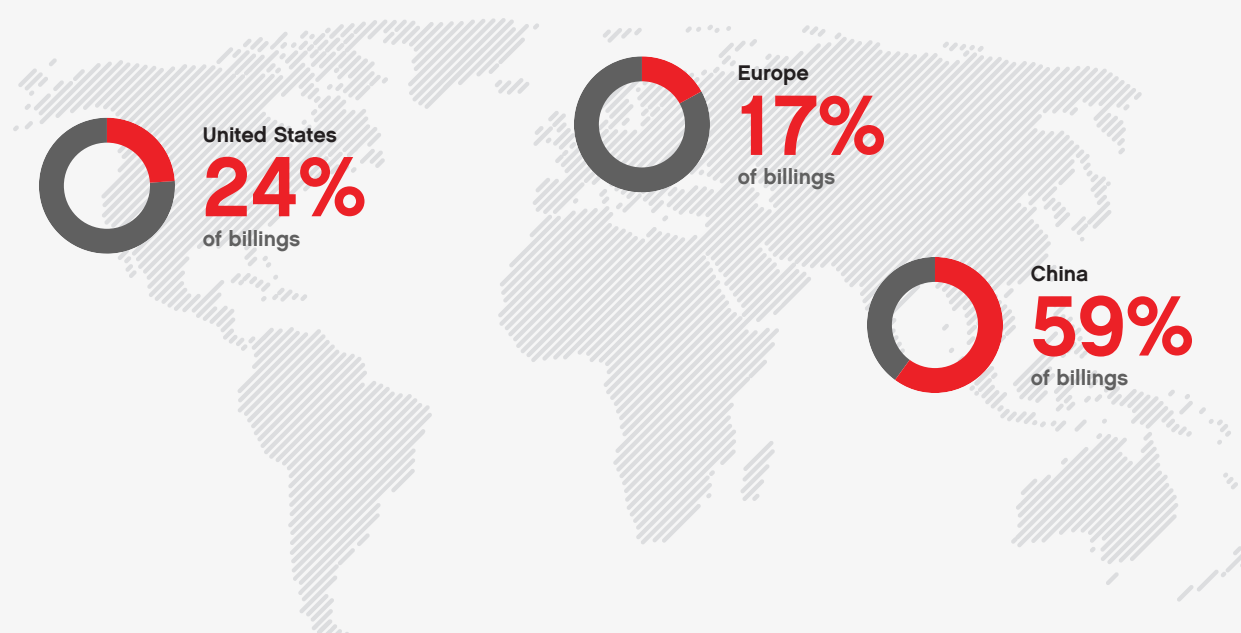
(FY 2015 billings EBITDA loss of \$6.6million –
excluding one-off private auction proceeds)

\$45.6m

Intangible assets
(still based on book value)

operational highlights

key regions of growth



With over 5,000 distributions partners selling our domains we've enjoyed considerable growth and market presence.

executives summary



Toby Hall
Chief Executive Officer



Michael Salazar
Chief Operating Officer/
Chief Financial Officer

Dear Shareholders,

Much has been discussed already about the successful restructuring of the Group's ongoing operations into a pure-play registry and its accessing of China by the new management team over the last 12 months – the results of which, speak loudly for themselves:

- FY 2016 billings up 100% to \$15.8million (2015: \$7.9million);
- FY 2016 revenue less partner payments up 146% to \$13.5million (2015: \$5.5million);
- FY 2016 gross profit up 159% to \$10.9million (2015: \$4.2million);
- FY 2016 ongoing operating costs cut 44% to \$6.5million (2015: \$11.7million) with the current OPEX run-rate now below the \$6.0million target;
- FY 2016 operating EBITDA before one-off restructuring costs up 1257% to \$3.6million delivering FY 2016 EBITDA profit before restructuring costs of \$3million compared to a FY2015 loss of \$4.4million;
- FY 2016 Billings Operating EBITDA before restructuring costs up to \$4.2million from FY 2015 Billings Operating EBITDA loss of \$6.6million
- Cash & cash equivalents post share buy-backs, tender offer, foreign currency charges, share payments and costs associated to discontinued operations and restructuring of \$15.3million (2015: \$34.7million);
- Intangible assets \$45.6million based on their book value;
- Ongoing operations Earning per Share, on Operating EBITDA (before restructuring costs), of 0.49 cents.

Of equal importance is the significant registration growth we are now seeing across our portfolio and the wider continued growth of the new gTLD sector. In particular,

- In China we have experienced a 44% registration growth year-to-date with currently over 817,000 registrations in .vip;
- In our US and European portfolio we are now seeing real indications of meaningful development with a 37% registration growth year-to-date when confirmed sales are taken into account, with existing and committed registrations now at circa 350,000; and
- Significantly, new gTLD market growth is up circa 6% year-to-date in 2017 at over 29 million domains under management (source nTLDStats.com), this following on from last year where net new registrations in new gTLDs outstripped those in .com/.net by nearly seven-fold, and those in country codes by nearly four-fold.

Net Registrations	31 Dec 2016	31 Dec 2015	Net Growth
Verisign (.com,.net)	142.2m	139.8m	2.4m
Country codes	142.7m	138.1m	4.6m
New gTLDs	27.6m	11.2m	16.4m

Source: Verisign

In short, we are a young business experiencing significant growth in a rapidly expanding, but still nascent, industry that has the potential to match .com/.net or the country codes (142.2m and 142.7m registrations respectively at 31 December 2016) within a five to ten timeframe.

Likewise, the registration growth that we are now achieving is being done without MMX adopting the "freemium" strategy favored by many of our competitors, where first year registrations are effectively given away for free. Our new registrations are real sales generating revenue and profits in their first year of registration.

Our portfolio and its strengths

As a registry operator, we currently operate or have financial interests in 23 launched new gTLDs – of which 20 we wholly or majority own.

We own an additional five TLDs that remain unlaunched.

We also have interests in seven TLDs that remain contested, .eco having been awarded to another applicant, some of which may be resolved via private auctions in 2017.

It should be noted, a basic core strength of our portfolio is its diversity – both in terms of underlying standard name price points, geography, and target audiences. It has allowed us to establish strong footprints in China and Europe as well as the US.

In 2016, the geographic break-down of gross billings was China 59%, US 24%, Europe 17%. In 2017, MMX anticipates China will account for approximately 50% of Group billings, with growing contributions from North America and Europe.

As can be expected, each geography and domain extension sector has its own dynamics. In essence, we see four complementary dynamics emerging:

- High volume lower standard-priced generics (e.g., .work) and Asia specific domains (e.g., .vip) where premium inventory rises in popularity broadly in-line with the number of paid standard name registrations achieved;
- Mid volume, higher priced geographic domains (e.g., .bayern) where renewal rates typically trend significantly above industry norms and which present significant opportunities to strategic partners;
- Lower volume, mid-priced vertical interest domains (e.g., .fashion, .beer) where the Board believes there is significant scope for deeper market penetration, particularly in the US over the coming 18 months; and
- High priced, low volume specialist interest domains (e.g., .law) where usage and renewal rates also trend significantly above industry norms.

However, given that in commercial terms many of the extensions within MMX's portfolio are still in their infancy, we believe it is not appropriate to provide more granular break-downs per category at this stage of the Group's development other than to indicate each group is materially contributing to both the blended top-line billings and renewal rates currently being experienced by the Group where top-line registrations are up 44% year to date in China and 37% in Europe and US when new orders are taken into account. Likewise, renewal rates in US/Europe for a significant majority of our TLDs are currently trending above 75% with early indications from China being that renewal rates for .vip will be significantly ahead of new gTLD renewal rates for that region, given investors of certain key categories of .vip names have confirmed they will be renewing all of their inventory in these categories.

In terms of unrealized asset value, it should also be noted that our portfolio is listed at its book value - \$45.6million which the Board believes does not accurately reflect its true potential. For example, in context to the wider market, the unlaunched .shop top-level domain was acquired via public auction for \$41.5million and .web for \$135million; as it relates to the MMX portfolio - .vip was won at an ICANN auction for \$3.1 million and recouped that investment within the first four weeks of launch and subsequently has derived significantly more in revenue within its first 11 months since launch.

Key market drivers

To understand the key market drivers of the new gTLD industry that saw net new registrations outstrip those in .com and the country codes combined in 2016, it is important to recognize trends both from within the industry as well as external factors. It is therefore central to our strategy that we are positioned to support the three end markets that management sees are looking to benefit from those trends through our registrar partners – namely:

“

We remain confident of our ability to deliver meaningful value as we continue to grow our DUMs and resulting revenues and transition the Group into a highly predictable annuity based business of scale.

executives summary

continued

- New-start SME's that are coming online for the first time, as well as established businesses already online;
- Digital entrepreneurs that are looking to develop significant new markets and applications based around domain address conventions; and
- Domain investors who serve both as early pioneers, as well as marketeers, of new extensions.

We believe much of the business development work and tests we have been conducting over the last 12 months are now providing the backdrop to the growth the portfolio is now enjoying and will, we believe, continue to enjoy.

Our revenue model

Much work has been carried out over the last 12 months so that we have the appropriate pricing and revenue models in place to allow us to deliver the growth we are now experiencing.

As a business, we have both premium and standard inventory. Premium inventory are names that carry specific meaning or interest to given audiences where we are able to charge a higher first year amount with annual renewal fees then reverting to the standard rate. Standard inventory is where the first and following year charges remain constant.

Across our portfolio of TLDs, the value of our not yet released or sold premium names, based on values achieved in 2016, remains significant and has the potential to be multiples of the current book value of our underlying portfolio of top-level domains. Meanwhile our standard name inventory per TLD is potentially limitless, it being made up of any letter or number combination an end-user may want.

Therefore, over the next three to five years our monetisation strategy is to achieve accelerated high-margin earnings in the early years of each TLD's development through the sale of correctly priced premium and high-value sequences of standard name inventory, whilst allowing standard renewals and

sales volume to grow over the same period. This will ensure that revenue from standard names are able to account for the majority of a domain's revenue by the end of the development phase of each top-level domain. In short, it is a model designed to allow us to achieve high-margin sales in the early years which can then morph into a highly predictable annuity based model, such as Verisign's, based on standard registrations and renewals as each TLD properly establishes itself.

Critical to this strategy is finding the appropriate pricing points for our premium inventory across our portfolio of TLDs. If we set the first year pricing, or equally the renewal pricing, too high then both sales and renewals can be adversely impacted. To that end, significant work has been conducted over the last six months to better structure the pricing of our premium inventory, and this new pricing will be introduced to the market shortly.

It should also be noted that under this model, first year sales can provide a healthy yard-stick by which to gauge where the likely registration levels might be for a TLD as it matures. For example, the success of .vip in its first eleven months would indicate a target of 2.5 million standard registrations being readily achievable over the next five years, a target we believe we are on track to meet and hopefully exceed.

In line with management's expectations, premium sales in 2016 accounted for 66% of our total billings. We would anticipate this percentage trending down in future years as standard renewal and new registration revenue grows.

Development programme

Core to MMX's ongoing development of top-line billings and renewal revenues will be:

- The successful launch of new extensions;
- The ongoing development of first year premium sales in areas of the portfolio where there has been

historic under-performance; and

- The ongoing expansion of MMX's geographic footprint.

To that end, MMX is pleased to confirm:

- .boston will formally enter General Availability in mid September;
- The completion and relaunch of MMX's premium inventory to the US and European markets;
- The application to MIIT, China's industry regulator, of up to 8 wholly-owned MMX extensions; and
- The ongoing evaluation of opportunities in India, South East Asia and South America.

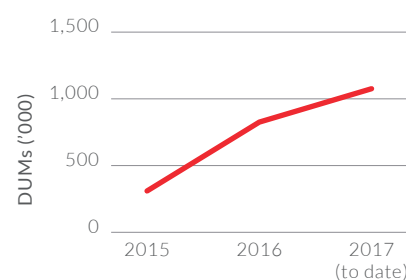
As stated earlier, the Group's monetisation strategy is to achieve accelerated high-margin earnings in the early years of each TLD through the sale of correctly priced premium inventory whilst allowing standard renewals and sales volume to grow over the same period to allow for balanced and measurable revenue growth as each TLD matures.

Key performance indicators ("KPI's")

The Board sees the following as the business's KPI's:

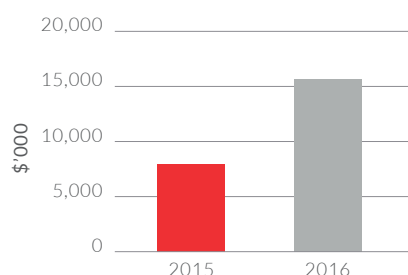
- Domains under management ("DUM's") (the number of registrations we have);
- Annual gross billings;
- Gross margin;
- Annual renewals - \$ amount and percentage of OPEX; and
- Billings operating EBITDA

1. Domains under management ("DUMs")



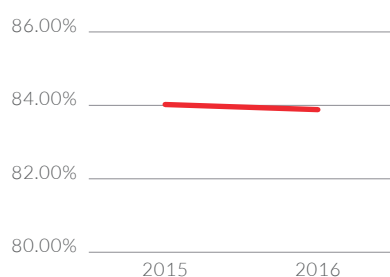
In 2016, our domains under management grew nearly threefold from approximately 289,000 as of 31 December 2015 to approximately 821,000 at 31 December 2016. As at the time of writing registrations, including committed orders, now stand at approximately 1.2million DUMs.

2. Annual gross billings



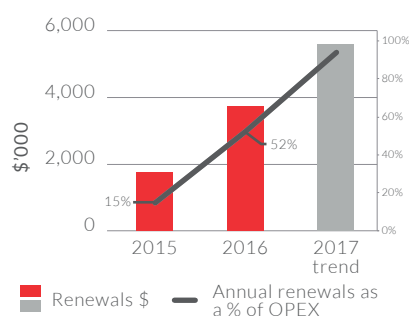
This is a key measurement for management as it presents the underlying incoming cash from domain sales from domain sales for the year. In 2016 we experienced a 100% increase to 15.8million (2015: \$7.9million).

3. Gross margin



In April 2016, we gave guidance that cost of sales would be contained to within 20% of top-line billings (i.e. before partner payments). We are pleased to report this has been achieved for 2016, cost of sales being flat at 16.08% (\$2.5million) of top line billings compared to 15.96% of top line billings (\$1.3million) in 2015, delivering a gross profit margin against top-line billings of 84% for FY2016 and a reported gross margin profit of 81% net of partner payments. We aim to target gross profit margins against top line billings of 80% or above on a go-forward basis.

4. Annual renewals - \$ amount & as percentage of OPEX



In 2015, revenue from renewals stood at \$1.8million, growing to \$3.8million in 2016. As our DUMs grow, we expect renewal revenue to increase in line with this growth. Trend to date in 2017 reinforces management's expectation and target for renewal revenue to cover the Group's fixed operating expenditure ("OPEX") over the next eighteen to twenty-four months, meaning that once this point has been reached, revenue from new registrations after partner payments and cost of sale, drops directly to the bottom line.

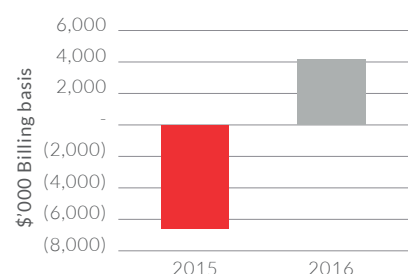
This objective has been aided by the significant steps taken in 2016 to reduce OPEX, it being cut from \$11.5million (FY 2015) to \$6.5million (FY 2016) with the Group now operating within its \$6.0million OPEX target. Indeed, as a percentage of gross billings, OPEX has been reduced to 45% from 148% in FY 2015. Management's target moving forward is that OPEX should not exceed 33% of gross billings in a stable state environment.

In relation to managing OPEX, management does not, however, subscribe to the notion of simply stripping the business down to a skeleton staff simply to inflate EBITDA numbers. We will continue to manage our costs, and likewise invest in talented staff, so that the business can continue to be profitably grown within our stated OPEX guidelines. To that end, we are pleased to report that consultancy fees and commissions, which in 2016 accounted for over \$700,000, have been reduced to just under \$250,000 for 2017.

5. Billings Operating EBITDA, before profits on gTLD auctions and restructuring costs for 2016

Billings Operating EBITDA is a key metric for the management team as it is based on current year billings against current year costs and provides a better snapshot of current year performance than accounting Operating EBITDA where billings are subject deferred revenue calculations.

Given the significant restructuring that occurred in 2016 to transition MMX into a pure-play registry, for the purposes of presenting a clear picture of our ongoing operations, we are focusing on Billings Operating EBITDA before profits on gTLD auctions and the one-off restructuring costs for the year under review. In 2017, we will simply report Billings Operating EBITDA as a KPI.



As can be seen, on a like-for-like basis, the combination of increased gross billings growth and a restructuring of the business and its operating costs has resulted in a significant turnaround in Billings Operating EBITDA, before profits on gTLD auctions and restructuring costs, up from a loss of \$6.6million in 2015 to a profit of \$4.2million in 2016. It should be noted there was no one-off revenue from gTLD auctions in 2016.

executives summary

continued

Financials – Ongoing Operations

As we have indicated in previous financial statements and above, accounting rules dictate that revenue generated from domain billings are subject to deferred revenue calculations which can distort an investor's perspective of Group performance over the short term i.e., over the financial reporting year. Accordingly, Billings Operating

EBITDA, which is based on current year billings against current year costs, is provided below. Management believes that the Billings Operating EBITDA provides a better snapshot of current year performance.

Billing operating EBITDA	FY 2016 \$'000's	FY 2015 \$'000's	Change %
Billings ⁽¹⁾	15,800	7,922	100%
Partner payments	(1,868)	(1,487)	26%
Revenue less partner payments	13,932	6,435	117%
Cost of sales	(2,541)	(1,264)	101%
Gross margin	11,391	5,171	120%
Gross margin %	82%	80%	
Cash expenditure			
Operating expenses – ongoing	(6,536)	(11,745)	(44%)
Operating expenses – forfeited	(646)	-	N/A
Billing Operating EBITDA (before restructuring costs)⁽²⁾	4,209	(6,574)	(164%)

(1) Billings refer to total sales generated during the year (not deferred for accounting purposes)

(2) Operating earnings before interest, tax, depreciation & amortization and other non-cash charges where earnings are calculated on the basis of billings as opposed to accounting revenue. It should be noted that for accounting purposes Operating EBITDA before restructuring was \$3.6 million as highlighted in the Group's 2016 Income Statement.

By transitioning into a pure-play registry and focusing our attention to registry revenue growth, we have successfully been able to double our top line billings in 2016 to \$15.8million from \$7.9million in 2015 while reducing our overall cost base

significantly to \$6.5million in 2016 from \$11.7million in 2015. Included in the Group's income statement is \$0.7million of forfeited operating expenses, which are expenses that the Group is no longer expected to incur in 2017. Going into 2017, we remain committed to running an effective and efficient cost base with operating costs expected to be below the management's stated \$6.0million cap.

The net result, which reflects the underlying strength of the Group's restructured business, is that Billings Operating EBITDA has grown to \$4.2million compared to a loss of \$6.6million in 2015.

Restructuring and one-offs

There are three major areas to highlight in relation to the one-off costs incurred in 2016.

Discontinued operations

As highlighted in our financials, we have separated the reporting of the revenue and costs associated with running the discontinued registrar operations. The registrar operation was a large undertaking by the previous management team with considerable investments in software development, staffing and other resources. It was a strategy that did not prove to be a profitable venture.

In Q3 2016, having successfully navigated an extensive ICANN process, the Group:

- Sold the registrar's customers to Uniregistry in exchange for a perpetual ongoing affiliate commission from the renewal of those domains;
- Worked with our reseller customer, join.gop to move their back-end to another registrar platform; and
- Completed the outsourcing of the reseller business for .law (i.e. join.law) to Instra, a leading registrar.

In our H1 2016 interims we indicated that the registrar operations had incurred a loss of \$2.0million and gave guidance that registrar losses in H2 would be less than

\$0.5million. We are pleased to report that H2 losses were less than indicated with annual losses from the registrar standing at \$2.3million versus \$2.5million. It should be noted that a significant portion of the loss can be attributed to writing off capitalized software development costs of \$1.0million which is a non-cash item.

Restructuring - operations

A significant restructuring of the Group was carried out in 2016. A summary of the key points are:

- A significant reduction in personnel where, as of 24 April 2017, there are now 20 personnel, of which 11 reside in the US compared to 43 at the beginning of 2016;
- outsourcing our technical registry service provider operations to Nominet completed in November with great success and within budget;
- Our US offices consolidated into a single location in Seattle, Washington and the office footprint in Dublin decreased; and
- As highlighted in Discontinued operations, the registrar operations closed down.

As indicated in our H1 2016 interim financials, we had incurred restructuring costs of \$0.9 million in the first half and gave guidance that restructuring costs in H2 would be less than \$0.4 million. We are pleased to report that H2 restructuring costs were below this target at \$0.3million, bringing total restructuring costs to \$1.2million for the full year. Restructuring activities will result in ongoing operational savings of approximately \$1.5million on an annualised basis.

Restructuring – contracts

In very early 2012, at the time when ICANN was still accepting new generic Top Level Domain applications, the then Executive Team entered into an overly ambitious agreement that it believed would provide value to the overall profile of the Group. The agreement had very significant financial commitments over the life of the

contract and did not include any clauses that could allow the Group to renegotiate those commitments should the specific top-level domain not perform to the agreed financial projections. The growth of this top-level domain has not come close to meeting those expectations and the agreement has proven – and would have continued proving – to be a significant drag on the Group's ability to generate positive cashflow from the given TLD.

In late Q4 of 2016 the current Executive team was able to successfully conclude renegotiations of certain components of the agreement by either restructuring or buying out certain financial commitments thus making it more economically viable going forward. As a result of the renegotiation effort, the Group has revised its modeling and believes that it can derive future economic benefit from the renegotiated contract. Accordingly, based on Management's review, a portion of the buy out (\$3.8million) has been expensed as a one-off restructuring cost while the remaining portion (\$3.9million) will be capitalized as an intangible asset with future economic benefit.

Use of cash

As at the year-end cash stood at \$15.3 million compared to \$34.7 million at the start of the year.

The change is as a direct result of significant outflows relating to the share buy program (\$20.3 million), acquisition of intangible assets (\$1.8 million), Executive severance packages and option payouts (\$1.2 million), one-time restructuring operating costs of \$1.2 million, financing the Group's registrar business which has been shut down and is treated as discontinued operations (\$1.3 million), the paying off trade payables (approximately \$0.4 million), and finally the restructuring of an economically challenging contract, which resulted in a cash payout in 2016 (\$1.9 million).

However, the cash balance was boosted by the share issuance to HONY Capital which amounted to \$6.5 million and

the net cash flow contribution from continuing operations of \$4.2 million to cash (of which approximately \$2.0 million is collectible as trade receivables at the year end).

We have seven contended applications remaining (.eco was awarded by ICANN to another applicant) with the possibility that some may be resolved via a private auction. As such the Board believes that maintaining its existing cash reserves better positions the Group's ability to participate in the resolution of these contended applications.

It is also evident that there are increasing opportunities for consolidation in the industry and maintaining a strong balance sheet is beneficial in this regard. Indeed, it is the Board's belief that the ultimate winners in the currently fragmented new gTLD arena will be those that can achieve significant scale both in terms of top-line billings and renewal growth.

The Board also remains committed to returning surplus cash to shareholders whether in the form of a share buy-back, a special dividend, the introduction of a progressive dividend policy or mechanism that is believed to be in the best interest of the Group's shareholders at that time. An example of such an event, beyond the ongoing cashflow generation of operations, may be one-off cash proceeds from the private auction process from the Group's remaining seven contested new gTLD applications.

Conclusion

In conclusion:

- We are a young business that is experiencing significant growth in a rapidly expanding, but still nascent, industry that has the potential to match .com/.net or the country codes (142.2million and 142.7million registrations respectively at 31 December 2016) within a 5-10 year time-frame;
- MMX's registrations are already up over 40% year to date, following

a near three-fold increase of registrations in 2016;

- A loss making business has been transformed into a profitable one - Billings Operating EBITDA before one off restructuring costs has grown to \$4.2million compared to a loss of \$6.6million in 2015;
- We have an expanding global foot-print and distribution partner network; and
- We continue to have significant scope for billings and revenue improvement as the Group's premium and standard name inventory across its world-class portfolio of top-level domains is better monetized.

In short, the progress we made in 2016 to transformationally restructure the business into a pure-play registry and cost efficiently enter new markets has built strong foundations for the current year and beyond. We therefore remain confident of our ability to deliver meaningful value as we continue to grow our DUMs and resulting revenues and transition the Group into a highly predictable annuity based business of scale.



Toby Hall
Chief Executive Officer
24 April 2017



Michael Salazar
Chief Operating Officer/
Chief Financial Officer
24 April 2017

strategic report

to the members of Minds + Machines Group Limited

Cautionary statement

This Strategic Report has been prepared solely to provide additional information to shareholders to assess the Group's strategies and the potential for those strategies to succeed.

This Strategic Report contains certain forward-looking statements. These statements are made by the directors in good faith based on the information available to them up to the time of their approval of this report and such statements should be treated with caution due to the inherent uncertainties, including both economic and business risk factors, underlying any such forward-looking information.

This Strategic Report has been prepared for the Group as a whole and therefore gives greater emphasis to those matters, which are significant to MMX and its subsidiary undertakings when viewed as a whole.

Review of the Group's Business

The Business Model

Minds + Machines Group Limited operates in the domain name industry and provides end-to-end domain services generating revenues across multiple business lines.

In total, 23 of the 28 uncontested domains in which the Group has a commercial interest have entered General Availability, resulting in the Group having over 820,000 domains under management at the year end.

The Group currently has an interest in 7 contested generic top-level domains (gTLDs). The Group:

- Wholly-owns, or majority owns, 6 contested gTLDs; and
- Is in partnership for one gTLD.

Registry Business

A registry is the authoritative master database of all Domain Names registered for each TLD operated by a Registry. The registry allows the Domain Name System to route internet traffic to and from connected devices anywhere in the world.

The registry generates revenue by selling domain names to registrars on a recurring subscription basis. Registrars in turn sell domain names directly to consumers. Prices from the registry to the registrar are considered wholesale prices, which are set by the registry. Each registration, known as a second level domain (SLD), has a registration period from 1 to 10 years. At the end of each registration period, in order for the SLD to continue working, the consumer must renew it by paying a registration renewal fee. As required by ICANN, a Registry must wholesale SLDs to all ICANN-accredited Registrars on the same pricing, terms, and conditions.

Pricing for each SLD is based on the Group's determination of whether it is a geographical gTLD, a defined and restricted market (e.g. .law), a niche market (e.g. .yoga), or a generic market (e.g. .work). Pricing is further adjusted by other factors such as the pricing of other SLDs in other new gTLDs that end-users are likely to view as being comparable (e.g. .site vs. .web vs. .website), or pricing to match the targeted market of the gTLD (for instance .luxe focuses on the luxury market which demands premium prices). Further, some SLDs are considered premium names (e.g. hotel.TLD) which command a higher annual price.

The Group shares wholesale revenues from its geographic gTLDs and retains all the wholesale revenue for its non-geographic, wholly-owned gTLDs.

Registry Service Provider

Minds + Machines Group currently has legacy Registry Service Provider clients however, the systems and processes necessary to manage this function have been outsourced to Nominet. Minds + Machines still maintains a small revenue stream from its two clients to manage Nominet on their behalf.

Reseller Registrar Business

The Group discontinued its previous retail registrar business in 2016. The Group will continue to provide 'Reseller' services for .law and .abogado second level domain names, however it has outsourced the back-end platform to a third-party provider, Instra.

Future developments, strategy and objectives

Please see the Executive Summary.

Key performance indicators

We track several Key Performance Indicators (KPI) against set KPI targets to help the Board and management evaluate the performance of our overall business. Please refer to the Executives Summary.

Principal risks and uncertainties

There are a number of potential risks and uncertainties, which could have a material impact on the Group's long-term performance and could cause actual results to differ materially from expected and historical results. The Group's risk management policies and procedures are also discussed in the Corporate Governance Statement.

The market for gTLDs is uncertain, the Group may fail to attract sufficient new customers

The level of demand for new second level domain names for those gTLDs in respect of which the Group either provides registry services or has an economic interest as the gTLD applicant may be less than expected or the new gTLDs may not generate the levels of second level domain name sales anticipated by the Board in which case the Group's revenues and profitability may be adversely affected.

The Group closely monitors the industry to judge the level of interest and potential revenue and acts accordingly to ensure that it retains sufficient capital to operate.

The Group derives significant revenue from certain geographic regions that are subject to strict compliance requirements

The Group derives significant revenue from China where as a registry, it is subject to strict reporting requirements and where its customers may be subject to certain currency restrictions. These requirements could impact the Group's ability to pursue business opportunities in the region.

The Group maintains a strong presence in the region with offices in Xiamen and Beijing and employs highly qualified and well connected personnel. In addition, the Group has forged strong relationships with several Chinese based business partners to ensure that opportunities are taken advantage of as presented.

The Group may fail to meet certain contractual obligations

The Group currently has certain contractual commitments for specific TLDs that provide for minimum revenue guarantees. If total revenues from those specific TLDs do not reach the minimum annual revenue targets the Group must reallocate revenues from other areas of its portfolio to ensure appropriate payment of such commitments. Further, the commitments may create a significant barrier to achieving overall profitability and could result in certain impairments to future financial statements.

The Group is currently renegotiating its current contractual commitments with a view towards ensuring that their requirements are reasonably met and the impact of such commitments to the Group's overall profitability is minimized.

The Group depends on technology and advanced information systems, which may fail or be subject to disruption

As a registry, the Group is dependent on the performance of software registry system and underlying databases, together with its back-up systems and disaster recovery plans, to ensure that critical registry functions are available to end users, registrars and other parties that must have access to those functions

in the event any circumstance arises that materially impacts the operation of the primary registry system. The integrity, reliability and operational performance of the Group's IT systems, whether in-house or outsourced, are therefore critical to the Group's operations. The Group's IT systems may be damaged or interrupted by increases in usage, human error, unauthorized access, natural hazards or disasters or similarly disruptive events. Furthermore, Group's current systems may be unable to support a significant increase in online traffic or increased customer numbers, whether as a result of organic or inorganic growth of the business. Any failure of the Group's IT infrastructure or the telecommunications and/or other third party infrastructure on which such infrastructure relies could lead to significant costs and disruptions that could reduce revenue, harm the Company's business reputation and have a material adverse effect on the operations, financial performance and prospects of the Group. The Group has in place business continuity procedures, disaster recovery systems and security measures to protect against network or IT failure or disruption. However, those procedures and measures may not be effective to ensure that the Group is able to carry on its business in the ordinary course if they fail or are disrupted, and they may not ensure the Group can anticipate, prevent or mitigate a material adverse effect on the Group's operations, financial performance and prospects resulting from such failure or disruption. In addition, the Group's controls may not be effective in detecting any intrusion or other security breaches, or safeguarding against sabotage, hackers, viruses and cybercrime.

The Group has invested and continues to invest in ensuring that its technology and advanced information systems, whether in-house or outsourced, are performing as expected and can support growth of the business.

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 adversely impact upon the Group's future performance.

The Group offers competitive compensation package's including share options to retain and attract key personnel.

The Group depends on a number of third parties for the operation of its business

The Group relies on cloud based services from third parties suppliers in order to provide its registry and RSP services which, if faulty and thereby causes errors or a service failure, could adversely affect the Group's operating results or harm its reputation. Furthermore, the Group has key contractual relationships with a number of third parties including suppliers, partners, banks and payment processors. In particular, the Group relies on key suppliers in order to carry on its operations including, but not limited to, DNS services, co-location facilities, DDoS

strategic report

to the members of Minds + Machines Group Limited continued

migration services, security vulnerability assessment services, site and data escrow. The failure of one or more of these third parties may have an adverse impact on the financial and operational performance of the Group. Similarly, the failure of one or more of these third parties to fulfill its obligations to the Group for any other reason may also cause significant disruption and have a material adverse effect on its operations, financial performance and prospects.

The Group puts in place contracts with certain key clients to ensure continued business relationships. The Group also meets with individual management from our strategic partners periodically throughout the year to ensure the continued alignment of business goals and objectives.

Going concern basis

The Group's forecasts and projections, taking account of the gTLD program being managed by ICANN, show that the Group should be able to operate within the level of its current funding. At the year-end, the Group had \$15.3 million held as cash and cash equivalents (excluding letters of credits required by ICANN).

The Group will use these resources to both fund operations, to secure additional gTLD assets and where appropriate return cash to shareholders.

The Directors have a reasonable expectation that the Company and the Group have adequate resources to continue operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

Approval

This report was approved by the Board of Directors on 24 April 2017 and signed on its behalf by:



Michael Salazar
Chief Operating Officer/Chief Financial Officer
24 April 2017

directors' report

The Directors present their annual report on the affairs of the group, together with the financial statements and auditor's report, for the year ended 31 December 2016. The Corporate Governance Statement set out on pages 13 to 14 forms part of this report.

Details of significant events since the balance sheet date are contained in note 31 to the financial statements. An indication of likely future developments in the business of the company and details of research and development activities are included in the Strategic Report.

Information about the use of financial instruments by the company and its subsidiaries is given in note 28 to the financial statements.

Dividends

The Directors do not recommend payment of a dividend as a result of the financial performance for the year ended 2016 (2015: Nil).

Capital Structure

Details of the issued share capital, together with details of the movement in the Company's issued share capital during the year are shown in note 26. The company has one class of ordinary shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the Company.

There are no specific restrictions on the size of a holding nor on the transfer of shares, which are both governed by the general provisions of the Articles of Association and prevailing legislation. The directors are not aware of any agreement between holders of the Company's shares that may result in restrictions on the transfer of securities or on voting rights.

Details of employee share schemes are set out in note 27.

No person has any special rights of control over the Company's share capital.

With regard to the appointment and replacement of directors, the company is governed by its Articles of Association, the BVI Companies Act and related legislation.

Directors

The Directors who served during the period and since year end are set out below:

Executive Directors	Date of Appointment	Date of Resignation
Toby Hall	26 April 2016	
Michael Salazar		
Antony Van Couvering		19 February 2016
Caspar von Veltheim		2 February 2016

Non-Executive Directors	Date of Appointment	Date of Resignation
Guy Elliott		
Henry Turcan	2 February 2016	
Keith Teare		2 February 2016
Elliot Noss		2 February 2016
David de Jongh Weill		2 February 2016

Directors' Remuneration

The Group remunerates the Directors at a level commensurate with the size of the Group and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Group with regard to this issue. Details of Directors' emoluments and payments made for professional services rendered are set out in Note 11 to the financial statements.

Directors' Interests

The total beneficial interests of the serving Directors at the year end in the shares and options of the Company during the period to 31 December 2016 were as follows:

Director	31 December 2016		31 December 2015	
	Shares	Options*	Shares	Options*
Guy Elliott	20,250,000	-	21,650,000	-
Toby Hall	500,000	7,500,000	N/A	N/A
Michael Salazar	1,975,050	7,500,000	1,630,000	8,500,000
Henry Turcan	-	-	-	-
Antony Van Couvering**	N/A	N/A	1,017,689	23,000,000
Caspar Veltheim**	N/A	N/A	916,613	2,512,500
Keith Teare**	N/A	N/A	-	750,000
Elliot Noss**	N/A	N/A	-	750,000
David de Jongh Weill**	N/A	N/A	-	-

* Terms of the options have been disclosed in Note 27 to the financial statements.

** These directors did not serve for the full financial year and were not Directors of the company at the year end.

Directors' Indemnities

The company has made qualifying third-party indemnity provisions for the benefit of its directors, which were made during the year and remain in force at the date of this report.

Corporate Governance

A statement on Corporate Governance is set out on pages 13 to 14.

directors' report

continued

Environmental Responsibility

The Company is aware of the potential impact that it and its subsidiary companies may have on the environment. The Company ensures that it, and its subsidiaries at a minimum comply with the local regulatory requirements and the revised Equator Principles with regard to the environment.

Employment Policies

The Group is committed to promoting policies which ensure that high-calibre employees are attracted, retained and motivated, to ensure the ongoing success for the business. Employees and those who seek to work within the Group are treated equally regardless of sex, sexual orientation, marital status, creed, colour, race or ethnic origin.

Health and Safety

The Group's aim is to achieve and maintain a high standard of workplace safety. In order to achieve this objective the Group will provide training and support to employees and set demanding standards for workplace safety.

Annual General Meeting ("AGM")

This report and financial statements will be presented to shareholders for their approval at the AGM. The Notice of the AGM will be distributed to shareholders together with the Annual Report.

Statement of disclosure of information to auditor

As at the date of this report the serving directors confirm that:

- So far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor are aware of that information.

Auditor

Mazars LLP have expressed their willingness to continue in office as auditor and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

Statement of Directors' Responsibilities

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

The Directors are required to prepare financial statements for each financial year. 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 group and company and of the profit or loss of the group and company 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 IFRS has been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, and other events and conditions on the Group and Company's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with applicable law. 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.

Electronic communication

The maintenance and integrity of the Company's website is the responsibility of the Directors. The work carried out by the auditor does not involve consideration of these matters and, accordingly, the auditor accepts no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

The Company's website is maintained in accordance with AIM Rule 26. Legislation in the British Virgin Islands governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

By order of Board:



Michael Salazar
Chief Operating Officer/Chief Financial Officer
24 April 2017

corporate governance

The Board is committed to maintaining high standards of corporate governance. Whilst the company is not required to adopt the UK Corporate Governance Code, the Company's corporate governance procedures take due regard of the principles of Good Governance set out in the 2014 UK Corporate Governance Code in relation to the size and the stage of development of the Company.

Board of Directors

The Board of Directors currently comprises two Executive Directors and two Non-Executive Directors, one of whom is the Chairman. The Directors are of the opinion that the Board comprises a suitable balance and that the recommendations of the Combined Code have been implemented to an appropriate level. The Board, through the CEO and COO / CFO in particular, maintains regular contact with its advisers and public relations consultants in order to ensure that the Board develops an understanding of the views of major shareholders about the Company.

Board Meetings

The Board meets regularly throughout the year. For the year ended 31 December 2016, the Board met ten times in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

All Directors have access to the advice of the Company's solicitors and other professional advisers, as necessary, and information is supplied to the Directors on a timely basis to enable them to discharge their duties effectively. All Directors have access to independent professional advice, at the Company's expense, as and when required.

Board Committees

The Board has established the following committees, each which has its own terms of reference:

Audit Committee

The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee comprises of two Non-Executive Directors, Henry Turcan (Chairman) and Guy Elliot. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

Remuneration Committee

The Remuneration Committee is responsible for making recommendations to the Board on Directors' and senior executives' remuneration. It comprises of two Non-Executive Directors, Guy Elliott (Chairman of the Remuneration Committee), and Henry Turcan. Non-Executive Directors' remuneration and conditions are considered and agreed by the Board. Financial packages for Executive Directors are established by reference to those prevailing in the employment market for executives of equivalent status both in terms of level of responsibility of the position and their achievement of recognized job qualifications and skills. The Committee will also have regard to the terms, which may be required to attract an equivalent experienced executive to join the Board from another company.

Internal controls

The Directors acknowledge their responsibility for the Group's systems of internal controls and for reviewing their effectiveness. These internal controls are designed to safeguard the assets of the Company and to ensure the reliability of financial information for both internal use and external publication. Whilst they are aware that no system can provide absolute assurance against material misstatement or loss, in light of increased activity and further development of the Company, continuing reviews of internal controls will be undertaken to ensure that they are adequate and effective.

Risk Management

The Board considers risk assessment to be important in achieving its strategic objectives. There is a process of evaluation of performance targets through regular reviews by senior management to forecasts. Project milestones and timelines are regularly reviewed.

Risks and uncertainties

The principal risks facing the Group are set out below. Risk assessment and evaluation is an essential part of the Group's planning and an important aspect of the Group's internal control system.

Business risk

- The market for gTLDs is uncertain and the Group may fail to attract significant new customers;
- The Group derives significant revenue from certain geographic regions that are subject to strict compliance requirements
- The Group may fail to meet certain contractual obligations;
- The Group depends on technology and advanced information systems, which may fail or be subject to disruption;
- Dependence on key personnel; and
- The Group depends on a number of third parties for the operation of its business.

corporate governance continued

General and economic risks

Contractions in the world's major economies or increases in the rate of inflation resulting from international conditions;

- Movements in the equity and share markets in China, United States, and United Kingdom and throughout the world;
- Weakness in global equity and share markets in particular, in the United Kingdom, and adverse changes in market sentiment towards the internet and technologies industry;
- Currency exchange rate fluctuations and, in particular, the relative prices of US Dollar, the Euro, and the UK Pound Sterling;
- Exposure to interest rate fluctuations; and
- Adverse changes in factors affecting the success of internet and development operations, such as increases in expenses, to delays in the development or adoption of new standards and protocols to handle increased levels of Internet activity or due to increased governmental regulation.

Funding risk

The Group or the companies in which it has invested may not be able to raise, either by debt or further equity, sufficient funds to enable completion of planned expansion, investment and/or development projects.

Content risk

The Company may be affected by the regulatory and legal environment relating to the content control and access. Regulation both current and future could cause additional expense and have a material impact on the Company's business, the extent of which cannot be predicted. Certain jurisdictions may attempt to make the Company responsible for the content which it facilitates or may be held responsible for content.

Intellectual property

Monitoring and defending the Company's intellectual rights can entail substantial costs with no certainty of outcome. The Company relies on its rights in intellectual property and other rights such as confidentiality, and there is a risk of their infringement, which may have a material adverse effect on the Company's business, operation and/or financial condition. The Company's ability to ensure adequate protection for its intellectual property rights may be limited and it is possible that the Company's competitors may independently develop similar technology, which could encroach upon the Company's operations.

The Company may also become subject to claims from third parties for infringement of their intellectual property rights. Such claims (meritorious or otherwise) may be costly and time consuming, and if any action against the Company is successful it may result in the Company being required to cease certain activities, alter its technology, or enter into royalty or licensing agreements, which may or may not be available on terms acceptable to the Company.

Market risk

The ability of the Group (and the companies it invests in) to continue to secure sufficient and profitable sales contracts to support its operations is a key business risk.

Key personnel

The ability of the Group to attract and retain key personnel.

Treasury Policy

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. The Board approves decisions regarding the management of these assets. Refer to Note 28 for further information.

Securities Trading

The Board has adopted a Share Dealing Code that applies to Directors, senior management and any employee or consultant who is in possession of inside information. All such persons are prohibited from trading in the Company's securities if they are in possession of inside information. Subject to this condition and trading prohibitions applying to certain other periods, trading can occur provided the relevant individual has received the appropriate prescribed clearance.

Relations with Shareholders

The Board is committed to providing effective communication with the shareholders of the Company. Significant developments are disseminated through stock exchange announcements and regular updates of the Company website. The Board views the AGM as a forum for communication between the Company and its shareholders and encourages their participation in its agenda.

independent auditor's report

Independent Auditor's Report to the Members of Minds + Machines Group Limited

We have audited the financial statements of Minds + Machines Group Limited for the year ended 31 December 2016 which comprise the Group and Company Statements of Comprehensive Income, Group and Company Statements of Financial Position, Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

Respective responsibilities of directors and auditor

As explained more fully in the Statement of Directors' responsibilities set out on page 12, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members, as a body. 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.

Scope of the audit of the financial statements

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

Opinion on the financial statements

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2016 and of the group's and the parent company's loss for the year then ended; and
- the financial statements have been properly prepared in accordance with IFRSs.

Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St Katharine's Way
London
E1W 1DD
24 April 2017

group statement of comprehensive income

for the year ended 31 December 2016

	Notes	Year Ended 31 Dec 2016 \$ 000's	Restated Year Ended 31 Dec 2015 \$ 000's
Billings		15,800	7,922
Continuing Operations:			
Of which:			
Revenue		15,001	6,324
Less: Partner Payments	3	(1,520)	(844)
Revenue less partner payments		13,481	5,480
Cost of sales	4	(2,541)	(1,264)
Gross Profit		10,940	4,216
Gross Profit Margin %		81%	77%
Profit on gTLD auctions	22	-	7,943
Loss on withdrawal of gTLD applications	22	(148)	(148)
Operating expenses - ongoing	8	(6,536)	(11,745)
Operating expenses - forfeited	8	(646)	-
Operating earnings before interest, taxation, depreciation and amortisation (Operating EBITDA) before restructuring costs		3,610	266
Foreign exchange gain / (loss)		251	(1,240)
Loss on disposal of fixed assets		(18)	(161)
Share based payments	27	(745)	(3,235)
Share of (loss) / results of joint venture	21	(25)	1
Earnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA) before restructuring costs	9	3,072	(4,369)
Restructuring costs - operating	5	(1,166)	-
Restructuring costs - contracts	6	(3,748)	-
Loss before interest, taxation, depreciation and amortisation (EBITDA)		(1,842)	(4,369)
Depreciation and amortisation charge	18/19	(285)	(417)
Finance revenue	12	39	82
Finance costs	13	-	(18)
Loss on disposal of joint ventures	21	(276)	-
Loss before taxation		(2,364)	(4,722)
Income tax	14	195	52
Loss from the year from continuing operations		(2,169)	(4,670)
Loss from discontinued operations	7	(2,332)	(4,684)
Retained loss for the period		(4,501)	(9,354)

	Notes	Year Ended 31 Dec 2016 \$ 000's	Restated Year Ended 31 Dec 2015 \$ 000's
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		(648)	732
Other comprehensive (loss) / income for the year net of taxation		(648)	732
Total comprehensive loss for the year		(5,149)	(8,622)
Retained loss for the period attributable to:			
Equity holders of the parent		(4,508)	(9,335)
Non-controlling interests		7	(19)
		(4,501)	(9,354)
Total comprehensive loss for the period attributable to:			
Equity holders of the parent		(5,169)	(8,639)
Non-controlling interests		20	17
		(5,149)	(8,622)
Loss per share (cents)			
From continuing operations			
Basic	16	(0.29)	(0.56)
Diluted	16	(0.29)	(0.56)
From discontinued operations			
Basic	16	(0.31)	(0.56)
Diluted	16	(0.31)	(0.56)

All operations are considered to be continuing.

The notes set out on pages 25 to 63 form an integral part of these financial statements.

company statement of comprehensive income

for the year ended 31 December 2016

	Notes	Year Ended 31 Dec 2016 \$ 000's	Restated Year Ended 31 Dec 2015 \$ 000's
Billings		13,817	4,121
Of which:			
Revenue		12,417	2,092
Less: Partner payments		(1,049)	(496)
Revenue less partner payments		11,368	1,596
Cost of sales		(1,446)	(835)
Gross profit		9,922	761
Gross profit margin %		87%	48%
Profit on gTLD auctions	22	-	7,943
Loss on withdrawal of gTLD applications	22	(148)	(148)
Operating expenses		(8,098)	(2,747)
Operating earnings before interest, taxation, depreciation and amortisation (Operating EBITDA)		1,676	5,809
Foreign exchange profit / (loss)		317	(2,781)
Impairment of investment in subsidiaries	20	(6,859)	-
Share based payment expense		(794)	(2,017)
Earnings before interest, taxation, depreciation and amortisation (EBITDA) before restructuring costs		(5,660)	1,011
Restructuring costs - operating	5	(80)	-
Earnings before interest, taxation, depreciation and amortisation (EBITDA)		(5,740)	1,011
Depreciation and amortisation charge	18	(73)	(61)
Finance revenue	12	39	82
Loss on disposal of joint ventures	21	(276)	-
(Loss) / profit before taxation		(6,050)	1,032
Income tax	14	-	-
Retained (loss) / profit for the period		(6,050)	1,032
Other comprehensive income		-	-
Total comprehensive (loss) / income for the year		(6,050)	1,032

All operations are considered to be continuing.

The notes set out on pages 25 to 63 form an integral part of these financial statements.

group statement of financial position

as at 31 December 2016

	Notes	31 Dec 2016 \$ 000's	Restated 31 Dec 2015 \$ 000's	Restated 31 Dec 2014 \$ 000's
ASSETS				
Non-current assets				
Goodwill	17	2,828	2,828	2,828
Intangible assets	18	45,603	41,291	40,597
Fixtures & equipment	19	89	189	871
Interest in joint ventures	21	385	835	833
Other-long term assets	22	3,327	3,448	5,982
Total non-current assets		52,232	48,591	51,111
Current assets				
Trade and other receivables	24	7,953	5,606	4,638
Cash and cash equivalents	23	15,275	34,651	45,796
Total current assets		23,228	40,257	50,434
TOTAL ASSETS		75,460	88,848	101,545
LIABILITIES				
Current liabilities				
Trade and other payables	25	(14,984)	(8,972)	(6,314)
Obligations under finance lease		-	(2)	(342)
Total current liabilities		(14,984)	(8,974)	(6,656)
NET ASSETS		60,476	79,874	94,889
EQUITY				
Share capital	26	-	-	-
Share premium	26	60,060	73,816	82,866
Foreign exchange reserve		742	1,403	707
Retained earnings		4	4,987	11,665
		60,806	80,206	95,238
Non-controlling interests		(330)	(332)	(349)
TOTAL EQUITY		60,476	79,874	94,889

The notes set out on pages 25 to 63 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 April 2017 and signed on its behalf by:



Toby Hall
Chief Executive Officer



Michael Salazar
Chief Operating Officer/Chief Financial Officer

company statement of financial position

as at 31 December 2016

	Notes	31 Dec 2016 \$ 000's	Restated 31 Dec 2015 \$ 000's	Restated 31 Dec 2014 \$ 000's
ASSETS				
Non-current assets				
Intangible assets	18	39,389	39,463	38,835
Investment in subsidiaries	20	39,384	4,189	3,548
Interest in joint ventures	21	486	911	911
Other-long term assets	22	3,327	3,448	5,962
Total non-current assets		82,586	48,011	49,276
Current assets				
Trade and other receivables	24	8,519	39,901	39,384
Cash and cash equivalents	23	10,544	23,990	26,952
Total current assets		19,063	63,891	66,336
TOTAL ASSETS		101,649	111,902	115,612
LIABILITIES				
Current liabilities				
Trade and other payables	25	(13,880)	(3,852)	(2,201)
Total current liabilities		(13,880)	(3,852)	(2,201)
NET ASSETS		87,769	108,050	113,411
EQUITY				
Share capital	26	-	-	-
Share premium	26	60,060	73,816	82,866
Retained earnings		27,709	34,234	30,545
TOTAL EQUITY		87,769	108,050	113,411

The notes set out on pages 25 to 63 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 April 2017 and signed on its behalf by:



Toby Hall
Chief Executive Officer



Michael Salazar
Chief Operating Officer/Chief Financial Officer

group cash flow statement

for the year ended 31 December 2016

	Notes	Year Ended 31 Dec 2016 \$ 000's	Restated Year Ended 31 Dec 2015 \$ 000's
Net cash flow from operating activities	23	(629)	(10,745)
Cash flows from investing activities			
Interest received	12	39	82
Interest paid	13	-	(18)
Amounts transferred from restricted cash		(64)	684
Payments to acquire intangible assets		(3,796)	(1,139)
Receipts from the disposal of intangible assets		-	47
Payments to acquire fixtures & equipment		(28)	(108)
Receipts from the disposal of tangible assets		90	-
Amounts received in gTLD auctions		-	9,155
Net cash flow from investing activities		(3,759)	8,703
Cash flows from financing activities			
Repayments of obligations under finance lease		-	(360)
Issue of ordinary shares	26	6,811	-
Share issue costs	26	(300)	-
Purchase of own shares	26	(20,267)	(9,050)
Repurchase of vested equity instruments		(1,129)	(577)
Net cash flow from financing activities		(14,976)	(9,987)
Net decrease in cash and cash equivalents		(19,364)	(12,029)
Cash and cash equivalents at beginning of period		34,651	45,796
Exchange (loss)/gain on cash and cash equivalents		(12)	884
Cash and cash equivalents at end of period		15,275	34,651

The notes set out on pages 25 to 63 form an integral part of these financial statements

company cash flow statement

for the year ended 31 December 2016

	Notes	Year Ended 31 Dec 2016 \$ 000's	Restated Year Ended 31 Decr 2015 \$ 000's
Net cash flow from operating activities	23	7,490	(3,800)
Cash flows from investing activities			
Interest received	12	39	82
Amounts transferred from restricted cash		-	684
Payments to acquire intangible assets		-	(500)
Investment in subsidiaries		(7,218)	-
Amounts received in gTLD auctions		-	9,155
Net cash flow from investing activities		(7,179)	9,421
Cash flows from financing activities			
Issue of ordinary shares	26	6,811	-
Share issue costs	26	(300)	-
Purchase of own shares	26	(20,267)	(9,050)
Net cash flow from financing activities		(13,756)	(9,050)
Net decrease in cash and cash equivalents		(13,445)	(3,429)
Cash and cash equivalents at beginning of period		23,990	26,952
Exchange (loss)/gain on cash and cash equivalents		(1)	467
Cash and cash equivalents at end of period		10,544	23,990

The notes set out on pages 25 to 63 form an integral part of these financial statements

group statement of changes in equity

for the year ended 31 December 2016

	Share Capital \$ 000's	Share premium reserve \$ 000's	Shares to be issued \$ 000's	Foreign currency translation reserve \$ 000's	Retained earnings \$ 000's	Total \$ 000's	Non- controlling interest \$ 000's	Total equity \$ 000's
At 1 January 2015, as previously reported	-	82,866	-	707	11,461	95,034	(349)	94,685
Cumulative effect of change in accounting policy for partner payments	-	-	-	-	204	204	-	204
As restated	-	82,866	-	707	11,665	95,238	(349)	94,889
Loss for the year	-	-	-	-	(9,335)	(9,335)	(19)	(9,354)
Currency translation differences	-	-	-	696	-	696	36	732
Total comprehensive income / (loss)	-	-	-	696	(9,335)	(8,639)	17	(8,622)
Acquisition of own shares	-	(9,050)	-	-	-	(9,050)	-	(9,050)
Credit to equity for equity-settled share based payments	-	-	-	-	3,223	3,223	-	3,223
Share based payments (repurchase of vested equity instruments)	-	-	-	-	(566)	(566)	-	(566)
As at 31 December 2015	-	73,816	-	1,403	4,987	80,206	(332)	79,874
Loss for the year	-	-	-	-	(4,508)	(4,508)	7	(4,501)
Currency translation differences	-	-	-	(661)	-	(661)	13	(648)
Total comprehensive (loss) / income	-	-	-	(661)	(4,508)	(5,169)	20	(5,149)
Additions to share premium	-	6,811	-	-	-	6,811	-	6,811
Cost of share issue	-	(300)	-	-	-	(300)	-	(300)
Acquisition of own shares	-	(20,267)	-	-	-	(20,267)	-	(20,267)
Credit to equity for equity-settled share based payments	-	-	-	-	653	653	(2)	651
Share based payments (repurchase of vested equity instruments)	-	-	-	-	(1,128)	(1,128)	-	(1,128)
Adjustment arising from change in Non-Controlling Interest	-	-	-	-	-	-	(16)	(16)
As at 31 December 2016	-	60,060	-	742	4	60,806	(330)	60,476

The notes set out on pages 25 to 63 form an integral part of these financial statements.

- Share premium – This reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium
- Foreign exchange translation reserve – This reserve represents gains and losses arising on the translation of foreign operations into the Group's presentational currency.
- Retained earnings – This reserve represents the cumulative profits and losses of the Group.
- Non-controlling interests reserve – This reserve represents the share of the interest held by the non-controlling shareholders of the subsidiary undertakings.

company statement of changes in equity

for the year ended 31 December 2016

	Share capital \$ 000's	Share premium reserve \$ 000's	Shares to be issued \$ 000's	Retained earnings \$ 000's	Total \$ 000's
At 1 January 2015 (as previously reported)	-	82,866	-	30,545	113,411
Effect of change in accounting policy for partner payments	-	-	-	-	-
Profit for the year (restated)	-	-	-	1,032	1,032
Total comprehensive income	-	-	-	1,032	1,032
Acquisition of own shares	-	(9,050)	-	-	(9,050)
Credit to equity for equity-settled share based payments	-	-	-	3,223	3,223
Share based payments (repurchase of vested equity instruments)	-	-	-	(566)	(566)
As at 31 December 2015	-	73,816	-	34,234	108,050
Loss for the year	-	-	-	(6,050)	(6,050)
Total comprehensive income	-	-	-	(6,050)	(6,050)
Additions to share capital / premium	-	6,811	-	-	6,811
Cost of share issue	-	(300)	-	-	(300)
Acquisition of own shares	-	(20,267)	-	-	(20,267)
Credit to equity for equity-settled share based payments	-	-	-	653	653
Share based payments (repurchase of vested equity instruments)	-	-	-	(1,128)	(1,128)
As at 31 December 2016	-	60,060	-	27,709	87,769

The notes set out on pages 25 to 63 form an integral part of these financial statements.

- Share premium – This reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium
- Retained earnings – This reserve represents the cumulative profits and losses of the Group.

notes to financial statements

for the year ended 31 December 2016

1 Summary of Significant Accounting Policies

(a) General information

Minds + Machines Group Limited is a company registered in the British Virgin Islands under the BVI Business Companies Act 2004 with registered number 1412814. The Company's ordinary shares are traded on the AIM market operated by the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in note 2 and in the Strategic Report on pages 8 to 10.

These financial statements are presented in US Dollars and rounded to the nearest thousand.

Foreign operations are included in accordance with the policies set out in note 1(l).

(b) Statement of compliance with IFRS

The Group's and Company's financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Adoption of new and revised standards

The Group's and Company's financial statement have been prepared on the basis of accounting policies consistent with those applied in the financial statement for the year ended 31 December 2015 except for the change in the partner payments accounting policy as set out in note 1(k) and for the implementation of a number of minor adjustments issued which applied for the first time in 2016. These new pronouncements do not have a significant impact on the accounting policies, methods of computation or presentation applied by the Group and Company and therefore prior-year financial statements have not been restated for these pronouncements.

Future changes in accounting policies

At the date of authorization of these financial statements, the following Standards and Interpretations which have not been applied in these financial statements were in issue but not yet effective:

Mandatory for 2017

Amendments to IAS 12

Amendments to IAS 12 Recognition of Deferred Tax Asset for Unrealized Losses. These amendments on the recognition of deferred tax assets for unrealized losses clarify how to account for deferred tax assets related to debt instruments measured at fair value

IAS 7

IAS 7 Statement of Cash flows, Narrow-scope amendments. The amendments introduce an additional disclosure that will enable users of financial statement to evaluate changes in liabilities arising from financial activities

Mandatory for 2018

IFRS 15

IFRS 15 Revenue from Contracts with Customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer to promised goods or services when control of the goods or services passes to customers. The amount of revenue recognized should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. A modified transitional approach is permitted under which a transitional adjustment is recognized in retained earnings at the date of implementation of the standard without adjustment of comparatives. The new standard will only be applied to contracts that are not completed at that date.

IFRS 9

IFRS 9 Financial Instruments. This standard includes a single approach for the classification of financial assets, based on cash flow characteristics and the entity's business model, which requires expected losses to be recognized when financial instruments are first recognized. The standard amends the rules on hedge accounting to align the accounting treatment with the risk management practices of an entity.

notes to financial statements

for the year ended 31 December 2016

Mandatory for 2019

IFRS 16

IFRS 16 Leases. Under the new standard, a lessee is in essence required to:

- a) Recognize all lease assets and liabilities (including those currently classed as operating leases) on the balance sheet, initially measured at the present value of unavoidable lease payments;
- b) Recognize amortization of lease assets and interest on lease liabilities in the income statement over the lease term; and

Separate the total amount of cash paid into a principal portion (presented within financial activities) and interest (which companies can choose to present within operating or financing activities consistent with presentation of any other interest paid) in the cash flow statement.

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except that:

- IFRS 9 will impact both the measurement and disclosure of Financial Instruments; and
- IFRS 16 will impact on the recognition of those leases currently classified as operating leases. Information on the undiscounted amount of the Group's operating lease commitments under IAS 17, the current lease standard, is disclosed in note 26. Under IFRS 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right of use.

Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of these standards until a detailed review has been completed.

(c) Basis of accounting

The consolidated financial statements have been prepared on the historical cost basis.

(d) Basis of consolidation

The consolidated financial information incorporates the results of the Company and entities controlled by the Company (its subsidiaries) (the "Group") made up to 31 December each year. Control is achieved when the Company:

- has the power over the investee;
- is exposed or has rights, to variable return from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amounts by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributable to the owners of the Company.

When a Group loses control of a subsidiary, the gain or loss on disposal recognized in profit or loss is calculated as the difference between the aggregate of the fair value of the consideration received and the fair value of any retained interest and the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified / permitted by applicable IFRS). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IAS 39 Financial Instruments: Recognition and Measurement or, when applicable, the costs on initial recognition of an investment in an associate or jointly controlled entity.

When a separate identifiable segment meets the definition of Discontinued Operations (i.e. when agreement has either been reached to sell a component of the Group's business or the sale has taken place in the reporting period), results of that segment are accounted for, in line with those applicable accounting standards, as discontinued operations on the Group Statement of Total Comprehensive Income. Prior period results are also disclosed on a like for like basis. Any assets in still held by the group at the end of the reporting period are in respect of these discontinued operations are classified as held for sale in the Group Statement of Financial Position.

(e) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on page 8.

(f) Business combinations

Acquisition of subsidiaries and business are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquire. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value at the acquisition date, except that:

- deferred tax assets of liabilities and assets or liabilities related to employee benefits arrangement are recognized and measured in accordance with IAS 12 Income Taxes and IAS 19 Employee Benefits respectively; and
- assets (or disposal groups) that are classified as held for sale in accordance with IFRS 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

notes to financial statements

for the year ended 31 December 2016

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed.

(g) Joint Ventures

A joint venture is an entity where the group has joint control and have rights to the net assets of the arrangement. The group has interests in joint ventures, which are jointly controlled entities, whereby the ventures have a contractual arrangement that establishes joint control over the economic activities of the entity. The contractual agreement requires unanimous agreement for financial and operating decisions among ventures.

The Group's interests in jointly controlled entities are accounted for by using the equity method. Under the equity method, the investment in the joint venture is carried in the statement of financial position at cost plus post acquisition changes in the Group's share of net assets of the joint venture. The income statement reflects the share of the results of operations of the joint venture. The financial statements of the joint venture are prepared for the same reporting period as the Group. Adjustments are made where necessary to bring the accounting policies in line with those of the Group.

Losses on transactions are recognized immediately if the loss provides evidence of a reduction in the net realizable value of current assets or an impairment loss. The joint venture is accounted for using the equity method until the date on which the Group ceases to have joint control over the joint venture.

Upon loss of joint control, the Group measures and recognizes its remaining investment at its fair value. Any difference between the carrying amount of the former jointly controlled entity upon loss of joint control and the fair value of the remaining investment and proceeds on disposal are recognized in profit or loss. When the remaining investment constitutes significant influence, it is accounted for as investment in an associate.

(h) Goodwill

Goodwill is initially recognized and measured as set out above.

Goodwill is not amortized but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognized for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(i) Leases (the group as a lessee)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Assets held under finance leases are recognized as assets of the group at their fair value or, if lower, at the present value of the minimum lease payments, each determined at the inception of the lease. The corresponding liability to the lessor is included in the balance sheet as a finance lease obligation.

Lease payments are apportioned between finance expenses and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance expenses are recognized immediately in profit or loss.

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease except where another more systematic basis is more representative of the time pattern in which economic benefits from the lease assets are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate benefit of incentives is recognized as a reduction of rental expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

(j) **Revenue Recognition**

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts, VAT and other sales-related taxes. Revenue is reduced for estimated customer rebates and other similar allowances.

Registry revenue

Registry revenue primarily arise from fixed fees charged to registrars for the initial registration or renewal of domain names.

Where the fee from the initial registration matches the fee from the renewal, the fee from both the initial registration and renewal is recognized on a straight line basis over the registration term.

Where the fee from the initial registration is higher than the renewal fee (arising mainly from 'premium name'), the 'premium' (the difference between the first year fee and ongoing renewal fee) is recognized as revenue immediately with the balance recognized on a straight line basis over the registration period. The renewal fee carries on to be recognized on a straight line basis as well.

Fees from renewals are deferred until the new incremental period commences.

Rendering of services (Registry service provider ("RSP") revenue and consultancy services)

Revenue is generated by providing RSP and consultancy services over a period of time. Fees for these services are deferred and/or accrued and recognized as performance occurs, typically on a straight-line basis over that period.

(k) **Partner Payments**

Partner payments represents the expense relating to certain TLDs where royalty and similar payments are required to be made.

Such payments are based on the Group's and Company's billing and are deferred in line with accounting revenue.

This represents a change in the Group's and the Company's accounting policy. Previously the Group and the Company did not defer such payments, recognizing the payment immediately as an expense.

The change in accounting policy has been made to more accurately reflect the Group's and Company's performance in relation to its revenue. The change has been applied retrospectively. As such, a "third" balance sheet is presented showing the opening position of the 31 December 2015 period.

notes to financial statements

for the year ended 31 December 2016

The change in accounting policy impacted the partner payment expense with the corresponding impact on either prepayments (trade and other receivables) or accruals (trade and other payables), as follows:

	2016 \$ 000's	2015 \$ 000's
Increase/(decrease) in partner payments	569	(643)

The cumulative impact prior to 2015 was a decrease in partner payments of \$204k.

	2016 \$ 000's	2016 \$ 000's	2015 \$ 000's	2015 \$ 000's
	As reported in these financial statements (cents)	As reported or as would have been reported if there were no change in accounting policy (cents)	As reported in these financial statements (cents)	As reported or as would have been reported if there were no change in accounting policy (cents)
Basic EPS (continuing operations)	(0.29)	0.17	(0.56)	(0.64)
Diluted EPS (continuing operations)	(0.29)	0.16	(0.56)	(0.64)

(I) Foreign Currencies

Functional and presentation currency

The individual financial statements of each group company are presented in the currency of the primary economic environment in which it operates (its functional currency). For the purpose of the consolidated financial statements, the results and financial position of each group company are expressed in US Dollars, which is the presentation currency for the consolidated financial statements. The Company's functional currency is US Dollars.

Transactions and balances

In preparing the financial statements of the individual companies, transactions in currencies other than the entity's functional currency (foreign currencies) are recognized at the rates of exchange prevailing on the dates of transactions. At each balance sheet date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rate prevailing at that date. Non-monetary items carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated.

Exchange differences are recognised in profit and loss in the period in which they arise.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated at exchange rates prevailing on the balance sheet date. Income and expense items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the date of the transactions are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interests as appropriate).

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognized in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

(m) Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment loss.

Internally generated intangible assets—research and development expenditure

Expenditure on research activities is recognized as an expense in the period in which it is incurred.

An internally generated intangible asset arising from the development (or from the development phase of an internal project) is recognized if, and only if all of the following conditions have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognized for internally generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally generated intangible asset can be recognized, development expenditure is recognized in profit or loss in the period in which it is incurred.

Subsequent to initial recognition, internally generated intangible assets are reported at cost less accumulated amortization and accumulated impairment losses, on the same basis as intangible assets that are acquired separately.

Useful life and amortisation

Amortization is recognized so as to write off the cost of assets less their residual values over their useful lives, using the straight-line method, on the following basis.

- Generic Top Level Domains – indefinite life (not amortized)
- Contractual based intangible assets – indefinite life (not amortized)
- Software and development costs – over 3 or over its useful life (as below)

Software and development costs are amortized over their useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed when circumstances indicate a change to its useful life. Changes in the expected useful life are accounted for by charging the amortization period and treated as a change in accounting estimate. As a consequence, certain software and development costs are amortized over eight months (previously over 3 years).

notes to financial statements

for the year ended 31 December 2016

(n) De-recognition of intangible assets

An intangible asset is de-recognized on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from de-recognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognized in profit or loss when the asset is de-recognized.

(o) Fixtures & equipment

Fixtures & equipment is stated at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is recognized so as to write off the cost or valuation of assets less their residual values over their useful lives, using the straight line method, on the following basis.

- Fixtures & equipment – over 3 to 7 years

(p) Impairment of fixtures & equipment and intangible assets excluding goodwill

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

An intangible asset, with an indefinite useful life is tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is being recognized immediately in profit or loss, unless the relevant asset is carried at a re-valued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

(q) Critical accounting judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, described in this note, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumption are based on historic experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognized 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.

Critical judgements in applying the Group's accounting policies

The Group does not have any critical judgements, apart from those involving estimations (which are dealt with separately below).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below, in particular: Impairment of goodwill and intangible assets; Financial instruments; Taxation; provisions; Share-based payment transactions; and Investment in subsidiary undertakings.

(r) Impairment of goodwill and intangible assets

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units to which goodwill and intangible assets have been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Goodwill and intangible assets have not been impaired.

Details of goodwill and intangible assets are set out in note 17 and 18 respectively.

(s) Finance costs/revenue

Interest expenses are recognized using the effective interest method.

Finance revenue is recognized using the effective interest method.

(t) Financial instruments

Financial assets and financial liabilities are recognized in the Group's balance sheet when the Group becomes party to the contractual provision of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Financial assets

All financial assets are recognized and derecognized on a trade date where the purchase or sale of a financial asset is under a contract whose terms require delivery of the financial assets within the timeframe established by the market concerned, and are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value.

Financial assets are classified into the following specified categories: 'available for sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

Income is recognized on an effective interest basis for debt instrument.

Loans and other receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortized cost using the effective interest method, less Impairment. Interest income is recognized by applying the effective interest rate, except for short-term receivables when recognition of interest would be material.

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for the year ended 31 December 2016

Loans and receivables include cash and cash equivalents. Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Impairment of financial asset

Financial assets are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For all other financial assets objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default of delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankrupt or financial re-organization.

For Financial assets carried at amortized cost, the amount of the impairment is 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 rate.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Changes in the carrying amount of the allowance account are recognized in profit and loss.

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized 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 amortized cost would have been had the impairment not been recognized.

De-recognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

On de-recognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognized in other comprehensive income and accumulated in equity is recognized in profit or loss.

Financial liabilities and equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

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

Financial liabilities

Financial liabilities are classified as other financial liabilities.

Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortized costs using the effective interest method, with interest expense recognized on a effective yield basis.

The effective interest method is a method of calculating the amortized costs of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

De-recognition of financial liabilities

The Group de-recognizes financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

(u) Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for the current year is calculated using jurisdictional tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax

Deferred tax is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the tax computations, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realized. Deferred tax is charged or credited in the income statement, except when it relates to items charged or credited directly to equity, in which case it is also dealt with in equity.

Current and deferred tax for the year

Current and deferred tax are recognized in profit of loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized on other comprehensive income or directly inequity respectively.

(v) Provisions

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimates to settle the present obligation, its carrying amount is the present value of those cash flows (when the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

(w) Share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. The fair value excludes the effect of non market-based vesting conditions. The fair value is determined by using the Black-Scholes model. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 27.

notes to financial statements

for the year ended 31 December 2016

The fair value determined at the grant date of the equity-settled shared-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the equity instruments that will eventually vest. At each balance sheet date, the Group revises its estimate of the number of equity instruments expected to vest as a result of the effect of non market-based vesting conditions. The impact or the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to equity reserves.

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 16)

(x) Investment in subsidiary undertakings

In the parent company financial statements, fixed asset investment in subsidiaries and joint ventures are shown at cost less provision for impairment.

2 Operating segments – Group

Information reported to the Group's management and internal reporting structure (including the Group's Chief Executive Officer) for the purpose of resources allocation and assessment of segment performance is focused on the category for each type of activity. The principal categories (and the Group's segments under IFRS 8) are:

- Registry ownership ('Registry') – applicant of top level domain name from ICANN and wholesaler of domain names of those top level domain names
- Registry service provider ('RSP') and consulting services – back end service provider for a registry

Segment revenues and results

2016	Registry \$ 000's	RSP \$ 000's	Other \$ 000's	Elimination \$ 000's	Total \$ 000's
Revenue					
External sales	13,818	1,058	125	-	15,001
Total Revenue	13,818	1,058	125	-	15,001
Operating EBITDA	12,031	401	(169)	(8,653)	3,610
Foreign exchange gain					251
Loss on disposal of tangible assets					(18)
Share based payment expense					(745)
Share of loss of joint venture					(25)
EBITDA before Restructuring					3,073
Restructuring costs - operating					(1,166)
Restructuring costs - contract					(3,748)
EBITDA					(1,841)
Amortisation and depreciation					(285)
Finance revenue					39
Loss on disposal of joint venture					(276)
Profit before tax					(2,363)
Income tax					195
Profit after tax					(2,168)

Inter-segment sales are charged at prevailing market prices.

2015 - Restated	Registry \$ 000's	RSP \$ 000's	Other \$ 000's	Elimination \$ 000's	Total \$ 000's
Revenue					
External sales	3,705	2,554	65	-	6,324
Total Revenue	3,705	2,554	65	-	6,324
Operating EBITDA	4,250	(3,155)	(237)	(592)	266
Foreign exchange gain					(1,240)
Loss on disposal of tangible assets					(161)
Share based payment expense					(3,235)
Share of loss of joint venture					1
EBITDA before Restructuring					(4,369)
Restructuring costs					-
EBITDA					(4,369)
Amortisation and depreciation					(417)
Finance revenue					82
Finance costs					(18)
Profit or loss on disposal of subsidiaries					-
Loss on disposal of joint venture					-
Profit before tax					(4,722)
Income tax					52
Profit after tax					(4,670)

* Included within Operating EBITDA is Profit on gTLD auctions of \$7,943k allocated to the Registry segment and loss on withdrawal of gTLD applications \$148k allocated to RSP.

Inter-segment sales are charged at prevailing market prices.

Other segment information

	Segment assets		Depreciation and amortisation	
	2016 \$ 000's	Restated 2015 \$ 000's	2016 \$ 000's	Restated 2015 \$ 000's
Registry	66,143	73,114	278	61
RSP	5,736	9,446	4	356
Other	3,581	6,288	3	-
Total	75,460	88,848	285	417

For the purpose of monitoring segment performance and allocating resources between segments, the Group's Chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of interest in joint ventures. Goodwill has been allocated to reportable segments as described in note 17.

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Geographical information

The Group's information about its segment assets by geographic location are detailed below.

	Revenue from external customers		Non-current assets		Additions to Non-current assets	
	2016 \$'000's	Restated 2015 \$'000's	2016 \$'000's	Restated 2015 \$'000's	2016 \$'000's	Restated 2015 \$'000's
British Virgin Islands	3,858	2,303	43,103	43,751	3	500
Ireland	2,278	120	49	807	35	631
United Kingdom	1,047	2,434	3,817	8	3,815	-
Germany	1,483	1,143	452	333	165	-
Hungary	-	-	174	181	-	-
USA	6,335	324	4,637	3,511	1,561	801
Total	15,001	6,324	52,232	48,591	5,579	1,932

Included in revenues arising from the Registry segment are revenues of \$1,963k (2015: \$589k), which arose from sales to the Group's largest customer.

Revenue for the Company is all derived from the Registry segment.

3 Partner payments

	Group		Company	
	2016 \$'000's	Restate 2015 \$'000's	2016 \$'000's	Restated 2015 \$'000's
Partner Payments	1,520	844	1,049	496

Partner payments represents the expense relating to certain TLDs where royalty and similar payments are required to be made. Such payments are based on the Group's and Company's billing and are deferred in line with accounting revenue. This represents a change in the Group's and the Company's accounting policy. Previously the Group and the Company did not defer such payments, recognizing the payment immediately as an expense. See note 1 (k) for further details.

4 Cost of sales

	Group		Company	
	2016 \$'000's	2015 \$'000's	2016 \$'000's	2015 \$'000's
Third Party Fees	918	295	190	59
ICANN Fees	882	813	642	647
Other	741	156	614	129
Total	2,541	1,264	1,446	835

5 Restructuring costs – operating

	Group		Company	
	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's
Executive severance pay-outs	522	-	-	-
Employee severance pay-outs	247	-	-	-
Relocation costs	118	-	-	-
Migration costs	279	-	80	-
Total	1,166	-	80	-

The nature of the restructuring activities and costs are detailed in the Executive Summary.

6 Restructuring costs – contracts

	Group		Company	
	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's
Restructuring contracts	3,748	-	-	-

Restructuring costs – contracts, relates to costs incurred to re-negotiate certain contracts. See the Executive Summary for further details.

7 Discontinued operations

During the year, the group entered into a sale agreement to dispose of the registrar customer list effectively closing down the registrar business. The disposal was affected to pursue the group's strategy of being a pure play registry. The disposal was completed during the year.

	Group	
	2016 \$ 000's	2015 \$ 000's
Revenue	-	-
Expenses	(1,312)	(3,883)
Gross Loss	(1,312)	(3,883)
Amortization	(1,020)	(801)
Loss before tax from discontinued operations	(2,332)	(4,684)
Income tax	-	-
Loss after tax from discontinued operations	(2,332)	(4,684)

Discontinued operations contributed to a cash outflow of \$1,312k (2015: \$3,883k) to the group's net operating cash flows.

8 Operating expenses – ongoing / forfeited

Operating expenses have been separated into "ongoing" and "forfeited". Ongoing operating expenses represent expenses that the restructured Group and Company would have incurred for the current year.

Forfeited expenses represent expenses that the Group and Company would not have incurred under a restructured business, separate to those specifically allocated to restructuring costs (note 5). Forfeited expenses are mainly comprised of employee costs for employees and certain expenses no longer required under the restructured business.

During the year, the Group paid costs of \$504k to Patrimoine International Limited of which \$200k has been recognized within operating expenses, \$90k within cost of goods sold and the remainder allocated to cost of cash issue in equity. In addition, Patrimoine International Limited was granted 2,500,000 share options, vesting over 3 years with an exercise price of 13 pence (15.9 cents) with a calculated fair value of \$94k. The contract with Patrimoine was terminated in Q1 2017.

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9 EBITDA before restructuring costs

EBITDA before restructuring costs is arrived at after charging:

	2016 \$ 000's	Group 2015 \$ 000's	2016 \$ 000's	Company 2015 \$ 000's
Auditors' remuneration – current year auditors				
Audit of these financial statements	68	71	68	69
Audit of the financial statements of subsidiaries	35	36	-	-
Tax compliance	11	5	-	-
Other services	20	4	-	-
Directors' emoluments – fees and salaries	1,610	2,172	438	226
Operating lease rentals	237	770	-	-
Foreign exchange gain	(251)	1,240	(317)	2,781

10 Employee information (excluding directors)

	2016 \$ 000's	Group 2015 \$ 000's	2016 \$ 000's	Company 2015 \$ 000's
Staff costs comprised of:				
Wages and salaries	3,670	5,581	-	-
Share based payment (credit) / expense	(71)	1,539	-	-
Total	3,599	7,120	-	-
		Group		Company
Monthly average number of employees:				
Administration	12	13	-	-
Finance	6	5	-	-
Sales & Marketing	7	9	-	-
Engineering	6	21	-	-
Total	31	48	-	-

11 Directors' emoluments

	2016 \$ 000's	Group 2015 \$ 000's	2016 \$ 000's	Company 2015 \$ 000's
Directors emoluments	1,610	2,172	482	226
Share based payment expense (Note 27)	528	1,597	528	96
Total	2,138	3,769	1,010	322

							Group
2016	Salaries & Fees \$ 000's	Redundancy \$'000	Bonus \$ 000's	Benefits in kind \$ 000's	Directors emoluments \$ 000's	Share Option Pay-out \$'000	Total \$ 000's
Executive Directors							
Toby Hall (#)	199	-	100	-	299	-	299
Michael Salazar	326	-	100	29	455	75	530
Antony Van Couvering (#)	137	522	-	-	659	556	1,215
Caspar Veltheim (#)	14	-	-	-	14	-	14
Non-Executive Directors							
Guy Elliott	100	-	-	-	100	-	100
Henry Turcan (#)	53	-	-	-	53	-	53
David Weill (#)	10	-	-	-	10	-	10
Keith Teare (#)	10	-	-	-	10	56	66
Elliot Noss (#)	10	-	-	-	10	-	10
Total	817	522	242	29	1,610	687	2,297

(#): These Directors were not employed for the full 2016 financial period.

							Group
2015	Salaries & Fees \$ 000's	Redundancy \$'000	Bonus \$ '000	Benefits in kind \$ 000's	Directors emoluments \$ 000's	Share Option Pay-out \$'000	Total \$ 000's
Executive Directors							
Antony Van Couvering	373	-	325	28	726	-	726
Michael Salazar	330	-	152	50	532	-	532
Caspar Veltheim	152	-	88	20	260	-	260
Frederick Krueger (#)	149	-	260	19	428	-	428
Non-Executive Directors							
Guy Elliott (#)	21	-	-	-	21	-	21
David Weill (#)	21	-	-	-	21	-	21
Keith Teare (#)	92	-	-	-	92	-	92
Elliot Noss	92	-	-	-	92	-	92
Total	1,230	-	825	117	2,172	-	2,172

(#): These Directors were not employed for the full 2015 financial period.

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for the year ended 31 December 2016

							Company
2016	Salaries & Fees \$ 000's	Redundancy \$'000	Bonus \$ 000's	Benefits in kind \$ 000's	Directors emoluments \$ 000's	Share Option Pay-out \$'000	Total \$ 000's
Executive Directors							
Toby Hall (#)	199	-	100	-	299	-	299
Michael Salazar	-	-	-	-	-	-	-
Caspar Veltheim (#)	-	-	-	-	-	-	-
Antony Van Couvering (#)	-	-	-	-	-	-	-
Non-Executive Directors							
Guy Elliott	100	-	0	-	100	-	100
Henry Turcan (#)	53	-	-	-	53	-	53
David Weill (#)	10	-	-	-	10	-	10
Keith Teare (#)	10	-	-	-	10	56	66
Elliot Noss (#)	10	-	-	-	10	-	10
Total	340	-	142	-	482	56	538

(#): These Directors were not employed for the full 2016 financial period.

							Company
2015	Salaries & Fees \$ 000's	Redundancy \$'000	Bonus \$ 000's	Benefits in kind \$ 000's	Directors emoluments \$ 000's	Share Option Pay-out \$'000	Total \$ 000's
Executive Directors							
Antony Van Couvering	-	-	-	-	-	-	-
Michael Salazar	-	-	-	-	-	-	-
Caspar Veltheim	-	-	-	-	-	-	-
Frederick Krueger (#)	-	-	-	-	-	-	-
Non-Executive Directors							
Guy Elliott (#)	21	-	-	-	21	-	21
David Weill (#)	21	-	-	-	21	-	21
Keith Teare (#)	92	-	-	-	92	-	92
Elliot Noss	92	-	-	-	92	-	92
Total	226	-	-	-	226	-	226

(#): These Directors were not employed for the full 2015 financial period.

No pension benefits are provided for any Director.

Details of Directors' share options exercised have been disclosed in note 27 to the accounts.

12 Finance revenue

	Group		Company	
	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's
Bank interest	35	82	35	82
Other interest received	4	-	4	-
Total	39	82	39	82

Finance revenues relate to assets classified as loans and receivables.

13 Finance costs

	Group		Company	
	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's
Interest on obligations under finance lease	-	18	-	-

14 Income tax expense – Group

	2016 \$ 000's	2015 \$ 000's
Current tax credit	195	52
Deferred tax	-	-
	195	52
	2016 \$ 000's	Restated 2015 \$ 000's
Loss before tax on continuing operations	(2,363)	(4,722)
Tax at the BVI tax rate of 0%	-	-
Research and development tax credit	212	52
Income Tax	(17)	-
	195	52

The charge for the current year can be reconciled to the loss per the Company statement of comprehensive income as follows:

Income tax expense - Company	2016 \$ 000's	Restated 2015 \$ 000's
Current tax	-	-
Deferred tax	-	-
	-	-
	2016 \$ 000's	Restated 2015 \$ 000's
Profit before tax on continuing operations	(6,050)	1,032
Tax at the BVI tax rate of 0%	-	-
	-	-

The British Virgin Islands under the IBC (international business company) imposes no corporate taxes or capital gains. However, the Company as a group may be liable for taxes in the jurisdictions where it is operating.

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No deferred tax asset has been recognized because there is insufficient evidence of the timing of suitable future profits against which they can be recovered. Tax losses carried forward, which may be utilized indefinitely against future taxable profits amount to \$17m (2015: \$12.9m) in the USA, \$1.7m (2015: \$2.2m) in Germany, \$6.8m (2015: \$5.9m) in Ireland, \$10.4 (2015: \$6.6m) in the United Kingdom, \$31k (2015: \$Nil) in Hungary and \$22k (2015: \$Nil) in China.

15 Dividends

No dividends were paid or proposed by the Directors (2015: \$Nil).

16 Loss per share

The calculation of earnings per share is based on the profit / (loss) after taxation divided by the weighted average number of shares in issue during the period.

Earnings / (loss)	2016 \$ 000's	Restated 2015 \$ 000's
Loss for the purpose of the basic and diluted earnings per share		
Loss from continuing operations	(2,175)	(4,651)
Loss from discontinued operations	(2,332)	(4,684)
Total loss for the year	(4,507)	(9,335)

Number of shares	2016 million	2015 million
Weighted average number of ordinary shares used in calculating basic loss per share	743.00	829.34
Effect of dilutive potential ordinary shares – share options and warrants	-	-
Weighted average number of ordinary shares for the purpose of diluted earnings per share	743.00	829.34

Loss per share from continuing operations	2016 cent	Restated 2015 cent
Basic	(0.29)	(0.56)
Diluted	(0.29)	(0.56)

Loss per share from discontinued operations	2016 cent	Restated 2015 cent
Basic	(0.31)	(0.56)
Diluted	(0.31)	(0.56)

All potential shares were anti-dilutive for 2016 and 2015 continuing and discontinued operations due to the loss reported.

17 Goodwill

Cost	Group \$ 000's
31 December 2015 and 31 December 2016	2,828

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination. Goodwill has been allocated to the 'Registry' segment (a single 'CGU').

Impairment review

The Group tests goodwill annually for impairment, or more frequently if there are indicators that goodwill might be impaired.

At 31 December 2016, the Directors have carried out an impairment review and have concluded that no impairment is required.

The recoverable amount of the CGU is determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to selling prices and direct costs. Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGU.

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity based on an estimated growth rate of 5% (2015: 5%). The growth rate of 5% is appropriate to the new gTLD market that the Group operates in. The rate used to discount the forecast cash flows is 10% (2015: 9%).

The Group has carried out sensitivity analysis on the growth rate and discount rate. A 2% change in either rate would not give any indication of impairment.

18 Intangible assets

Group

	generic Top Level Domains \$ 000's	Software & development costs \$ 000's	Development costs (Assets under construction) \$ 000's	Contract based intangible assets \$ 000's	Other \$ 000's	Total \$ 000's
Cost						
At 1 January 2015	39,063	1,423	148	-	162	40,796
Additions	500	88	541	-	10	1,139
Transfer from other long term assets	551	-	-	-	-	551
Transfer from assets under construction	-	666	(666)	-	-	-
Exchange differences	(36)	(107)	(23)	-	(1)	(167)
At 31 December 2015	40,078	2,070	-	-	171	42,319
Additions	1,500	261	-	3,185	-	5,576
Exchange differences	(17)	(34)	-	-	(1)	(52)
At 31 December 2016	41,561	2,297	-	3,815	170	47,843
Accumulated Amortization						
At 1 January 2015	-	(199)	-	-	-	(199)
Charge for the year	-	(677)	-	-	(171)	(848)
Exchange differences	-	19	-	-	-	19
At 31 December 2015	-	(857)	-	-	(171)	(1,028)
Charge for the year	-	(1,171)	-	-	-	(1,171)
Exchange differences	-	(42)	-	-	1	(40)
At 31 December 2016	-	(2,070)	-	-	(170)	(2,240)
Carrying amount						
At 31 December 2016	41,561	227	-	3,815	-	45,603
At 31 December 2015	40,078	1,213	-	-	-	41,291

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Company

	generic Top Level Domains \$ 000's	Software & development costs \$ 000's	Other \$ 000's	Total \$ 000's
Cost				
At 1 January 2015	38,694	51	99	38,844
Additions	500	-	-	500
Transfers from other long term assets	185	-	-	185
At 31 December 2015	39,379	51	99	39,529
Additions	-	3	-	3
At 31 December 2016	39,379	54	99	39,532
Accumulated amortization				
At 1 January 2015	-	(9)	-	(9)
Charge for the year	-	(19)	(42)	(61)
At 31 December 2015	-	(28)	(42)	(70)
Charge for the year	-	(16)	(57)	(73)
At 31 December 2016	-	(44)	(99)	(139)
Carrying amount				
At 31 December 2016	39,379	10	-	39,389
At 31 December 2015	39,379	27	57	39,463

generic Top Level Domains

In 2012, the Group applied for new generic Top Level Domains to the Internet Corporation for Assigned Names and Numbers (ICANN), see note 19 for further details. Successful applications are transferred from other long-term assets to Intangible assets. The Group capitalises the full cost incurred to pursue the rights to operate generic Top Level Domains including amounts paid at auction to gain this right where there is more than one applicant to ICANN for the same generic Top Level Domain.

The disposal in 2014 reflects the sale of a future revenue stream of a certain generic Top Level Domain where the funds from the sale of that revenue share was used to fund its acquisition.

This class of intangible assets are assessed to have an indefinite life as it is deemed that the application fee and amounts paid at auction give the Group indefinite right to this generic Top Level Domain.

The Group tests intangible assets with an indefinite life (generic Top Level Domains) annually for impairment, or more frequently if there are indicators that the asset might be impaired.

Impairment review of intangible assets

The Directors carried out an impairment review as at 31 December 2016 and have concluded that no impairment is required. The recoverable amounts of each group of generic Top Level Domains (the grouping of generic Top Level Domains is based on its characteristics), software, contract based intangible assets and other intangible assets are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to the selling process and direct costs. Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the asset.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years, with the exception of Contract based intangible assets where cash flows over the next eight years is used, and extrapolates cash flows into perpetuity based on an estimated growth rate of 5% (2015: 5%). The rate used to discount the forecast cash flow is 10% (2015: 9%).

The group has carried out sensitivity analysis on the growth rate and discount rate. A 2% change in either rates would not give any indication of an impairment for all classes of intangible assets, with the exception of contract based intangible assets, where a 2% change in either rate would indicate an impairment of:

- Growth rate decrease by 2% - \$1,620k
- Discount rate increase by 2% - \$2,160k

19 Fixtures and equipment

	Fixtures & equipment \$ 000's
Cost	
At 1 January 2015	1,196
Additions	108
Disposal	(855)
Exchange differences	(61)
At 31 December 2015	388
Additions	28
Disposal	(99)
Exchange differences	(7)
At 31 December 2016	310
Depreciation	
At 1 January 2015	(325)
Depreciation charge for the period	(367)
Disposal	476
Exchange differences	17
At 31 December 2015	(199)
Depreciation charge for the period	(64)
Disposal	36
Exchange differences	6
At 31 December 2016	(221)
Carrying amount	
At 31 December 2016	89
At 31 December 2015	189

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20 Investment in subsidiaries

	Company	
	2016 \$ 000's	2015 \$ 000's
Investments in group undertakings company		
Cost		
At the beginning of the year	4,189	3,548
Movement in the year	42,054	641
Impairment	(6,859)	-
At 31 December	39,384	4,189

The movement in the year of \$42,054k represents inter-company loans receivable by the Company now treated as investments in subsidiaries.

The Impairment in the year, relates to the impairment of the Company's subsidiary, Minds and Machines Ltd (UK). The recoverable amount of the subsidiary is calculated using a value in use method. The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next eight years and extrapolates cash flows into perpetuity based on an estimated growth rate of 5% (2015: n/a). The rate used to discount the forecast cash flow is 10% (2015: n/a).

A 2% change in either rate would result in a further impairment charge of:

- Growth rate decreased by 2% - \$1,620k
- Discount rate increase by 2% - \$2,160k

Details of the Company's subsidiaries are as follows:

Name	Place of Incorporation (or registration and operation)	Principal activity	Proportion of ownership interest (%)	Proportion of voting power (%)
Minds + Machines US, Inc. (DE)	US	Holding company	100	100
Minds + Machines LLC (3)	US	Registry	100	100
Minds + Machines LLC (FL) (3)	US	Registry	100	100
Bayern Connect GmbH	Germany	Registry	80	100
Minds and Machines GmbH	Germany	Registry	80	100
Minds + Machines Ltd (Ireland)	Ireland	RSP	100	100
Minds and Machines Ltd (UK)	England & Wales	RSP	100	100
Minds + Machines Registrar Ltd (IE) (4)	Ireland	Dormant	100	100
Minds and Machines Registrar UK Ltd	England and Wales	Registrar	100	100
Emerald Names Limited (2)	Ireland	Dormant	100	100
Dot Wedding Registry Limited (2)	Ireland	Dormant	100	100
Minds + Machines Hungary	Hungary	Registry	100	100
Emerald Names Inc	US	Registry	100	100
Boston TLD Management LLC	US	Registry	99	99
Dot Law Inc (3)	US	Registrar	100	100
Beijing MMX Tech Co. Ltd (1)	China	Registry	100	100

- (1) Subsidiary incorporated in the year
- (2) During the year, these entities were deregistered
- (3) Minds + Machines LLC (CA), Minds + Machines LLC (FL) and Dot Law, Inc. are direct subsidiaries of Minds + Machines US, Inc (DE)
- (4) Minds + Machines Registrar Limited (Ireland) is a direct subsidiary of Minds + Machines Ltd (Ireland).

21 Interest in joint venture

At the start of the year, the group had a 50% interest in 4 joint ventures; Rugby Domains Ltd, Basketball Domains Ltd, Entertainment Names Inc and Dot Country LLC. These joint ventures were formed to sell second-level domain names to registrars. During the year, the group disposed of its interest in Basketball Domains Ltd and Rugby Domains Ltd, no proceeds were received from the disposal of both. The loss on disposal of the two joint ventures was \$276k.

	2016 \$ 000's	Group 2015 \$ 000's
Share of interest in assets / liabilities		
Assets		
- Non-current	379	379
- Current	421	470
	800	849
Liabilities		
- Current	(415)	(14)
Share of interest in assets	385	835
- Revenue	16	29
- Cost of sales	(15)	(25)
- Expenses	(26)	(3)
(Loss) / profit after income tax	(25)	1

There are no commitments arising in the joint ventures.

There are no contingent liabilities relating the Group's interest in the joint ventures, and no contingent liabilities of the venture itself.

Each joint venture is individually immaterial.

The principal place of business for Rugby Domains Ltd, Basketball Domains Ltd and, Entertainment Names Inc. is the British Virgin Islands. The principal place of business for Dot Country LLC is the Cayman Islands.

Company

Interests in joint ventures are accounted for at cost of \$486k (2015: \$911k) in the Company financial statements.

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for the year ended 31 December 2016

22 Other long-term assets

	Group and Company	
	2016 \$ 000's	2015 \$ 000's
Restricted cash	2,217	2,153
Other long-term receivables	1,110	1,295
Total	3,327	3,448

The Group capitalizes the costs incurred to pursue the rights to operate certain gTLD strings as these are deemed to provide probable future economic benefit.

During the application process capitalized payments for gTLD applications are included in Other Long Term Assets. While there is no assurance that MMX will be awarded any gTLDs, long-term receivables payments will be reclassified as intangible assets once the gTLD strings are available for their intended use, which is expected to occur following the delegation of gTLD strings by ICANN. In general, MMX does not expect to withdraw any of its applications unless the application has not passed the evaluation process and there is no further recourse or there is an agreement to sell or dispose of its interest in certain applications.

During the 2012 financial period, the Group paid US\$13.5 million in application fees to the Internet Corporation for assigned Names and Numbers (ICANN) under ICANN's New generic Top Level Domain (gTLD) Program and deposited US\$3.6 million to fund the letters of credit required by ICANN.

In 2013, 11 such applications were withdrawn either as a result of participation in auctions or management decision. A further application was transferred to a joint venture. As a result, application fees paid to ICANN as at 31 December 2013 amounts to \$11,100k and deposits to fund letters of credit amounts to \$3,248k.

In 2014, 22 further applications were withdrawn either as a result of participation in auctions or management decisions. As a result, application fees paid to ICANN as at 31 December 2014 amounts to \$3,145k. Due to the withdrawal on several applications deposits to fund letters of credit decreased to \$2,837k.

In 2015, 7 further applications were withdrawn either as a result of participation in auctions or management decisions. As a result, application fees paid to ICANN as at 31 December 2015 amounts to \$1,295k. Due to the withdrawal on several applications deposits to fund letters of credit decreased to \$2,153k. Of the applications withdrawn, 6 applications were withdrawn as a result of participation in private auction where the Group did not win but received a portion of the auction proceeds. Such auction proceeds, less amounts not recovered from the Group's withdrawal of the application to ICANN are accounted for on the profit and loss account as profit on participation in gTLD auctions and amounted to \$7,943k."

In 2016, one further application was withdrawn due to management decision. As a result, application fees paid to ICANN as at 31 December 2016 amounts to \$1,110k and deposits to fund letters of credit increased to \$2,217k due to the funding of Boston. Deposits to fund letters of credit increased to \$2,217k due to additional funding required for a TLD.

Where MMX receives a partial cash refund for certain gTLD applications and/or to the extent the Group elects to sell or dispose of its interest in certain gTLD applications throughout the process, it may incur gains or losses on amounts invested. In such cases the application fee will be reclassified from a long-term asset. Refunds received will be properly recorded when received, gains on the sale of the Group's interest in gTLD applications will be recognized when realized, and losses will be recognized when deemed probable. Other costs incurred by MMX as part of its gTLD initiative not directly attributable to the acquisition of gTLD operator rights are expensed as incurred.

Of the application which was withdrawn, \$37k of the application fee is recoverable, the amount not received from ICANN as a result of such withdrawals are accounted for on the profit and loss account as Loss in withdrawal of gTLD applications and amounted to \$148k (2015: \$148k).

Restricted cash is interest bearing and is therefore stated at fair value. Other long-term receivables are stated at amortized cost.

23 Cash and cash equivalents

Net cash outflows from operations

	Group		Company	
	2016 \$ 000's	Restated 2015 \$ 000's	2016 \$ 000's	Restated 2015 \$ 000's
Operating EBITDA	3,610	266	1,676	5,809
Adjustments for:				
Loss from discontinued operations (note 6)	(1,312)	(3,883)	-	-
Restructuring costs	(1,166)	-	(80)	-
(Increase) / decrease in trade and other receivables including long term receivables	(1,926)	662	(4,495)	838
(Decrease) / increase in trade and other payables	(350)	205	10,026	(169)
Profit on gTLD auction	-	(7,943)	-	(7,943)
Loss on withdrawal of gTLD application	148	148	148	148
Foreign exchange (gain) / loss	276	332	215	(2,483)
Net cash outflows from operations	(720)	(10,745)	7,490	(3,800)

Restricted cash

Included in the Group and company's cash and cash reserves is restricted funds of \$1million (2015: \$Nil) held in escrow to satisfy certain vendor requirements, to be released back to the Group and Company over the next five years.

24 Trade and other receivables

	Group		Company	
	2016 \$ 000's	Restated 2015 \$ 000's	2016 \$ 000's	Restated 2015 \$ 000's
Current trade and other receivables				
Trade receivables	3,992	2,791	3,048	1,908
Other receivables	1,969	916	732	62
Prepayments	1,943	1,893	859	691
Balances due from subsidiaries	-	-	3,831	37,234
Due from joint ventures	49	6	49	6
Total	7,953	5,606	8,519	39,901

The loans due from subsidiaries are interest free and have no fixed repayment date. The loans have been classified to current receivables in the current year as the directors assess these balances to be recoverable in 2017. The difference between the carrying value and the fair value of the loan at the reporting date is deemed to be immaterial.

Trade receivables – Group

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost.

Ageing of past due but not impaired receivables:

	2016 \$ 000's	2015 \$ 000's
1 – 30 days	-	-
31 – 60 days	1,766	210
61-90 days	398	514
91 days and over	594	951
Total	2,758	1,675

Included in the ageing of past due but not impaired receivables of 91 days and over an amount of \$239k receivable from one customer was received after the year end.

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Trade receivables - Company

Trade receivables disclosed above are classified as loans and receivables and are therefore measured at amortized cost.

Ageing of past due but not impaired receivables:

	2016 \$ 000's	2015 \$ 000's
1 – 30 days	-	-
31 – 60 days	1,635	194
61-90 days	398	502
91 days and over	354	42
Total	2,387	738

Included in the ageing of past due but not impaired receivables of 91 days and over an amount of \$239k receivable from one customer was received after the year end.

25 Trade and other payables

	Group		Company	
	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's
Trade payables	878	211	181	114
Due to joint ventures	70	18	65	13
Due to subsidiaries	-	-	8,798	-
Taxation liabilities	171	206	-	-
Other liabilities	5,917	2	228	-
Deferred revenue	6,095	5,613	3,523	2,225
Accruals	1,853	2,922	1,085	1,500
Total	14,984	8,972	13,880	3,852

All trade and other payables are due within one year and approximate their fair value.

26 Share capital and premium

Called up, allotted, issued and fully paid ordinary shares of no par value	Number of shares	Price per share (cents/pence)	Total \$ '000
As at 1 January 2014	650,558,522		49,481
30 January 2014 – cash on issue of shares	175,000,000	19.89/12	34,801
Options and warrants exercised:			
4 April 2014 for cash on exercise of options	3,000,000	6.7/4	201
13 July 2014 for cash on exercise of options	738,299	18.1/11	134
14 July 2014 for cash on exercise of options	350,000	15.4/9	54
25 July 2014 for cash on exercise of options	350,000	15.8/9	55
12 September 2014 for cash on exercise of options	350,000	15.4/9	54
22 October 2014 for cash on exercise of warrants	1,622,664	6.5/4	106
14 November 2014 for cash on exercise of options	4,000,000	6.8/4	273
			877
Cost of share issue			(2,293)
As at 31 December 2014	835,969,485		82,866
Shares repurchased	(68,864,800)	13/8.6	(9,050)
As at 31 December 2015	767,104,685		73,816
Shares repurchased	(10,658,568)	11/7.7	(1,179)
Share warrants exercised:			
24 May 2016 for cash on exercise of options	1,103,753	8.7/6	95
Shares repurchased:			
3 October 2016 Tender Offer	(100,000,000)	16.9/13	(19,088)
Shares issued:			
10 October 2016 Shares issued for cash	42,307,692	16.2/13	6,716
Cost of share issue			(300)
As at 31 December 2016	698,753,809		60,060

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27 Share-based payments

Share-based payment expense	2016 \$ 000's	2015 \$ 000's
Equity settled share based payments	653	3,223
Expense as a result of modification of equity settled share based payments	92	12
Total	745	3,235

The company has the following share option schemes in place:

- Directors and Employees Share Option Scheme – this scheme was previously open to all directors and employees of the scheme. Current employees are now enrolled under a new 'Restricted Share Option' (RSU) scheme (see below) whilst this current scheme is only open to Directors and certain senior executives.
- Restricted Share Option ('RSU') scheme – the group opened a new scheme for all employees of the group with the exclusion of Directors and certain senior executives.

Directors and Employees Share Option Scheme

	2016		2015	
	Number of share options	Weighted average exercise price (cents / pence)	Number of share options	Weighted average exercise price (cents / pence)
Outstanding at the beginning of the year	55,207,318	9.8/8.0	23,712,500	9.5/6.4
Granted during the year	15,000,000	9.8/8.0	41,950,000	13.17/8.88
Forfeited during the year (1)	(15,244,818)	8.5/6.9	(10,455,182)	12.06/8.14
Exercised during the year (2)	(25,150,000)	8.7/7.0	-	N/A
Expired during the year	-	N/A	-	N/A
Outstanding at the end of the year	29,812,500	14.7/11.9	55,207,318	11.78/7.95
Exercisable at the end of the year	9,575,000	9.4/7.6	34,353,056	10.69/7.21

1. Included within the number of share options forfeited in the year are 8,500,000 (2015: Nil) share options issued to Directors that were forfeited and settled in cash. This change was treated as a modification of a share based payment from equity settled to cash settled. The amounts payable under this settlement amounted to \$75k, which has already been recognized as an expense in the prior years and therefore reduced from equity in the current year as a repurchase of equity instrument. No additional amounts were expensed.
2. Included within the number of share options exercised during the year are 25,150,000 (2015: Nil) share options issued that were settled in cash. This change was treated as a modification of a share based payment from equity settled to cash settled. The amount payable under this settlement amounted to \$676k, of which \$639k had already been recognized as a share based payment expense in the prior years and therefore reduced from equity in the current year as a repurchase of equity instrument. The balance of \$37k was expensed.

The weighted average contractual life of outstanding options at the end of the year is 1.5 years (2015: 8.2 years). There were 15,000,000 options granted in 2016 (2015: 41,950,000). The aggregate of the estimated fair values of the options granted under this scheme during 2016 is \$2,058k (2015: \$3,311k).

The general terms of the share options, under the company share options scheme, vest over 3 years (quarterly vesting, 1/12th of options vest every quarter) and are exercisable over ten years from the date of grant if the employee remains within the company. The exercise price is determined by the average share price over the 30 days preceding the date of the grant.

Directors and employee share option scheme – share options granted in the year:

	2016	2015
Weighted average share price (cents/pence)	11.0/9.0	12.6/8.3
Weighted average exercise price (cents/pence)	10.7/8.7	13.6/8.9
Expected volatility	43.25%	54.69%
Expected life	3 years	10 years
Risk-free rate	2%	2%
Expected dividend yield	Nil	Nil

Expected volatility was determined by calculating the historic volatility of the Group's share price over the previous year. Volatility over earlier years is not representative and has therefore not been used to calculate volatility. The expected life used in the model has been adjusted, based on management's best estimate.

Restricted Share Option Scheme

	2016		2015	
	Number of share options	Weighted average exercise price (cents / pence)	Number of share options	Weighted average exercise price (cents / pence)
Outstanding at the beginning of the period	7,133,333	-	-	-
Granted during the period	-	-	16,500,000	-
Forfeited during the period	(2,737,496)	-	(4,841,667)	-
Exercised during the period	(3,595,836)	-	(4,525,000)*	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	800,001	-	7,133,333	-
Exercisable at the end of the period	183,334	-	770,833	-

* All share options exercised during under the Restricted Share Option Scheme were settled in cash. This change was treated as a modification of a share based payment from equity settled to cash settled. The amount payable under this settlement amounted to \$458k, of which \$466k had already been recognized as a share based expense in prior years and therefore reduced from equity in the current year as a repurchase of equity instrument. The balance of \$23k was expensed.

The weighted average contractual life of outstanding options at the end of the year is 0.64 years (2015: 1.68 years). There were no options granted in 2016 (2015: 16,500,000). The aggregate of the estimated fair values of the share options granted under the RSU scheme in 2015 was \$2,121k.

The general terms of the share options, under the RSU scheme, vest over 3 years (quarterly vesting, 1/12th of options vest every quarter) and are exercisable over three years from the date of grant if the employee remains within the company, at a nil exercise price.

Restricted Share Option Scheme – share options granted in the year:

	2016	2015
Weighted average share price (cents/pence)	N/A	13.4/8.75
Weighted average exercise price (£)	N/A	Nil
Expected volatility	N/A	N/A
Expected life	N/A	3 years
Risk-free rate	N/A	2%
Expected dividend yield	N/A	Nil

The market price of the ordinary shares at 31 December 2016 was \$0.13 / £0.11 (2015: \$0.12 / £0.08) and the range during the year was \$0.10 / £0.07 to \$0.17 / £0.13 (2015: \$0.11 / £0.07 to \$0.16 / £0.11).

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Directors' share options

Details of options for Directors' who served during the year are as follows:

	1 Jan 2016	Granted	Forfeited	Exercised	Expired	31 Dec 2016
Antony Van Couvering (1)*	23,000,000	-	-	(23,000,000)	-	-
Michael Salazar (2)	8,500,000	7,500,000	(8,500,000)	-	-	7,500,000
Toby Hall (3)	-	7,500,000	-	-	-	7,500,000
Caspar Veltheim (4)*	2,512,500	-	-	-	-	2,512,500
Keith Teare (5)*	1,050,000	-	-	(1,050,000)	-	-
Elliott Noss (6)*	750,000	-	-	-	-	750,000
Total	35,512,500	15,000,000	(8,500,000)	(23,750,000)	-	18,262,500

* These directors were not employed for the full 2016 financial period

- (1) 2,626,347 options - exercise price - £0.04, exercisable from - 27 May 2009, expires on - 24 June 2014, 7,000,000 options exercise price - £0.09, exercisable from - 22 May 2010, expires on - 24 June 2014, 3,025,143 options - exercisable from 13 May 2013, expires on 13 February 2023 (quarterly vesting beginning 13 May 2013 of 1/12 of options). 9,474,857 options - exercisable from 13 February 2013, expires on 13 February 2023. 10,500,000 options granted in the year - exercise price - £0.08, exercisable from 1 August 2014, expires on - 31 July 2024 (quarterly vesting beginning 1 August 2014 of 1/12 of options).
- (2) At the beginning of the year 1,250,000 options - Exercise price - £0.062, exercisable from - 1 Jun 2013, expires on - 30 Nov 2022 (quarterly vesting beginning at 1 Jun 2013 of 1/12 of options) and 7,250,000 options - exercise price - £0.08, exercisable from 1 August 2014, expires on - 31 July 2024 (quarterly vesting beginning 1 August 2014 of 1/12 of options). During the year, these options were forfeited and a further grant of 7,500,000 options were awarded - Nil exercise price - exercisable on the publication of the 2018 financial statements.
- (3) 7,500,000 options granted in the year - exercise price Nil, exercisable on the publication of the 2018 financial statements.
- (4) 312,500 options - exercise price - £0.07, exercisable from - 1 Aug 2012, expires on 31 Jul 2022 (quarterly vesting beginning at 1 Nov 2012 of 1/12 of options). 2,200,000 options - exercise price - £0.08, exercisable from 1 August 2014, expires on - 31 July 2024 (quarterly vesting beginning 1 August 2014 of 1/12 of options).
- (5) 300,000 options - exercise price - £0.08, exercisable from 1 August 2014, expires on - 31 July 2024 (quarterly vesting beginning 1 August 2014 of 1/12 of options) 300,000 options exercised in 2016.
- (6) 750,000 options - exercise price - £0.08, exercisable from 1 August 2014, expires on - 31 July 2024 (quarterly vesting beginning 1 August 2014 of 1/12 of options).

There have been no variations to the terms and conditions or performance criteria for share options during the financial year.

Total warrants outstanding

As at 31 December 2016 the outstanding unexercised warrants in issue were:

Exercise Price	Expiry Date	Number of warrants
10p	06 May 2019	8,000,000
12p	12 February 2017	1,047,089
15p	18 March 2021	650,000
13p	31 October 2019	2,500,000

In 2016 1,103,753 (2015:Nil) warrants were exercised at an exercise price of 8.7 cents / 6 pence.

As at the 31 December 2015 the outstanding unexercised warrants in issue were:

Exercise Price	Expiry Date	Number of warrants
10p	06 May 2019	8,000,000
6p	3 June 2016	1,103,753
12p	12 February 2017	1,047,089
15p	19 March 2021	650,000

28 Financial instruments

Capital risk management

The Group and Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. The Group and Company's overall strategy remains unchanged from 2015.

The capital structure of the Group and Company consists cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves, and retained earnings.

The Group and Company is not subject to any externally imposed capital requirements.

The Group and Company's strategy is to ensure availability of capital and match the profile of the Group and Company's expenditures. To date the Group has relied upon equity funding to finance operations. The Directors are confident that adequate cash resources exist to finance operations to commercial exploitation, but controls over expenditure are carefully managed.

The Group and Company has a policy of not using derivative financial instruments for hedging purposes and therefore is exposed to changes in market rates in respect of foreign exchange risk. However, it does review its currency exposures on an ad hoc basis. Currency exposures relating to monetary assets held by foreign operations are included within the foreign exchange reserve in the Group Balance Sheet.

Categories of financial instruments

Group

Financial assets	2016 \$ 000's	Restated 2015 \$ 000's
Cash and bank balances	15,275	34,651
Loans and receivables (including long term receivables)	8,178	6,707
Financial liabilities		
Other financial liabilities at amortised cost	6,792	213

Company

Financial assets	2016 \$ 000's	Restated 2015 \$ 000's
Cash and bank balances	10,544	23,990
Loans and receivables (including long term receivables)	9,828	42,013
Financial liabilities		
Other financial liabilities at amortised cost	9,205	114

There are no material differences between the book values of financial instruments and their market values.

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Financial risk management objectives

The Group and Company's Finance function provides services to the business, co-ordinates access to domestic and international financial markets, monitors and manages financial risks related to the operations of the Group and Company through internal risk reports, which analyses exposures by degree and magnitude of risks. These risks include market risk, credit risk, liquidity risk, and cash flow interest rate risk.

It is, and has been throughout 2016 and 2015, the policy of both the Group and the Company that no trading derivatives are contracted.

The main risks arising from the Group and the Company's financial instruments are foreign currency risk, credit risk, liquidity risk, interest rate risk and capital risk. Management reviews and agrees policies for mitigating each of these risks, which are summarised below.

Market risk

The Group and Company's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The risk is managed by the Group and Company by maintaining an appropriate mix of cash and cash equivalents in the foreign currencies it operates in. The Group and Company's management did not set up any financial instruments policy to manage its exposure to interest rates and foreign currency risk.

Foreign currency risk

The Group and Company undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. The Group and Company evaluates exchange rate fluctuations on a periodic basis to take advantage of favorable rates when transferring funds between accounts denominated in different currencies.

The carrying amount of the Group and Company's foreign currency denominated monetary assets and monetary liabilities at the reporting date is as follows:

Group	Liabilities		Assets	
	2016 \$ 000's	Restated 2015 \$ 000's	2016 \$ 000's	Restated 2015 \$ 000's
Sterling	5,682	159	3,708	7,541
USD	1,065	35	18,047	30,297
Euro	45	19	1,698	3,520
As at 31 December	6,792	213	23,453	41,358

Company	Liabilities		Assets	
	2016 \$ 000's	Restated 2015 \$ 000's	2016 \$ 000's	Restated 2015 \$ 000's
Sterling	2,068	-	3,696	1,226
USD	5,524	114	14,780	64,777
Euro	1,613	-	1,896	-
As at 31 December	9,205	114	20,372	66,003

Foreign currency sensitivity analysis

The following table details the Group and Company's sensitivity to a 10% increase and decrease in the functional currency against the relevant foreign currencies. 10% represents management's assessment of the reasonably possible change in foreign exchange rates.

The sensitivity analysis includes only outstanding foreign currency denominated financial instruments and adjusts their translation at the period end for a 10% change in foreign currency rates. The following table sets out the potential exposure, where a positive number below indicates an increase in profit or loss and other equity where the US Dollar strengthens 10% against the relevant currency. For a 10% weakening of the US Dollar against the relevant currency, there would be a comparable impact on the profit or loss and other equity, and the balances below would be positive.

Group	Pound Sterling impact		Euro impact	
	2016 \$ 000's	Restated 2015 \$ 000's	2016 \$ 000's	Restated 2015 \$ 000's
Profit or loss (i)	(1,129)	(770)	(174)	(354)
Other equity (ii)	-	-	-	-
	(1,129)	(770)	(174)	(354)

Company	Pound Sterling impact		Euro impact	
	2016 \$ 000's	Restated 2015 \$ 000's	2016 \$ 000's	Restated 2015 \$ 000's
Profit or loss (i)	(576)	(123)	(351)	-
Other equity	-	-	-	-
	(576)	(123)	(351)	-

- The main attributable to the exposure outstanding on Pound Sterling and Euro is receivables and payables at the balance sheet date.
- There is no impact on other equity, as the Group does not hold derivative instruments designated as cash flow hedges and net investments hedges.

In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year-end exposure does not reflect the exposure during the year. Whilst the group operates across Europe and North America, operations are managed in US dollar and these financial statements are presented in US Dollars.

Interest rate risk

The Group and Company's exposure to interest rate risk is limited to cash and cash equivalents held in interest-bearing accounts.

Interest rate sensitivity analysis

The impact of interest rate fluctuations is not material to the Group and Company accounts.

Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and Company. The Group and the Company's financial assets comprise of receivables, cash, and cash equivalents, and other long-term assets.

The credit risk on trade and other receivables is limited as the amount represents a pre-payment of revenue from a future undertaking. The pre-payment has certain conditions associated with it that require the counterparty to refund the amounts paid if certain criteria are not met.

The credit risk on cash and cash equivalents is limited as the counterparties are banks with high credit-ratings as determined by international credit-rating agencies.

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The credit risk on other long-term assets is limited as the total amount represents two components: deposits for the right to secure a revenue-generating asset and restricted cash. The deposits for the right to secure revenue-generating assets are maintained by a government sponsored global organization that is contractually required to return a portion of these deposits if requested. Furthermore, the agency, a not-for-profit organization, is well funded by its member organizations and is not a risk to cease operations. The restricted cash is deposited with banks with a high-credit rating as determined by international credit-rating agencies.

The exposure of the Group and the Company to credit risk arises from default of its counterparty, with maximum exposure equal to the carrying amount of receivables (excluding prepaid income), cash and cash equivalents, and other long term assets in the Group and Company statements of financial position.

The Group and Company do not hold any collateral as security.

Liquidity risk management

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Group and Company's short, medium, and long-term funding and liquidity management requirements. The Group and Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

Cash forecasts are regularly produced to identify the liquidity requirement for the Group and Company. To date, the Group has relied on the issuance of stock warrants and shares finance its operations. The Group made use of limited borrowing facilities as at 31 December 2016.

The Group's and Company's remaining contractual maturity for its non-derivate financial liabilities with agreed repayment periods are:

			Group		Company
31 December 2016	Weighted average effective interest rate	Within 1 year \$ 000's	1 - 5 years \$ 000's	Within 1 year \$ 000's	1 - 5 years \$ 000's
Non-interest bearing:					
Trade and other payables		6,792	-	406	-
Fixed interest rate instruments:					
Obligations under finance lease	13.76%	-	-	-	-
		6,792	-	406	-

			Group		Company
31 December 2015	Weighted average effective interest rate	Within 1 year \$ 000's	1 - 5 years \$ 000's	Within 1 year \$ 000's	1 - 5 years \$ 000's
Non-interest bearing:					
Trade and other payables		213	-	114	-
Fixed interest rate instruments:					
Obligations under finance lease	13.76%	2	-	-	-
		215	-	114	-

Other Group and Company's non-derivative financial assets mature within one year.

The Group and Company had no derivative financial instruments as at 31 December 2016 and at 31 December 2015.

29 Commitments

The group as a lessee	2016 \$ 000's	2015 \$ 000's
Lease payments recognised under operating leases recognised as an expense in the year	237	770

At the balance sheet date, the Group had outstanding commitments for future minimum lease payments under non-cancellable operating leases, which fall due as follows:

	2016 \$ 000's	2015 \$ 000's
Within one year	406	423
In the second to fifth years inclusive	2,734	312
After five years	-	-
	3,141	735

Operating lease payments represent amounts payable by the group for its office properties and outsourcing registry operations. Leases in relation to office properties are negotiated for an average period of three years with fixed rentals with only one lease having the option to extend for a further three years at a fixed rental. Leases in relation to outsourcing registry operations are negotiated for a period of five years with fixed commitments.

As at 31 December 2016 and 31 December 2015, the Group has no capital commitments.

As at 31 December 2016 and 31 December 2015, the Company had no lease or capital commitments.

30 Related party transactions - Group

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the Group and its associates are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed in note 28.

Joint ventures

During the year, the Group entered into transactions with its Joint Ventures that resulted in amounts owed to or due from the Joint Ventures. The balances at the year-end were due to financial and equity requirements across the Joint Ventures. The balances have no fixed repayment and no interest is received or charged on these balances.

	2016 \$ 000's	2015 \$ 000's
Due to Rugby Domains Ltd	-	11
Due to Basketball Domains Ltd	-	(14)
Due from Entertainment Names Inc	44	44
Due to Dot Country LLC	(33)	(58)

Other

At the balance sheet date, an amount of \$61k (2015: \$61k) was due from Frederick Krueger (a former Director of the company) in relation to shares previously issued.

The Group also sells second level domain names to Tucows, Inc. and receives certain registrar back end services from Tucows, Inc. In 2016, the Group invoiced Nil (2015: \$Nil) to Tucows, Inc. and was invoiced \$1.5k (2015: \$27k) by Tucows. The net payable/receivable from Tucows at year end was \$1.5k (2015: \$36k). Tucows, Inc. is related by virtue of a common director who ceased to be a director during 2016.

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Remuneration of Key Management Personnel

The remuneration of the Executive Directors, who are the key management personnel of the Group, is set out in note 8.

Related party - Company

Transactions between the Company and its subsidiaries and associates are disclosed below.

Subsidiaries

During the year, the Company's subsidiaries have provided certain services to the Company (RSP services) and recharged certain costs to the Company. Details of these transactions are shown below

Recharged costs and services from	2016 \$ 000's	2015 \$ 000's
Minds and Machines LLC	4,350	1,113
Minds + Machines Limited (IE)	1,533	214
Minds and Machines Limited (UK)	-	115

In addition, during the year, the Company has provided financing to its subsidiaries. The net balances due to the Company are detailed below. The balances have no fixed repayment terms and no interest is charged on these balances.

Company	2016 \$ 000's	2015 \$ 000's
Minds and Machines LLC	(4,907)	13,240
Bayern Connect GmbH	1,001	1,032
Minds and Machines GmbH	651	670
Minds + Machines Limited (IE)	(1,613)	11,460
Minds + Machines Registrar Limited (IE)	-	-
Minds and Machines Limited (UK)	(2,068)	10,642
Minds and Machines Registrar UK Limited	2	3
Emerald Names, Inc	97	5
Minds + Machines (FL)	(211)	(40)
Minds + Machines, Inc.	5	5
Minds + Machines Hungary	240	218
Dot Law, Inc.	102	-
Boston TLD Management LLC	1,514	-
Beijing MMX Tech Co. Ltd	219	-

During the year the Company also sold second level domain names to its subsidiaries and had trade receivable balances outstanding at the year end:

Company	Second level sale of domains		Trade receivable outstanding	
	2016 \$ 000's	2015 \$ 000's	2016 \$ 000's	2015 \$ 000's
Minds and Machines LLC	927	1,184	2,101	1,169
Minds + Machines Registrar Limited (IE)	-	151	-	-

Joint ventures

During the year, the Company entered into transactions with its Joint Ventures that resulted in amounts owed to or due from the Joint Ventures. The balances at the year-end were due to financial and equity requirements across the joint ventures. The balances have no fixed repayment and no interest is received or charged on these balances.

	2016 \$ 000's	2015 \$ 000's
Due to Rugby Domains Ltd	-	11
Due to Basketball Domains Ltd	-	(14)
Due from Entertainment Names Inc	49	49
Due to Dot Country LLC	(33)	(58)

Other

At the balance sheet date, an amount of \$61k (2015: \$61k) was due from Frederick Krueger (a former Director of the company) in relation to shares previously issued.

Remuneration of Key Management Personnel

The remuneration of the Executive Directors, who are the key management personnel of the Group, is set out in note 7 and share options issued set out in note 27.

31 Post Balance Sheet Events

On the 1 February 2017, awards of options over ordinary shares of the Company were made to certain directors and senior managers of the company.

Details of the options granted are as follows:

	Number of Options Granted	Exercise Price
Toby Hall	3,000,000	-
Michael Salazar	3,000,000	-
Senior Management	2,000,000	9.375p

The options granted to the Directors are structured as nil-cost options and, subject to the achievement of vesting conditions, the options will vest on the publication of the accounts of the Company for the year ended 31 December 2018.

The options fully vest at a share price of 18.75p or higher per share. Only a percentage of options vest at a share price of between 9.375p and 18.75p per share, with no options vesting if the share price is below 9.375p per share.

The options granted to senior managers vest on the publication of the accounts of the Company for the year ended 31 December 2018.

corporate information

Registered number

1412814 registered in
British Virgin Islands

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Toby Hall

Chief Executive Officer

Michael Salazar

Chief Operating Officer and
Chief Finance Officer

Guy Elliott

Non Executive Chairman

Henry Turcan

Non Executive Director

Registered Office

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