

Building a better digital economy

**CentralNic
Group Plc**

Annual report 2020

Purpose

**To make the internet
everybody's domain.**

Vision

**To make the extraordinary potential
of the internet available to all.**

Mission

**To provide tools to as many people as
possible to realise their aspirations online.**

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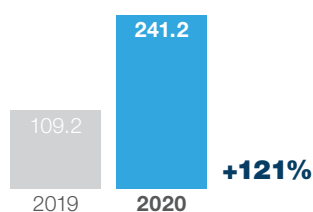
Find out more at:
www.centralnicgroup.com

Our highlights

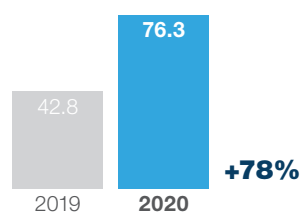
Record organic growth in the face of the COVID-19 crisis.

Financial highlights

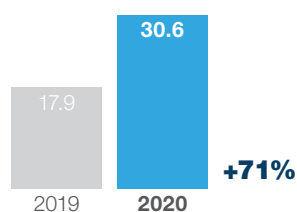
Revenue growth
(USD m)



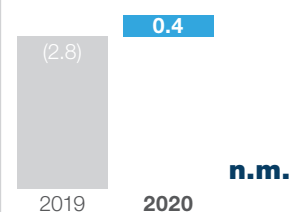
Net revenue/gross profit
growth (USD m)



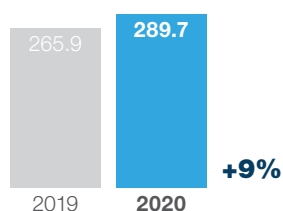
Adjusted EBITDA growth
(USD m)



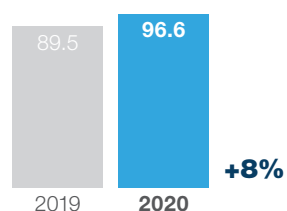
Operating profit growth
(USD m)



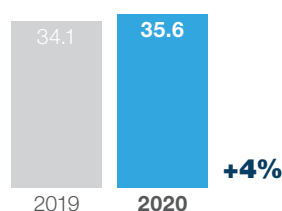
Organic revenue growth
(USD m)



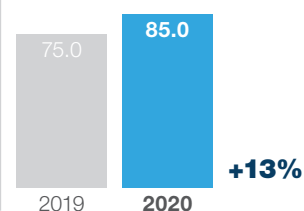
Organic net revenue/
gross profit growth (USD m)



Organic adjusted EBITDA
growth (USD m)



Net debt growth
(USD m)



As CentralNic made one major acquisition in 2020 and four acquisitions in 2019, the Company also prepared a pro forma comparable financial summary including all businesses currently controlled by CentralNic (a definition of which is provided in note 3 to the consolidated financial statements), to effectively isolate organic growth. Throughout this report, figures qualified by 'organic' refer to this pro forma financial summary.

Full-year highlights

Record organic growth in the face of the COVID-19 crisis

All staff and systems remained fully operational with no interruption to the supply chains

Healthy demand for our two largest segments, **Indirect** and **Monetisation**

Successful placement of **40 million shares**

Acquisition of Codewise for USD 36.0 million

Read more in the Chief Executive Officer's report on pages 10 to 13

Post year end highlights

Successful, oversubscribed bond placement

Completion of SafeBrands acquisition

Completion of acquisition of Wando Internet Solutions

Read more in the Chief Executive Officer's report on pages 10 to 13

What we do

CentralNic has three reporting segments: the Indirect and Direct domain name sales segments, and the Monetisation segment.

Indirect

CentralNic Group is a world leader in its Indirect segment, which supplies domain names and other services to the largest and best known retailers of domains as well as a long tail of over 25,000 resellers.

The segment includes CentralNic Registry Services, the world's premier distributor of new Top-Level Domains, and SK-NIC, operator of the official country code domain for Slovakia.

The segment also includes the reseller business, which allows retailers to procure and resell virtually any domain name in the world, through a single API, with a single invoice and a single customer service number to call.



Direct

The Direct segment includes the Group's enterprise businesses which service large corporations that view domain names as a form of intellectual property similar to trademarks. It also includes the Group's SMB and domain investor-focused retail businesses.

Whilst the enterprise division was the one part of CentralNic where revenues were affected negatively by COVID-19 in 2020 (as a number of clients postponed spending in 2020), the performance of these enterprise customers has since recovered, returning the segment to growth.

The SMB and domain investor-focused retail businesses grew during 2020, but only enough to balance the decline experienced in the enterprise market.



Monetisation

CentralNic entered into the exciting high-growth market of internet traffic monetisation at the very end of 2019, and in 2020 it represented approximately half of the Group's revenue.

During 2020 around USD 400 billion was spent by online marketers acquiring internet traffic, with demand growing at over 20% per year.

CentralNic's monetisation companies address that enormous demand with proprietary technology enabling the sale of domain name traffic, as well as traffic from websites and apps.



Uses of domain names and web services

Email and websites for business

Corporate emails require a domain name.

Businesses use websites to win customers, and online businesses also take orders and provide services via their websites.

'Online trademarks' for brands

Large corporations register thousands of domain names, requiring portfolio management.

Brands also require internet monitoring to protect their domains and trademarks.

Inventory for domain investors

Approximately 100 million domain names are held by domain investors.

Two business models: reselling domains at a profit and monetisation.

How internet traffic monetisation works

Buying traffic ('demand side')

Businesses engage in online marketing to attract new customers to their websites.

50% of that marketing spend goes through Google AdSense and 50% to other DSPs.

Selling traffic ('supply side')

Internet properties monetise their traffic by selling it. These range from Google Search, Bing, YouTube, Facebook, and DailyMail.co.uk to millions of websites, blogs, etc.

Domain name monetisation

Domain names attract traffic from people seeking products and services, due to previous use for websites, or type-in traffic.

That traffic can be monetised via Google AdSense or other DSPs.

(1) Revenue and net revenue/gross profit data for the year ended 31 December 2020; Domains under management data as at 31 December 2020.

Delivering value and growth

CentralNic does business with almost every company in the domain industry globally, giving us an excellent pipeline of warm leads.

Investment case

In 2020 roughly **50/50** domain name **sales** and domain name **monetisation**

Global consolidator in a highly fragmented market. **Proven ability to acquire** and integrate attractive businesses at low costs

Recurring revenues representing **99% of total revenue** for FY 2020

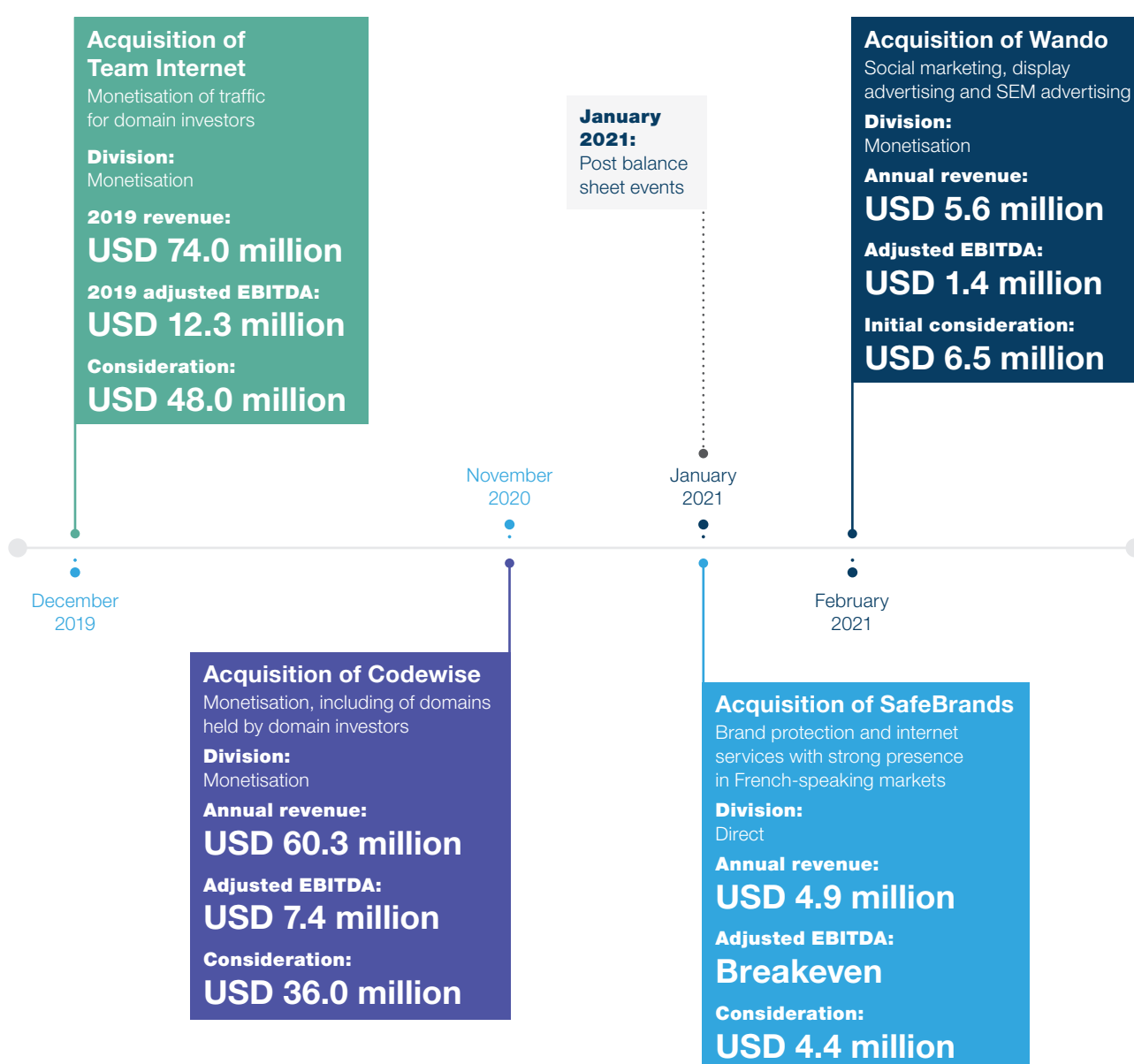
More than **45 million** domains using at least one of CentralNic's platforms (**12%** of domains worldwide)

Global business with hundreds of thousands of direct and indirect **customers** in nearly **every country in the world**

Over 100% cash conversion (pre-tax) – virtually all annual subscriptions paid in advance

New revenue streams provide significant upside potential – related services such as hosting, cybersecurity and brand protection

Recent acquisition timeline



Chairman's statement



“CentralNic’s results for 2020 evidence the resilience of the Group’s businesses, even in the face of the COVID-19 economic crisis.”

Iain McDonald

Chairman

CentralNic’s results for 2020 evidence the resilience of the Group’s businesses, even in the face of the COVID-19 economic crisis. CentralNic continues to take significant steps forward in its strategy to build a leading global domain name and web services provider. The Group’s long-standing proactive focus on ensuring business continuity for itself and its customers has prepared it well for the challenges presented by COVID-19, including the movement of our global workforce to home working, and our services and supply chains were uninterrupted in meeting the increased demand our services experienced.

Our two largest reporting segments, Monetisation and Indirect, enjoyed significant organic growth during 2020, through a combination of new client wins and increased business from existing customers, especially from new product offerings. While the mix of businesses evolved, margins remained resilient for each business line, and the Company continued to generate high levels of operating cash flow. The Group also made a significant earnings accretive acquisition during the year, Codewise, increasing the scale and resiliency of our Monetisation business. Our equity raise in support of this acquisition was healthily oversubscribed, and I welcome the new Shareholders to our register.

The Group’s continued transformation is the result of enormous hard work from our executives and staff, and I thank them on behalf of the Board and the Shareholders for their efforts. In 2020 we invested in a new suite of shared functions, including finance, people, product and project management, and installed a common set of software tools to assist in bringing the Company together as an integrated whole. Further integration opportunities lie ahead of us, as we seek to improve both our operating margins and our operating efficiencies.

We continue to see exciting M&A opportunities matching our investment criteria, and indeed we started this year with two bolt-on acquisitions funded by an oversubscribed issue of our bonds, at an effective coupon rate of under 4%. Trading in Q1 this year, together with the Group’s continued high percentage of recurring revenues, provide the Board with every confidence of meeting our expectations for 2021.

Iain McDonald

Chairman

23 April 2021

Market opportunity

CentralNic's organic growth is driven by the underlying growth of the internet and the e-commerce sector.

Macro drivers

Internet

4.66 billion

Number of users: **4.66 billion**
(almost 60% of global population)

320 million+

320 million+ new users expected in 2021,
annualised growth rate of c.7%

319 million

Growth rate: **319 million** in the last
twelve months

<https://datareportal.com/global-digital-overview>

E-commerce

18%

18% of the global retail economy and rising

USD 4.28 trillion

USD 4.28 trillion market size in 2020

27%

Growth rate: **27%**

<https://www.emarketer.com/content/global-ecommerce-update-2021>

CentralNic's core markets

Monetisation of internet traffic

USD 400 billion

Monetising internet traffic for websites to acquire new customers online is a **USD 400 billion** business

21.6%

Growth rate: **21.6%**

100%

100% cash conversion

<https://www.mordorintelligence.com/industry-reports/online-advertising-market>

Domain names and web services

USD 30 billion

Domain names and web services such as email services, website builders and e-commerce software is a **USD 30 billion** business

3%

Growth rate: **3%** for domain names

100%

100% cash conversion

<https://www.verisign.com/assets/domain-name-report-Q32020.pdf>

Our business model and strategy

CentralNic is rapidly building scale by acquiring pure recurring revenue businesses to expand its portfolio of internet services.

Our strategy

CentralNic is seeking to rapidly build scale both through acquisitions and organic growth to maximise the potential of its high recurring revenue, high cash conversion business.

Acquiring pure recurring revenue businesses to bring talent, scale, geographic presence, technology and customers.

Expanding portfolio of internet services to diversify revenue streams and provide cross-selling opportunities across huge customer base.

Restructured in 2020 and invested heavily in new hires and systems to drive organic growth and integrations.

Our sources of competitive advantage

Comprehensive service offering

CentralNic is directly integrated with almost every Top-Level Domain registry in the world, as well as with providers of SSL certificates and a growing number of additional value-added services – making us the one-stop-shop with optimal control of our supply chain.

Our people

CentralNic has an enormous depth of talent across the entire spectrum of domains and value-added services. Our customers know that when they speak with a CentralNic team member, they are speaking with an expert.

Operational structure

A centralised 'mother ship' handling finance, people, product, project management, integrations and IT, services CentralNic's customer-specific divisions globally, allowing divisional management to focus on organic growth.

Our technology

CentralNic is known for its excellent technology solutions supported by large in-house product, engineering and operations teams.

Global perspective

CentralNic takes full advantage of the global nature of the internet, winning customers in almost every country on earth, and tracking their buying habits to identify the growth markets in which to build critical mass.

Omni-channel platform

CentralNic has a distribution platform serving each different type of customer's domain name needs, as well as a growing list of value-added services. This means that CentralNic has a home for virtually any domain name company on the market.

Acquisition intelligence and expertise

CentralNic's extensive business dealings with most companies in the global domain business has led us to enjoy an outstanding track record of sourcing and securing high-quality acquisition targets at excellent value.

Creating value for stakeholders



Customers

- SMBs
- Brands
- Governments
- Domain registries
- Domain resellers
- Domain name investors
- Online marketers
- Media buyers



Colleagues

CentralNic has a dedicated team of 650 expert employees and contractors, nearly 100 of whom have dedicated ten years or more of their working life to us.



Investors

CentralNic enjoys the support of over 50 institutional investors in our equity and of several tens in our bond, as well as an increasing retail following.



Regulators and governments

CentralNic includes a number of entities accredited by ICANN. It is also a service provider to governments around the world, assisting them with their domain name and digital economy initiatives.



Partners

The domain name industry is an ecosystem in which companies partner closely with each other to achieve shared objectives with mutual benefits.



Communities

A truly global business with customers in almost every country in the world, CentralNic is dedicated to building a better, more equal, digital economy.

Our capital allocation priorities

Cash flow

Cash conversion of the business is strong as, for the majority of revenue streams, customers pay upfront, whereas suppliers are paid in arrears.

Reinvestment

The Group's business is relatively asset light with focus on investment in new products and features, some of which may be capitalised in line with IAS 38: Intangible Assets.

Acquisitions

Acquisitions present a superb opportunity to deploy excess cash flow. All acquisitions that the Group undertakes are cash flow positive and yield immediate returns with resilience, in line with the core business.

Dividend

The Directors continuously observe the balance between the accretive opportunities that the Company can pursue and the capacity to return cash to Shareholders and will consider a maiden dividend at the appropriate time.

Chief Executive Officer's report



“As we scale up rapidly, the underlying qualities of high recurring revenues and high cash conversion, calculated at 115% on an adjusted basis, become increasingly meaningful.”

Ben Crawford

Chief Executive Officer

In 2020, a year of unprecedented interruption to the global economy, CentralNic generated as much revenue as in the five preceding years all added together. These outstanding results not only demonstrate that CentralNic's business was easily able to transition to working from home, but also prove our ability to service growing demands from our customers. Meanwhile we again demonstrated the qualities required to achieve our longer-term goals: to source and complete transformative acquisitions, and integrate them successfully while delivering record organic growth of 9%. Moreover, as we scale up rapidly, the underlying qualities of high recurring revenues and high cash conversion, calculated at 115% on an adjusted basis, become increasingly meaningful.

Market and strategy

CentralNic Group is a leading global vendor of online services in two markets. Firstly, we sell subscriptions to domain names – a key infrastructure component of the internet that is required for operating email and websites. Large portfolios of domain names are also held by companies for brand protection purposes and by domain investors, who obtain returns from domain names by selling them at a profit and by monetising the traffic they generate. The size of the domain name market is estimated at around USD 5 billion with 3% growth, while the value-added services related to and bundled with domains (website builders, website hosting, email software, etc.) has estimated annual revenues of an additional USD 25 billion.

Internet traffic monetisation is our second core activity. We entered this exciting high-growth market at the very end of 2019, and in 2020 it represented approximately half of our revenue. During 2020 around USD 400 billion was spent by online marketers acquiring internet traffic, with demand growing at over 20% per year. CentralNic's monetisation companies address that enormous demand with proprietary technology enabling us to sell domain name traffic, as well as traffic from websites and apps.

Both sides of our business are based on domain names, and they share many characteristics including recurring revenues, 100% cash conversion and extraordinary customer stickiness. Moreover, there are significant cross-selling opportunities between our two core activities, including introducing our monetisation customers (who own 20 million domains) to our domain sales services, and promoting our monetisation services to domain purchasers wishing to acquire customers to monetise their websites.

The critical mass of CentralNic Group's technical and operations staff is concentrated in Germany and Poland, with regional staff in Australasia and the corporate headquarters located in the UK. From those centres, CentralNic services customers in almost every country in the world. In 2020, over 45 million domains touched one of CentralNic's platforms, representing over 12% of all the domains in existence.

Increasing the number of domains on our platforms through new customer acquisition and cross-selling is one of CentralNic's three core growth drivers. The second is launching new products to our existing customer base. And the last is acquiring smaller businesses in the domain name and internet services industry that match our own profile of recurring revenues, high cash conversion and strong customer stickiness.

Monetisation segment

CentralNic Group became the world's leading provider of domain name monetisation services by acquiring Team Internet in late December 2019, growing that business at a rate of 35% over 2020, and then acquiring the assets of a complementary business, Codewise, at the end of 2020.

Our domain monetisation service providers use proprietary technology to make the traffic which flows to domain names accessible for online marketers to purchase. The traffic to these 'undeveloped' domains comes predominantly from two growing sources. Firstly, the ever-increasing number of domains that used to house websites and still receive visits from former customers and prospects clicking on links to the old sites. This is very high quality traffic for the right advertisers, and our software is able to analyse and determine the best match of advertisers to traffic. Secondly, domain name investors are able to drive traffic to their undeveloped domains using traffic arbitrage, by buying traffic at a lower cost from website A than the amount they sell it for to advertiser B. CentralNic's suite of tools (some patented) allowing traffic arbitrage to flourish have driven that business's organic growth by 35% in 2020.

Each of our two monetisation companies uses a different software solution and supply chain, making our business the most robust in the market – able to optimise between revenue sources, offer our customers unprecedented choice, and hedge against any disruptions to one monetisation supply chain by managing a second supply chain to switch the affected traffic over to. Moreover, our monetisation businesses are unaffected by changes in search algorithms or changes to rules relating to cookies, as undeveloped domains do not appear in search, and none of our monetisation businesses use cookies.

Indirect segment

CentralNic Group is also a world leader in its Indirect segment, which grew 8% organically in 2020. This segment supplies domain names and other services to the largest and best known retailers of domains as well as a long tail of over 25,000 resellers. The segment includes CentralNic Registry Services, the world's premier distributor of new Top-Level Domains, which manages around the same number of domains as all our competitors combined, as well as SK-NIC, operator of the official country code domain for Slovakia, home to one of the fastest growing economies in Europe. The segment also includes our reseller business, which allows retailers to procure and resell virtually any domain name in the world, through a single API, with a single invoice and a single customer service number to call. In addition to domain names, the Group is starting to sell in-demand services such as Microsoft Office 365 and AWS hosting, which the Directors expect will provide a meaningful contribution to organic growth in the future.

Direct segment

The Direct segment was the one part of CentralNic where revenues were affected negatively by COVID-19 in 2020.

Our enterprise businesses service large corporations that view domain names as a form of intellectual property similar to trademarks, which must be secured and protected. Over 1,000 corporate clients to date have entrusted their domain portfolio management to CentralNic Group, which includes Fortune 1000 companies and household brand names. A number of these postponed spending in 2020, particularly in Q1, as part of a wider cash retention strategy responsive to COVID-19. The performance of these enterprise customers has recovered since, returning the segment to growth. Our SMB and domain investor focused retail businesses grew during 2020, but only enough to balance the decline experienced in the enterprise market.

Investment in reorganisation

In order to streamline the operations of the Group as a single company, CentralNic's central hub of IT and corporate services received significant investment in 2020. The Company selected and made significant progress in rolling out new Company-wide software tools including G-suite, Salesforce, Jira, Confluence, HiBob, Zendesk and Tableau. We significantly increased the size of our shared functions, building out the teams in new products, finance, people, development, integrations, and a single procurement function for domains and other microservices, streamlining the internal supply chain.

The operating businesses were also restructured into divisions based on customer type with a number of new leaders and other specialist staff added to drive organic growth to an all-time high of 9%.

Chief Executive Officer's report continued

Operational highlights

CentralNic Group experienced both acquisition-driven and organic growth in its Monetisation and Indirect divisions in 2020.

Major integration tasks in 2020 notably included the migration of the procurement functions of TPP Wholesale to the central domain name and value-added services engine, which included the largest ever migration of domains under one TLD between registrars, of nearly 500,000 .com.au domain names. Significant progress was also made in exploring the optimal path to integrating and centralising technical functions distributed across various acquired companies.

New product-driven growth was dominated by the patented SSL technology launched by our Team Internet division, which drove the 35% growth in that company in 2020. Other products launched from one platform to another in 2020 include domain back ordering – a service from our Indirect segment which creates new inventory for our Monetisation business – and registry lock – a security product favoured by enterprise clients.

Given the difficulties of switching suppliers in the domain industry, customers tend to be very sticky, and client wins from other suppliers are relatively rare, as of course are losses of clients. Nonetheless, CentralNic Group has continued to win more customers away from its competitors with its focus on expert service, close collaboration with clients, and feature-rich, flexible and automated technology.

Significant customer wins in the Indirect segment include Jisc and InterCap, as well as registry service contracts for the TLDs .auto, .beauty, .build, .car, .cars, .cfd, .cyo, .hair, .makeup, .quest, .skin and .uno. Major client wins in the Direct segment in 2020 included Deutsche Telekom/T-Systems, Bauer Media, UNHCR, Ariston, Ferguson Plc, Argon Medical Devices Inc., 1300 FLOWERS, ANZ Bank and Westpac Banking. In the Monetisation business, notable new customer wins included Vodacom, the biggest carrier in South Africa, and Sovrn, a global player in e-commerce adtech.

Acquisitions

Customers are very sticky in the domain business given the high levels of automation and high switching costs, with transfers between providers amounting to a small proportion of all transactions. This customer stickiness, combined with the high value and quality of earnings of existing customer books, makes the domain industry a very attractive and relatively low risk industry in which to acquire businesses. CentralNic has won a reputation as a hugely efficient acquirer focused on value, earnings accretion, recurring revenues, excellent customer retention and high levels of cash conversion.

In total, five successful acquisitions contributed to CentralNic Group's growth in 2020. CentralNic Group's Indirect segment enjoyed the full-year effect of its acquisitions of TPP Wholesale, made on 1 August 2019, and Hexonet, made on 7 August 2019. The Direct division enjoyed the full-year impact of the Ideegeo acquisition, also made on 7 August 2019. The Monetisation segment was effectively created on 24 December 2019 when the acquisition of Team Internet AG was completed, having its first material impact in 2020. The year also enjoyed two months of contribution from CentralNic's acquisition of the Codewise businesses on 2 November 2020.

One of Team Internet's closest competitors was Codewise, an adtech business based in Poland. It started with domain monetisation through its own demand side platform, but now offers a range of advertising formats. Based on the year to 30 June 2020, the deal valued Codewise at 0.6x historical sales (USD 60.3 million) and 4.9x adjusted EBITDA (USD 7.4 million). The deal was funded by way of a share placing, with CentralNic having placed 40 million shares at 75 pence per share, raising gross proceeds of GBP 30 million. The acquisition was highly complementary to the successful Team Internet acquisition, building CentralNic's technology base and market share in domain monetisation, diversifying its client base and strengthening the Group's development capability and Senior Management team.

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

Post year end and outlook

- Completion of the acquisition of SafeBrands, a French enterprise domain management and online brand protection provider, strengthening our Enterprise division within the Direct segment, for USD 3.7 million plus a deferred consideration of USD 0.7 million.
- Successful, oversubscribed placement of EUR 15 million (USD 18.2 million approximately) of senior secured callable bonds at 104.5% of nominal value.
- Completion of the acquisition of Wando Internet Solutions for USD 6.5 million plus an additional earnout of up to USD 6.5 million.
- The strong organic growth in 2020 demonstrates the Company's resilience despite the economic crisis, and ability to execute on its accelerated buy and build strategy.
- New product launches and further integration activities will support revenue growth and margins.
- The Company's successful consolidation strategy continues, with opportunities being continually assessed in what is a large, globally fragmented and growing market.

To fund the above and future acquisitions, CentralNic Group successfully sought permission to issue EUR 60 million in senior secured bonds and issued an initial EUR 15 million in bonds at an equivalent coupon rate of 3.6%. The bond, which matures in July 2023, has a coupon of three-month EURIBOR (with a floor of 0%) plus 7% p.a., with quarterly interest payments. Pareto Securities acted as sole bookrunner for the bond issue. CentralNic Group was advised by Rothschild & Co in connection with the bond issue. The issue was oversubscribed and supported by a wide range of debt capital markets investors globally.

On 9 January 2021, CentralNic acquired SafeBrands, a France-based award-winning innovator and technology pioneer, for a total cash consideration of up to EUR 3.6 million (USD 4.4 million), representing 0.9x its FY2020 revenue. SafeBrands operated at approximately breakeven in FY2019 and generated EBITDA of EUR 0.2 million (USD 0.2 million) in FY2020. Out of the total consideration, EUR 3.0 million (USD 3.7 million) was paid upfront with the remaining EUR 0.6 million (USD 0.7 million) to be paid subject to SafeBrands having met agreed FY2020 financial objectives.

SafeBrands is a leading French corporate registrar, with a stable and growing base of clients, including some of the leading French brands. It offers registration management for all Top-Level Domains and a wide range of value-added services for domain management and brand protection, including secure hosting, DNS optimisation and SSL management. SafeBrands' talented R&D team has a history of innovation and has developed cutting-edge proprietary monitoring solutions used by global brands to find and take action against fraud and counterfeits. Its multi-language SaaS platform analyses millions of relevant results every day, backed up by an extensive team of IP experts. SafeBrands is therefore ideally positioned to take advantage of the brand protection, DNS and hosting markets which are all growing rapidly as COVID-19 has accelerated the digitisation of business.

On 22 February 2021, CentralNic Group Plc announced that it had entered into a binding agreement to acquire Wando Internet Solutions GmbH ('Wando') for an initial consideration of EUR 5.4 million (c.USD 6.5 million).

Based in Berlin, Germany, Wando is a technology company operating in the fields of social marketing, display advertising and SEM advertising. In FY2020, Wando generated unaudited revenue of EUR 4.9 million (c.USD 5.6 million) and unaudited EBITDA of EUR 1.2 million (c.USD 1.4 million). CentralNic's distribution network is an important sales channel for Wando, representing more than half its revenue. Through a closer vertical integration, CentralNic expects to grow Wando's sales.

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



Ben Crawford

Chief Executive Officer

23 April 2021

Environmental, social and governance

The Board takes into account environmental, social and governance (ESG) issues raised by stakeholders in its decision-making process.

Section 172(1) statement

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

The Directors have identified the Company's key stakeholders as its: Shareholders and investors, employees, customers, suppliers, regulators and governmental bodies, environment and the wider community. Building positive relations with these stakeholders, treating them well and with respect, is essential to the success of the business.

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

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

Stakeholder engagement



Shareholders and investors

Relations with Shareholders are managed principally by the Chief Executive Officer, Chief Financial Officer and the Chairman, and meetings are regularly held with institutional investors and analysts during the year. The Board receives regular updates on Shareholder and analyst sentiment and peer analysis. More information on Shareholder engagement can be found on page 30.



Employees

The Company recognises that high levels of employee engagement lead to lower levels of attrition, higher levels of productivity and a more enjoyable work environment, where people are happier and are more likely to thrive. The Company regularly engages with its people in multiple ways, including through regularly scheduled town halls, by providing Company updates and through regular pulse engagement surveys. In particular during 2020, the Group carried out various surveys across all its divisions and functions allowing employees to express their views and opinions on a variety of matters including COVID-19, working remotely and our future way of working. Listening to our people has been extremely important as we continue to grow the business and we fully intend to continue to undertake regular pulse surveys not just to better inform our decisions, but to also ensure we are proactively managing the business through more challenging times.



Customers

The Company engages with customers across the globe through the dedicated customer support function.



Suppliers

Developing a strong relationship with our suppliers is key to the operational success of our company.



Regulators and government

The Group is subject to statutory reporting requirements and to rules and responsibilities prescribed by the London Stock Exchange. Compliance is maintained through the utilisation of recognised professional advisers, including the Company's nominated adviser, and the Board would not hesitate to seek input in this regard from external regulators if necessary.



Communities

The Board is committed to improving sustainability and helping communities thrive by positively contributing both socially and economically.

Introduction

Read more about:

- the Group's goals, strategy and business model in the strategic report on pages 02 to 09;
- how we manage risks on pages 22 to 25; and
- corporate governance on pages 28 to 30.

We believe that the best way to influence positive change is by making a commitment to our key stakeholders – who will hold us accountable. With this in mind, we will be adding a page dedicated to ESG to the website in the coming months.

The initiatives that we have undertaken and prioritised during the year are summarised in the following pages.

Social

Group ethics

Company values, which incorporate the principles of corporate social responsibility and sustainability, guide the Group's relationships with its clients, employees and the communities and environment in which the Group operates. The Group's approach to sustainability addresses both its environmental and social impacts, supporting the Group's vision to remain an employer of choice, while meeting client demands for socially responsible partners. The Group respects local laws and customs while supporting international laws and regulations. These policies have been integral in the way Group companies have done business in the past and will continue to play a central role in influencing the Group's practice in the future.

People

Diversity

Our people are a key element in our success and the Company aims to attract, develop and retain talented people and to create a diverse and inclusive working environment, where everyone is accepted, valued and treated equally without discrimination. We are an equal opportunities company and ensure we recruit, develop, promote, support and retain skilled and motivated people regardless of disability, race, religion or belief, sex, sexual orientation, gender identification, marital status or age. CentralNic has always prided itself on having a diverse team, positioned around the globe.

The Company recognises that women are under-represented in technology companies and in the domain industry and is working to make meaningful change in this area and to support its female employees as well as to invest in their professional development and growth. CentralNic is creating a long-term and permanent path to gender equity within the Group, creating an environment under which all employees have true equal access to opportunity and the tools to thrive in their careers. In the new year we will be introducing diversity training for all senior and middle management to further promote inclusivity, which will be led by our Chief People Officer.

Wellbeing

Wellbeing is embedded in our culture. Unexpectedly, we faced unprecedented times with the COVID-19 global pandemic, and it was even more important for us to check in regularly with our people, put minds at ease and help them feel safe, both physically and mentally. During 2020 the Company has arranged many virtual events for its employees and physical activity was also encouraged, ranging from gentle lunchtime walks and stretches through to more strenuous activities and competitions.

We know a focus on positive wellbeing is not just important during crisis points. Our priority remains to support wellbeing as a whole, whether it be physical, mental, financial or social. In 2020 we globally rolled out an employee assistance programme, called Lifeworks, providing access to a vast knowledge resource as well as confidential advice and support when really needed. We also added healthcare benefits and provided all our managers with wellbeing and mental health training.

Internet accessibility

The Company is committed to offering internet services in developing countries, contributing to the United Nations Broadband Commission's objective of connecting the 50% of the world that is still offline with affordable internet. Whilst the internet itself adds a potential avenue through which fraudsters and other undesirables can operate, the Company has stringent policies relating to its position as an enabler of such traffic and at all times adheres to laws and regulations in each and every jurisdiction, including working with regulatory authorities at all times. The Group has also committed to a partnership with the Global Cyber Alliance on the Domain Trust initiative which provides registries and registrars with high-quality, large-scale sets of data on suspected criminal and malicious domains through which they can take further action, protecting their users.

Environmental, social and governance

continued

Social continued

SK-NIC fund

SK-NIC, part of the CentralNic Group and manager of the .SK TLD, committed itself via an agreement with the Slovak Government to provide 5% of its annual revenue to support the local digital economy and internet community. Since SK-NIC became part of the CentralNic Group in 2017, EUR 500,000 has been provided in this way, supporting great projects like accessibility software for blind people on smartphones (Corvus), online suicide prevention assistance, a programme supporting girls to work in the IT sector or facilitating training of teachers in technologies. Topics like Green IT or Online Community Support were among those within the project calls. Besides the agreement, SK-NIC directly supported other great initiatives like education and help in fighting online grooming, or cybersecurity law curricula for major universities, provided the educative video series Academy of Virtual Slovakia and also led the initiative to lower all online services prices as a reaction to the COVID-19 pandemic.

Global cybersecurity initiatives

CentralNic Group closely co-operates with leading law enforcement agencies and security vendors on tackling global cybercrime, including taking down internet domains involved in illegal activities and sinkholing botnets operated by cybercriminals.

As part of our initiative to help fight cybercrime and digital fraud, CentralNic Group has established the practice of proactively scanning domains for illegitimate activities and abuse, performing over 68 million domain scans in 2020.

.GAY, the Top-Level Domain for the LGBTQ community

In 2020, CentralNic helped create and currently provides backend service to .GAY, the Top-Level Domain dedicated to serving the global LGBTQ community. .GAY was designed as a safer space where LGBTQ individuals and communities can connect online without fear, thanks to a set of strong anti-hate measures.

World Economic Forum

CentralNic is an active member of the leading international organisation for public-private co-operation, the World Economic Forum (WEF), committed to improving the state of the world by engaging business, political, academic and other leaders of society to shape global, regional, and industry agendas.

CentralNic is a signatory and an active participant of the WEF's Partnering Against Corruption Initiative, the world's leading business voice on anti-corruption and transparency, as well as the WEF Global Future Council on Transparency and Anti-corruption. We help shape the global anti-corruption agenda and tackle digital fraud together with business leaders, governments and academia. CentralNic's executives have spoken and presented at WEF CEO and government-level events in Geneva, New York, Tianjin, Dubai and other destinations around the world.

DomainTrust initiative

In 2020, CentralNic partnered with the Global Cyber Alliance (GCA), ISPs, banks and other organisations to launch DomainTrust™, a sophisticated intelligence platform that provides registries, registrars and cyber protection agencies with high-quality data on suspected malicious and criminal domains that are being used in phishing attempts, malware distribution, and botnet command and control (C&C) activities. This data provides them with the intelligence upon which they can take further action: investigation, suspension or disablement.

Environmental

Energy consumption reduction

Streamlined Energy and Carbon Reporting (SECR)

Under the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, we are mandated to disclose our UK energy use and associated greenhouse gas (GHG) emissions. Specifically, and as a minimum, we are required to report those GHG emissions relating to natural gas, electricity and transport fuel, as well as an intensity ratio, under the SECR regulations.

Methodology

CentralNic Group Plc appointed Carbon Footprint Ltd, a leading carbon and energy management company, to independently assess its GHG emissions in accordance with the UK Government's 'Environmental Reporting Guidelines: Including Streamlined Energy and Carbon Reporting Guidance'.

The GHG emissions have been assessed following the ISO 14064-1:2018 standard and have used the 2020 emission conversion factors published by the Department for Environment, Food and Rural Affairs (Defra) and the Department for Business, Energy & Industrial Strategy (BEIS). The assessment follows the location-based approach for assessing Scope 2 emissions from electricity usage. The financial control approach has been used.

Results

The table below summarises the GHG emissions for reporting year 1 January 2020 to 31 December 2020. This is the first year CentralNic Group Plc has assessed its emissions. As 2020 has been a year of exceptional circumstances due to the COVID-19 pandemic forcing all our employees to work from home and halting travel across the Group, we realise that the GHG emissions below are not representative of our normal yearly emissions. As such, we have asked Carbon Footprint Ltd to also assess 2019 emissions and provide a report so it can be used as a benchmark against which we will measure future assessments.

The table below shows only the SECR required elements for the UK operations. During 2020, CentralNic Group UK had no hire car travel or employee-owned business mileage.

Element	2020 (tCO ₂ e)
Direct emissions (Scope 1)	0.00
Indirect emissions (Scope 2) –	
Purchased electricity	13.66
Total tCO₂e (Scope 1 & 2)	13.66
Other indirect emissions (Scope 3) –	
Transmission and distribution of electricity	1.17
Total tCO₂e (Scope 3)	1.17
Gross total tonnes of CO₂e	14.83
Intensity metric: Tonnes of CO ₂ e per employee	0.16
Intensity metric: Tonnes of CO ₂ e per	
GBP million turnover	0.14
Total energy consumption (kWh)	58,579

Energy efficiency

As this is the first year that we have undertaken a GHG emissions assessment to comply with SECR, no energy efficiency actions have yet been taken. Some of our goals for 2021 are:

- sustainable procurement – partnering with our supply chain to deliver sustainable solutions and source responsibly;
- waste and recycling – reducing the waste generated by CentralNic and diverting waste from landfill through recycling and recovery; and
- electricity consumption – conducting energy audits on the highest energy-consuming sites and investigate switching to renewable energy sources where feasible.

Carbon neutrality

Following the review conducted by Carbon Footprint Ltd on the GHG emissions of the Group, CentralNic decided to offset these emissions by investing in VCS-certified clean energy projects. CentralNic is a certified Carbon Neutral Company.

Tree plantation programme

In late 2020, CentralNic began a programme to plant a tree for every domain name under management. CentralNic contributed funds in 2020 to a global tree plantation programme, where over 15,000 trees were planted through the help of Eden Reforestation Projects (ERP). In this effort CentralNic helped ERP in its mission to plant trees around the world in Ethiopia, Madagascar, Nepal, Haiti, Indonesia, Mozambique, Kenya and Central America.

Australian bush fire relief programme

In January 2020, CentralNic Group launched an initiative in support of the Australian bush fire relief efforts, donating USD 1 from every .au domain registration for the month of February. All proceeds were donated equally to the following three charities who are assisting with the devastating bushfires across Australia: Australian Red Cross, Wires Wildlife Rescue and the Salvation Army Bushfire Appeal.

Chief Financial Officer's report



“CentralNic’s share price improved from a 54p average in 2019 to an 84p average in 2020, a 56% increase.”

Michael Riedl

Chief Financial Officer

In the financial year 2020, the Group recorded overall year-on-year growth in revenues of 121% from USD 109.2 million to USD 241.2 million. Adjusted EBITDA increased by 71% from USD 17.9 million to USD 30.6 million. The lower adjusted EBITDA margin of 12.7% compared with 16.5% in the prior year and is due to the different business mix post the 2019 and 2020 acquisitions. This is best demonstrated by pro forma figures. While pro forma revenue increased by 9% from USD 265.9 million to USD 289.7 million, pro forma gross profit increased by 8% from USD 89.5 million to USD 96.6 million. The resulting marginal decline in pro forma gross margin by 0.4% from 33.7% to 33.3% is explained by the Monetisation segment, which operates at slightly lower margins but has boasted higher organic growth than the other segments. Pro forma adjusted EBITDA increased by 4% from USD 34.1 million to USD 35.6 million. The under-proportional increase in proforma EBITDA is owed to investment in a pipeline of future products to sustain and further augment our improved growth rates which, through operating leverage, should ultimately increase earnings.

The attractive cash generative profile of the Group continued in 2020 with net operating cash flow before tax of USD 22.7 million (2019: USD 18.6 million). Cash at the end of 2020 was USD 28.7 million (2019: USD 26.2 million).

In 2020, in view of the significance of the expansion into domain name monetisation, the Company amended its segment reporting. The Reseller segment, that combined the former Wholesale and Registry segments, is now referred to as Indirect, as it sells domain names and other digital subscriptions through a network of channel partners including the world’s leading web hosting companies. The Small Business and Corporate segments have been combined into the new Direct segment, that, as the name suggests, caters directly to the end user of such digital services. The new Monetisation segment includes Team Internet, acquired in December 2019, and the Zeropark and Voluum businesses, acquired from Codewise in November 2020. For each segment, revenue and gross profit contributions to the total operating expenditure to operate the omni-platform shared services core are reported below, both on a reported basis as well as on a pro forma basis.

Indirect segment

While the Company has not acquired additional reseller portals in 2020, the segment still enjoyed a positive impact from the 2019 acquisitions of Hexonet and TPP Wholesale. The Indirect segment now addresses over 25,000 customers with 26.5 million domain names under management. At the same time, CentralNic continued to develop its reseller key accounts with seven out of the top ten customer accounts having increased their spend compared to 2019 by up to 63%. This has contributed to revenue in the Indirect segment increasing by 41% or USD 25.1 million, from USD 60.7 million to USD 85.8 million. Gross profit for the segment increased by 32% from USD 19.6 million to USD 25.8 million. The decrease in the gross margin from 32% to 30% is driven by the higher blended share of registrar business coming from the acquisitions as opposed to the near 100% gross margin registry business of the legacy CentralNic Group business – and is not indicative of declining prices.

Direct segment

The Direct segment now addresses c.200,000 active customers owning c.2.3 million domain names and yielded revenue of USD 43.4 million, a decrease of 7% over the USD 46.6 million recorded in 2019. Gross profit in 2020 was USD 20.5 million, a decrease of 10% over the 2019 figure of USD 22.7 million. The decrease was largely due to the diminishing impact of the November 2018 change in terms and conditions, the reallocation of the data centre business to the Indirect business and the reallocation of the monetisation activities to the Monetisation segment. The acquisition of Ideegeo contributed favourably to growth. On a pro forma basis, revenue was stable with USD 44.3 million in FY2019 and USD 44.4 million in FY2020.

Monetisation segment

The fastest growing segment of CentralNic's business was Monetisation, which is for the first time presented as a separate segment. Revenue in the Monetisation segment was USD 112.1 million with gross profit of USD 30.0 million and, on a pro forma basis, revenue increased strongly by USD 17.9 million, or 13%, from USD 138.3 million to USD 156.2 million. It served c.10,000 customers on the Advertiser side, being those who want traffic, and more than 5,000 customers on the Publisher side, being those who have traffic. The segment's offering to the Advertisers comprises both demand side platforms to acquire traffic, but also subscriptions to analytics software to help advertisers measuring their marketing effectiveness. On behalf of the Publishers, the segment managed c.23 million domain names and other traffic sources.

Excluding the acquisition of Codewise, revenue would have increased by USD 26.9 million, or 35%, from USD 76.5 million to USD 103.4 million. The contraction of Codewise revenue was due to optimisation for gross profit and was known at the time of acquisition. Going forward, management expects both businesses to contribute to growth. The strategy for the segment will evolve around automation, disintermediation and traffic quality.

Earnings profile

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

Group overhead expenses excluding foreign exchange, depreciation, amortisation, impairment and non-core operating expenses increased 84% from USD 24.9 million to USD 45.7 million. Non-core expenses of USD 8.2 million included USD 1.4 million acquisition expenses, USD 3.6 million integration expenses and USD 3.2 million other expenses (these primarily related to business reviews and restructuring expenses). Other non-cash expenses included the acquired amortisation of intangible assets of USD 12.5 million (2019: USD 8.3 million). The increase reflects the full-year effect of scheduled amortisation for identified intangible assets of TPP, Hexonet, Ideegeo and Team Internet, as well as the acquisition of the Zeropark and Voluum businesses from Codewise.

Adjusted EBITDA of USD 30.6 million (2019: USD 17.9 million) has been derived from the operating profit of USD 0.4 million (2019: loss of USD 2.8 million) after adjusting for the following items: a) depreciation of USD 2.1 million (2019: USD 1.3 million); b) amortisation of intangible assets of USD 12.5 million (2019: USD 8.3 million); c) non-core operating expenses of USD 8.2 million (2019: USD 7.4 million); d) foreign exchange losses of USD 2.1 million (2019: USD 0.8 million); e) immaterial amounts of associate income; and f) share-based payment expense of USD 5.1 million (2019: USD 2.9 million).

Adjusted diluted earnings per share were 10.16 cents (2019: 8.97 cents) after consideration of non-recurring acquisition costs and acquired amortisation charges.

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

Key performance indicators 2020

Revenue:

USD 241.1m

2019: USD 109.2m

Adjusted EBITDA⁽¹⁾:

USD 30.6m

2019: USD 17.9m

Operating profit:

USD 0.4m

2019: operating loss of USD (2.8)m

Adjusted diluted EPS:

10.16 cents

2019: 8.97 cents

Diluted EPS:

(4.28) cents

2019: (3.72) cents

Cash balance

31 December 2020:

USD 28.7m

2019: USD 26.2m

Net debt⁽²⁾

31 December 2020:

USD 85.0m

2019: USD 75.0m

Organic revenue:

USD 289.7m

2019: USD 265.9m

(1) Subsidiary and associate earnings before interest, tax, depreciation, amortisation, non-cash charges and non-core operating expenses.

(2) Includes gross cash, debt and prepaid finance costs.

Chief Financial Officer's report continued

Cash flow and net cash

The cash flow statement for the Group includes two major themes: the entries related to the financing and completion of acquisitions and the results of the ongoing operations of the business, considering fluctuations in working capital. Net cash flow from operating activities after tax was higher than the previous year at USD 22.7 million (2019: USD 18.6 million). When adjusted for non-operating and one-off items, in both years the net cash flow from operating activities was in line with expectations relative to adjusted EBITDA.

Investing activities were mainly related to the Codewise acquisition completed during the financial year. The net cash inflow totalled USD 1.4 million in 2020 as compared with USD 9.8 million in 2019. Other than acquisitions, for which further details on the fair value are provided in note 24 to the financial statements, the Group had relatively limited capital expenditure. Excluding acquisitions, USD 1.4 million of property, plant and equipment have been added. Further, USD 48.6 million of intangible assets have been acquired (including acquisitions). Excluding acquisitions, USD 4.5 million of tangible and intangible assets have been added, representing c.2% of Group revenue.

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

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

Investor relations

The Company has evolved its investor relations. On 24 June 2020, it hosted a Capital Markets presentation via webcast. The purpose of the presentation was to provide further insights into the segmentation and key growth drivers in the domain name subscription market, an update regarding the ongoing integration of Team Internet, which CentralNic acquired in December 2019, and an overview of the Company's future product development and key strategic objectives.

Further, CentralNic has engaged Edison to produce in-depth and regular research on the Company which is available to everyone. It is hoped this research will raise the visibility of CentralNic and enable investors of all classes, in any country, to develop an improved understanding of the business. Edison's research is read on a free-to-access basis by individuals and institutions across the globe. It has been accessed by more than 5,000 professional investment institutions since MiFID II was introduced and many other market participants including private investors, sell side, advisers and press. Edison only produces research that falls under the minor non-monetary benefit definition in MiFID II.

Augmented and accelerated financial reporting

During the course of 2020, the Group augmented and accelerated its financial reporting. In particular, the Group started to include pro forma figures in its interim report for the period ended 30 June 2020. These pro forma figures include all constituents of the Group for the entire reporting and comparative periods, regardless of the change of control date, and are also adjusted to eliminate the impacts of non-recurring or non-cash revenues, foreign exchange rate changes and changes to accounting standards. This pro forma reporting has been provided in order to allow the discerning reader to more accurately identify the impact of the Group's M&A activity. Further, the Group has undertaken to release quarterly interim reports, effective with the interim report for the period ended 30 September 2020.

The Directors believe that a higher cadence of financial reporting is reasonable given the Group's fast-paced growth pattern and, for the first time, this practice will be in effect for the full 2021 financial year. The Q1 2021 interim report is expected to be released on or around 1 June 2021.

Capital increase

On 10 September 2020, the Group raised gross proceeds of GBP 30 million through the successful private placing of 40,000,000 Placing Shares. The Placing Shares were placed at a price of GBX 75 per Placing Share, representing a discount of c.6% to the last closing price and the placing was significantly oversubscribed. The net proceeds have been used to fund the consideration and fees in respect of the acquisition of the Zeropark and Voluum businesses including all material trade and assets pertaining thereto from Codewise. Zeus Capital and Stifel acted as joint bookrunners and joint brokers in connection with the placing.

The Group had net assets of USD 117.1 million at 31 December 2020 (2019: USD 77.0 million).

Consideration shares

During the 2020 financial year, a total of 4,894,542 consideration shares were issued to the sellers of KeyDrive SA, an acquisition completed in 2018, and Hexonet Group, an acquisition completed in 2019. On 6 August 2020, 3,208,819 shares were issued to satisfy EUR 2,971,000 of deferred consideration owed to the sellers of Hexonet Group, implying a value per share of GBX 83.68. On 2 November 2020, 1,685,723 shares were issued to satisfy USD 1,908,250 of earnout consideration, implying a value per share of GBX 87.57. Up to USD 1,210,000 of earnouts may still become payable in shares, all of which relate to the acquisition of KeyDrive SA. The conversion price will float with the share price.

Capital reduction

The capital reduction resolved by the AGM on 4 June 2020 was completed after its approval by the High Court and its registration by the Companies House effective 14 August 2020. The capital reduction increases the Company's distributable reserves and facilitates making future distributions to its Shareholders, including the payment of dividends. The capital reduction does not result in any cash outflow nor does it impact the Company's profits. There is no change in the number of shares in issue or their nominal value. No new share certificates are being issued because of the capital reduction. The capital reduction itself does not involve any distribution or repayment of capital or share premium by the Company and does not reduce the underlying net assets of the Company.

Bond issue and loan refinancing

On 5 February 2020, the additional EUR 40 million bond issue announced on 24 December 2019 was admitted to trading on the Oslo Stock Exchange under the same ISIN NO 0010856750 as the bond issue dated 3 July 2019.

A bondholder meeting held on 29 January 2021 approved the amendment to the bond terms disclosed in our announcement on 15 January 2021. The Company successfully completed a EUR 15 million (approximately USD 18 million) tap issue under the Company's existing senior secured callable bonds listed on Oslo Børs. The tap issue was priced at 104.5% of par value and the total outstanding amount after the tap issue is EUR 105 million (approximately USD 126 million). The transaction was oversubscribed. The additional bonds will be issued under the bonds ordinary ISIN (NO0010856750) and listed on Oslo Børs under the ordinary ticker code (CNIC01).

The Directors believe that given the cash conversion and recurring nature of the business, the use of debt instruments in the Group's financing mix allows for lower cost of capital and improved tax efficiency. The Group is comfortably below the leverage limits of the bond terms and conditions, which currently allow to raise up to 4.0x net debt/EBITDA and to maintain a net debt/EBITDA ratio lower than 6. The Directors however give guidance that the Company intends to maintain net debt/EBITDA within a corridor of 2x to 3x. The trading of the bond on the Oslo Stock Exchange and the recent tap issue imply a yield to maturity of around 5%, giving the Directors confidence in the Company's ability to refinance at a lower coupon than what is currently in place. The Directors will observe the market and deliberate on refinancing options at the appropriate time.

The Company has also been able to obtain a super senior revolving credit facility (SSRCF) of EUR 13 million and a letter of credit facility (LCF) of EUR 5.3 million with HSBC which substitutes the former facilities provided by Silicon Valley Bank.

Further detail is provided in notes 23 and 28 to the financial statements.

Foreign exchange

Foreign exchange losses were USD 2.1 million, after USD 0.8 million in 2019. Post the balance sheet date, the foreign exchange evolution has been favourable for the Company and net debt would be c.USD 3.0 million lower by virtue of the weakened Euro, all other things being equal. The Company is in the process of procuring a hedging facility large enough to adequately immunise the Company against currency risk.

Earnout and deferred consideration

In relation to GlobeHosting, the last payment of USD 0.5 million was made on 31 August 2020. The deferred consideration of USD 3.5 million for the Hexonet Group was completely satisfied by the issuance of consideration shares. For Team Internet AG, the last payment of USD 1.0 million was made on 9 April 2021. No further payments are due to the sellers of these three businesses pursuant to the terms of the SPAs.

SK-NIC met its performance target and therefore USD 1.6 million was paid to the vendors on 15 July 2020. Further tranches of USD 0.7 million and USD 1.1 million will become payable subject to the achievement of performance criteria in 2022 and 2024 respectively. For KeyDrive, USD 2.2 million of earnout (USD 0.3 million in cash and USD 1.9 million in shares) was paid on 3 November 2020. Up to USD 1.4 million of earnout may still be earned.

In 2021, new deferred purchase price and earnout obligations have been entered into, namely USD 1.2 million and USD 6.5 million pertaining to Safebrands and Wando respectively.

Deferred consideration and earnout obligations are recorded on the balance sheet at their net present value, which may be lower than the maximum obligation, and are being trued up in line with the best knowledge of the Directors at each balance sheet date.

Other post-completion obligations

For the TPP Wholesale acquisition, a two-year migration programme has been commissioned from the seller, who is a public IT services business, to move the operations out of the seller's IT infrastructure into a cloud environment. The project cost was estimated at USD 2 million and is expected to be completed in Q3 2021. It is not warranted that the project can be completed on time and in budget.

For Team Internet and KeyDrive, severance and non-compete compensation for exited founders carries over into 2021 for a total of c.USD 1.3 million.

International tax compliance

The Group is undergoing an exercise to identify any potential tax obligations in jurisdictions beyond those in which its subsidiaries and itself are organised or operating from. This relates mostly to indirect taxes, such as Value Added Tax or General Sales Tax. The Directors do not expect that any additional provisions for such risk will need to be provided for.

Significant accounting policies and critical accounting judgements

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



Michael Riedl

Chief Financial Officer

23 April 2021

Risks

The majority of the Group's risks have reduced or remain unchanged from the prior year with effective risk mitigation in place.

Group financial risk management

The Directors review the financial risk management policy, noting that the Group is exposed to deposit risk, credit risk, market risk, foreign currency risk and other risks, including those arising from financial instruments. Further details of the financial risk management framework are provided in note 28 to the financial statements.

The Group's finance function is responsible for managing investment and funding requirements including cash flow monitoring and projections.

The cash flow projections are reviewed regularly by the Directors to ensure the Group has sufficient liquidity at all times to meet its cash requirements and execute its business strategy.

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

The Group's financial instruments comprise cash and various items such as trade and deferred receivables.




Risk	Mitigation	Change
Deposit risk	Deposit risk is mitigated by the Directors setting a policy that the Group only places deposits with banks and financial institutions with high credit ratings.	—
Credit risk	The Group's exposure to credit risk from trade receivables is relatively low, due to the fact that the business has traditionally dealt with customers who often pay at the point of sale or in advance. Where there are credit accounts, which is an increasing trend in the industry, particularly for the larger domain name registrars, receivables are controlled through credit limits and regular monitoring.	—
Market risk	There is a risk that the market for domains for which the Group provides registry and registrar services may not increase as quickly as expected by the Directors. Also, the market for monetisation of domain names may alter its pace of growth. In either case, the Group's revenues could reduce below expectations with an impact on profitability. The risk is mitigated to a degree by operating multiple lines of business themselves exposed to many vertical and geographical markets and segments, which are only loosely correlated.	▼
IT security risk	If the Group does not prevent security breaches or becomes susceptible to cyber-attacks, it may be exposed to lawsuits, lose customers, suffer harm to its reputation, and incur additional costs. Unauthorised access, computer viruses, accidents, employee error or malfeasance, intentional misconduct by computer 'hackers' and other disruptions can occur that could compromise the security of the Group's infrastructure or confidential information. The Group has created a resilient network infrastructure. Key platforms of the Group have been certified under ISO 27001/2013 for data security, ISO 27017 for cloud security, ISO 27018 for cloud privacy, PCI DSS Level 1, and SOC 1, SOC 2 and SOC 3, as the case may be, thereby mitigating risk by adherence to international best practice. The Company conducts independent IT audits on new acquisitions and from time to time on its existing businesses.	▼

Change in risk

▲ Increase

▼ Decrease

— No change

Risk	Mitigation	Change
Foreign currency risk	<p>The Directors note that the Group predominantly trades in USD, EUR, GBP and AUD, and considers the exposure to foreign currency risk to be acceptable. The Group holds reserves in each of these currencies to meet trading obligations as required. The currency risk is actively monitored through a periodic review of inflows and outflows by currency, including an assessment of the extent to which currencies are naturally hedged across the Group's business lines. Where this is not the case, consideration is given to the use of hedging instruments and, where available at reasonable terms and conditions, the Group has entered into hedging agreements, e.g. to cover the GBP overheads associated with its UK headquarters. The Group is actively pursuing options to also diminish the balance sheet risk resulting from the EUR denominated bond.</p>	
Brexit risk	<p>The Directors give due consideration to other risk factors as they arise. Particular attention is attributed to the withdrawal of the United Kingdom (UK) from the European Union (EU), commonly referred to as 'Brexit'.</p> <p>No material impact of Brexit on the day-to-day operations of the Group has been observed so far. Only a small fraction of the Group's trade is to UK customers or from UK subsidiaries to EU customers.</p>	
COVID-19 risk	<p>To date, CentralNic Group has not experienced interruptions in its services to customers or in its supply chain as a result of the COVID-19 pandemic, and the Company confirms that its current trading is in line with market expectations.</p> <p>CentralNic Group's business is expected to remain resilient. Its services are procured and delivered over the internet, and the majority of CentralNic Group's revenues are payments from existing subscribers and customers on rolling contracts. The Group's core product is the sale of domain names, which are core infrastructure that enable the functioning of email and websites – the most important communication tools used between work colleagues working remotely and between companies and their customers.</p> <p>As providers of essential internet services, a number of CentralNic Group companies were well prepared for the current conditions, with business continuity plans already in place precisely for situations where staff were unable to work from the office. CentralNic Group pre-emptively stopped travel, meetings and office working across its global locations in advance of formal Government directives and has been successful in protecting its staff from the spread COVID-19. These steps have enabled CentralNic Group to continue to run all services Company-wide without interruption and to utilise all staff productively via remote working.</p>	

Risks continued

Risk	Mitigation	Change
Salary inflation risk	The Company is leveraging its presence in different countries through various time zones to attract the right talent where it is available at the right cost. Further, it is working on automation of repetitive processes. A good example is Team Internet AG, a highly automated and machine learning based business model that achieves c.USD 1.7 million annual revenue per employee, putting it into the same league as major companies such as Google, Facebook or Netflix on the efficiency scale. Also, through its acquisition of Zeropark and Voluum, the Group has created another geographic hub in Krakow, Poland, further diminishing the dependency on specific labour markets.	—
Global tax compliance risk	<p>The OECD, policymakers, legislators and tax authorities promote a global tax system that is more adequately designed for a globally distributed and largely digitalised value chain. While the search for a global system continues, individual countries roll out new taxes, mostly indirect taxes, that also apply to non-resident service providers, creating tax liabilities not only in jurisdictions with strong nexus, such as a permanent establishment, but also with weak nexus, such as immaterial amounts of sales. The Group has implemented a process in which tax compliance obligations outside the country of residence are identified and addressed.</p> <p>The Group is monitoring developments in relation to EU State Aid investigations following the EU Commission opening a State Aid investigation into the Group Financing Exemption in the UK's Controlled Foreign Company regime in October 2017. In line with current UK tax law, the Group applies this regime. Based on its current assessment, the Group does not consider any provision is required in relation to this issue.</p>	⬆
Regulatory risk	The Group monitors additional regulatory requirements relevant to the domain industry made by national or supranational lawmakers, as well as monitoring ongoing policy developments by ICANN or the London Stock Exchange (LSE) which may impact on GDPR compliance.	—

Change in risk

⬆ Increase

⬇ Decrease

— No change

CentralNic specific risk mitigants

There are certain fact patterns which are commonly perceived as risks which the Directors believe do not constitute material risks to the Company, as follows:

Risk	Description
Channel partners	The Group does not rely solely on its own outreach, reputation and distribution power, but also strategically uses channel partners to promote its unique capabilities. Through its distribution partners, among them some of the most prominent technology companies in the world, CentralNic reaches c.2.4 million domain registrants and c.3 million advertisers for which it does not bear customer acquisition or customer service cost.
Intent/contextual marketing	Being a believer in privacy rights, all monetisation services of the Group have been systematically built on intent or contextual marketing principles, not requiring the collection of personal data for retargeting purposes. The Group is hence prepared for a future world without third-party cookies.
Search algorithms	Monetised domain names do not appear in the search indexes of major search engines. They source their traffic from so-called direct navigation traffic, i.e. users entering the domain name or clicking on a link to that domain name. Changes of search algorithms have therefore no notable impact on the volume of traffic received.
Financing cost	While the coupon on the Group's bonds is fixed, the price at which the bonds are issued may vary. For the latest tap issue, investors bid 104.5% of nominal value, which given the maturity, implies a yield to maturity and hence financing cost to the Company of sub 5%. Through this mechanism, financing cost for new funds floats with the credit risk of the Group, which has materially improved over 2019 and 2020 as evidenced by the successful tap issue.

The Company's strategic report is set out on pages 01 to 25 of the annual report.

The strategic report outlines our performance against our strategic objectives, performance and financial position, as well as our outlook for the future.

Approved by the Board and signed on its behalf by:



Iain McDonald

Chairman

23 April 2021

Board of Directors



Iain McDonald

Chairman
(aged 50)

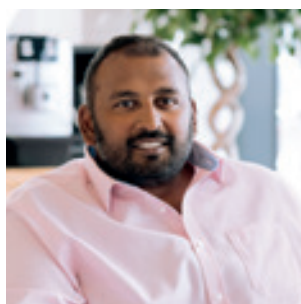
Iain McDonald is a global expert in technology and e-commerce, having had a strong track record in investing in early stage companies such as ASOS, The Hut Group, Eagle Eye Solutions, Anatwine and Metapack. He is the founder of Belerion Capital, an investor and investment adviser in technology and e-commerce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



Benjamin Crawford

Chief Executive Officer
(aged 55)

Benjamin Crawford has led CentralNic's growth for eleven years, from a small business turning over USD 3 million per year to its current run rate of USD 300 million. His former positions included Founding President of Louise Blouin Media, integrating eleven acquisitions in three countries and personally managed relationships with the Chinese Government; Managing Director of SportBusiness Group; and Executive Producer of the official website of the Sydney Olympic Games. Ben has an MBA from the Australian Graduate School of Management and a First-Class Honours Degree from the University of Sydney.



Don Baladasan

Group Managing Director
(aged 47)

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

Prior to this, Don was Head of Accounting Development at Serncor, an international steel trader which at the time had operations in 46 countries. Don was integral in the integration of acquired business through this period of rapid growth which saw turnover double to in excess of GBP 6 billion. Don initially studied Medicine at Guy's Hospital before completing a BSc in Economics at CASS Business School. He was then awarded a place on the Financial Times graduate scheme where he trained as a Chartered Management Accountant. Don has held various finance and operational roles in blue chip businesses such as Pearson, WPP and BUPA. Don was CFO of CentralNic at the time of its IPO on AIM.



Michael Riedl

Chief Financial Officer
(aged 45)

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



Thomas Rickert

Non-Executive Director
(aged 51)

Thomas Rickert is an attorney-at-law in Germany. He is the owner of Rickert Rechtsanwaltsgesellschaft mbH, a law firm based in Bonn, Germany. Thomas has extensive experience in the domain industry, working on domain disputes as well as advising registrars, registry service providers and registry operators both on contractual as well as policy matters. Thomas is an expert speaker on domain-related subjects both at the national and international level. Thomas served on the Council of the Generic Names Supporting Organisation (GNSO), which is the body responsible for developing policy for generic domain names, for four years (2011-2015).



Samuel Dayani

Non-Executive Director
(aged 43)

Samuel Dayani is a partner at the Joseph Samuel Group, where he is responsible for managing the group's investments and business development in the real estate, medtech, energy & renewables, fashion and technology & telecoms sectors. Samuel was responsible for purchasing CentralNic Group in 2003 and managing the restructuring of the business, building the management team and delivering an institutional grade business for its listing in 2013. Previously, Samuel was the Chief Operating Officer and later Managing Director of ViaVision Ltd, an interactive TV company on Sky, when it was sold to Yoomeia Plc in 2004.



Tom Pridmore

Non-Executive Director
(aged 49)

Tom Pridmore is a Group Director and co-founder of Civitas Investment Management, a leading real estate social impact investor, and has been involved in investment management for over 20 years, having originated, underwritten, financed and asset managed a wide range of property investments both in the UK and abroad. Tom is also a director and co-founder of Beaufort Capital Management, a UK debt investment manager, and was formerly a solicitor at Norton Rose Fulbright, specialising in corporate finance and investment funds.

Corporate governance

The Board of CentralNic Group Plc places governance and controls at the centre of its strategy.

Introduction

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

The Board of CentralNic Group Plc places governance and controls at the centre of its strategy. The Company has a dedicated Compliance Committee which meets monthly. The remit of the Compliance Committee is to ensure that all governance policies are administered, reviewed and complied with across the Group. Michael Riedl, the Chief Financial Officer of the Group, chairs this Committee and provides a conduit between the Board and the Committee. This ensures timely decisions and challenges are communicated to the Board.

Board governance and policy

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

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

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

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

Directors' time commitment

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

The attendance of each Director at Board and committee meetings during the financial year ended 31 December 2020 is set out in the table below.

Board performance evaluation

A formal process of performance evaluation of the Board, its committees and its individual Directors takes place every year. The review is conducted internally and involves a combination of self-evaluation and one-to-one interviews with individual Board members to seek objective feedback on the balance of skills, behaviours and effectiveness of the Board as a whole, the Chair and other Board members. The performance of the Board, its committees and its individual Directors is also continually monitored by the Chairman.

Attendance table

	Board	Audit Committee	Remuneration Committee	Nominations Committee
Iain McDonald	15/16	4/4	—	2/2
Ben Crawford	16/16	—	—	—
Donald Baladasan	16/16	—	—	—
Michael Riedl	16/16	—	—	—
Alexander Siffrin until 1 April 2020	2/3	—	—	—
Thomas Rickert	16/16	4/4	3/3	2/2
Samuel Dayani	16/16	—	3/3	—
Mike Turner until 7 May 2020	5/5	2/2	—	—
Tom Pridmore	13/16	4/4	3/3	2/2

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

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

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

Board committees

The Company has established Audit, Nominations and Remuneration Committees.

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

Audit Committee

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

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

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

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

The appointment of the independent external auditor is approved by the Shareholders annually. The independent auditor's audit of the financial statements is conducted in accordance with International Standards on Auditing (ISA (UK)) issued by the Financial Reporting Council.

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

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

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

Remuneration Committee

The Group's Remuneration Committee is responsible, on behalf of the Board, for developing remuneration policy. Details of objectives and policy are provided in the remuneration report on pages 32 to 34.

The Remuneration Committee has Tom Pridmore as its Chairman and other members of the Committee include Samuel Dayani and Thomas Rickert.

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

- determining and agreeing with the Board the remuneration policy for the Chairman of the Board, the Non-Executive Directors and the Executive Directors and other senior managers;
- reviewing the design of share incentive plans for approval by the Board and determining the award policy to Executive Directors, Senior Management and other key senior employees under existing plans;
- determining the remainder of the remuneration packages (principally salaries, bonus and pension) for the Executive Directors, Senior Management and other senior employees, including any performance-related targets;
- reviewing and noting remuneration trends across the Group;
- co-ordinating with the Nominations Committee in relation to the remuneration to be offered to any new Executive Director; and
- taking responsibility for the selection criteria and, if appropriate, selecting, appointing and setting terms of reference for any remuneration consultants engaged to advise the Committee.

The Remuneration Committee was created in September 2013 and is required to meet at least twice a year. During 2020 the Committee met on three occasions.

It is the Group's policy that Executive Directors' service contracts contain at least a three-month notice period.

Corporate governance **continued**

Board committees continued

Nominations Committee

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

The Nominations Committee has Iain McDonald as its Chairman and other members of the Committee include Thomas Rickert and Tom Pridmore.

The Nominations Committee was created in September 2013 and is required to meet at least once a year. During 2020 the Committee met on two occasions.

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

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

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

Risk management and internal controls

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

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

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

Accounting procedures

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

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

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

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

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

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

Corporate responsibility, the environment and health and safety

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

The Group's approach to sustainability addresses both its environmental and social impacts, supporting the Group's vision to remain an employer of choice, while meeting client demands for socially responsible partners. More information on this is included in the ESG section of this annual report.

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

Communications with Shareholders

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

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

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

Annual General Meeting date

The Annual General meeting will be convened in accordance with the provisions of the Companies Act 2006. Although the date is subject to change as the Directors reserve the right to resolve to convene the AGM later depending on government guidance in respect of COVID-19, the Annual General Meeting is due to take place on Thursday, 3 June 2021 at 10.00am.

The proposed resolutions, together with proxy forms and this annual report, will be distributed to Shareholders on or around 7 May 2021.

Audit Committee report



“The objectivity and independence of the external auditor was safeguarded by reviewing the auditor’s formal declarations and by monitoring relationships between key audit staff and the Company.”

Thomas Rickert

Chair of the Audit Committee

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

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

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

The objectivity and independence of the external auditor was safeguarded by reviewing the auditor’s formal declarations, monitoring relationships between key audit staff and the Company and tracking the level of non-audit fees payable to the auditor.

As noted above, the Committee met four times during the year. The Committee reviewed with the independent auditor its judgements as to the acceptability of the Company’s accounting principles.

Since the year end the Committee has met further with the auditor to consider the 2020 financial statements and in particular considered the significant audit risks. The Committee reviewed and discussed the auditor’s comments on improvements which could be made to the internal controls. In addition, the Committee monitors the auditor firm’s independence from Company management and the Company.

Thomas Rickert

Chair of the Audit Committee

Attendance table

	Meetings attended
Thomas Rickert	● ● ● ●
Iain McDonald	● ● ● ●
Tom Pridmore	● ● ● ●
Mike Turner until 7 May 2020	● ●

Remuneration report



“The Company’s remuneration policy is focused on being able to attract, retain and incentivise management with the appropriate skills and expertise.”

Tom Pridmore

Chair of the Remuneration Committee

Attendance table

	Meetings attended
Tom Pridmore	● ● ●
Thomas Rickert	● ● ●
Samuel Dayani	● ● ●

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

Remuneration Committee

The membership of the Committee and the principal activities are detailed in the corporate governance section of this annual report on page 29.

Remuneration policy

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

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

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

Directors’ remuneration

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

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

In terms of the remuneration of the Company’s Directors, entries to profit and loss included in the statement of comprehensive income include:

	Salaries and fees USD'000	Bonus USD'000	Pension USD'000	Share-based payments USD'000	2020 USD'000	2019 USD'000
Non-Executive Directors						
Samuel Dayani	58	—	—	—	58	89
Thomas Rickert	108	—	3	—	111	108
Tom Pridmore	66	19	3	—	88	72
Mike Turner	15	—	—	—	15	51
Iain McDonald	154	38	7	162	361	66
Executive Directors						
Ben Crawford	584	531	3	1,568	2,686	1,600
Donald Baladasan	437	309	7	1,325	2,078	1,161
Michael Riedl	437	244	6	790	1,477	375
Alexander Siffrin	54	90	—	—	144	203
	1,913	1,231	29	3,845	7,018	3,725

Share options

Prior to admission to AIM, CentralNic Group established both an unapproved share option scheme (SOP) and an Enterprise Management Incentive (EMI) option scheme under which certain key management personnel and other senior employees were invited to participate. These options were rolled over into the Company during 2013. In August 2019, CentralNic also introduced the CentralNic Long Term Incentive Plan (LTIP).

To reflect existing commitments, the options granted in June 2013 for the unapproved option scheme and the EMI scheme vest in twelve equal instalments at three-month intervals following the admission. The unapproved options granted on 14 October 2013 vest three years after the date of grant. The unapproved options granted under the LTIP on 2 August 2019 and 10 March 2020 vest over a three-year period in equal instalments.

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

The following share options were issued to the Directors during the year under the CentralNic Group Plc Long Term Incentive Plan and the CentralNic Group Plc Share Option Plan:

	Type of Award	Number of ordinary shares subject to Award	Exercise price
Ben Crawford	LTIP	3,024,657	nil
Donald Baladasan	LTIP	2,638,356	nil
Michael Riedl	LTIP	3,804,779	nil
Iain McDonald	SOP	500,000	nil

The structure of the Awards is designed as a programme of awards over a five-year period ('Award Period') which the Board believes will reward and incentivise the Executives to deliver further sustainable and managed growth for the Company, as well as providing a strong retention tool. The Awards will be subject to stretching performance targets based on total shareholder return and EBITDA growth.

Subject to achievement of these targets and their remaining in employment with CentralNic, the Awards vest in three separate tranches. The base pricing for all targets is calculated at the average share price for the three months to 1 January each year.

The table below shows the outstanding share options issued to Directors and former Directors at 31 December 2020:

	Number of options	Exercise price	Options granted
Outstanding at 1 January 2020 and 31 December 2020			
Ben Crawford	1,316,000	10p	1 June 2013
Ben Crawford	850,000	57p	1 September 2013
Ben Crawford	2,500,000	nil	2 August 2019
Ben Crawford	1,008,219	nil	10 March 2020
Ben Crawford	1,008,219	nil	10 March 2020
Ben Crawford	1,008,219	nil	10 March 2020
Donald Baladasan	2,000,000	nil	2 August 2019
Donald Baladasan	879,452	nil	10 March 2020
Donald Baladasan	879,452	nil	10 March 2020
Donald Baladasan	879,452	nil	10 March 2020
Thomas Rickert	88,000	57p	1 September 2013
Thomas Rickert	350,000	40p	4 February 2016
Tom Pridmore	88,000	57p	1 September 2013
Tom Pridmore	350,000	40p	4 February 2016
Mike Turner	750,000	40p	4 February 2016
Iain McDonald	350,000	40p	4 February 2016
Iain McDonald	500,000	nil	10 March 2021
Michael Riedl	145,833	nil	2 August 2019
Michael Riedl	159,748	nil	10 March 2020
Michael Riedl	693,150	nil	10 March 2020
Michael Riedl	693,150	nil	10 March 2020
Michael Riedl	693,150	nil	10 March 2020
Total	17,190,044		

Remuneration report *continued*

Share options continued

48,611 options were exercised during the year by Michael Riedl. No other Directors or former Directors have exercised any option and no options have expired. All options expire within ten years of having vested.

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

In addition, a further 5,713,066 options over ordinary shares were in issue at 31 December 2020 (2019: 5,526,950), being held by the Group's employees.

The IFRS 2 charge in the year for all share option plans relating to the Directors was USD 3,845,000 (2019: USD 1,620,000).

On 31 December 2020, the closing market price of CentralNic Group Plc ordinary shares was 91 pence. The highest and lowest prices of these shares in the year were 95 pence during April 2020 and 61 pence during March 2020 respectively. The average share price for the year was 84 pence.

Directors' interests

a) As at 31 December 2020, the interests of the Directors, including persons connected with the Directors within the meaning of section 252 of the Companies Act 2006, in the issued share capital of the Company are as follows:

	Ordinary shares	Percentage
inter.services GmbH ⁽¹⁾	37,085,870	15.87%
Erin Invest & Finance Ltd ⁽²⁾	20,656,682	8.84%
Jabella Group Ltd ⁽³⁾	2,926,668	1.25%
Clevebeam Limited ⁽³⁾	3,699,000	1.58%
Michael Riedl	1,141,268	0.49%
Donald Baladasan	211,153	0.09%
Iain McDonald ⁽⁴⁾	11,500	0.00%

(1) The beneficial owners of inter.services GmbH are Alexander Siffrin, a Director of the Company during the year, and his father.

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

(3) Jabella Group Limited and Clevebeam Limited are companies owned, inter alia, by Erin Invest & Finance Limited.

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

- b) Save as disclosed in this annual report, none of the Directors nor any members of their families, nor any person connected with them within the meaning of section 252 of the Act, has any interest in the issued share capital of the Company or its subsidiaries.
- c) Save as disclosed in this annual report, as at the date of this annual report, no Director has any option over any warrant to subscribe for any shares in the Company.
- d) None of the Directors nor any members of their families, nor any person connected with them within the meaning of section 252 of the Act, has a related financial product (as defined in the AIM Rules) referenced to the ordinary shares.
- e) None of the Directors is or has been interested in any transaction which is or was unusual in its nature or conditions or significant to the business of the Company and which was effected by the Company and remains in any respect outstanding or unperformed.
- f) There are no outstanding loans made or guarantees granted or provided by the Company to or for the benefit of any Director other than disclosed in note 25 to the financial statements.
- g) Save as disclosed in this annual report, there are no potential conflicts of interest between any duties to the Company of the Directors and their private interests or their other duties.

Tom Pridmore

Chair of the Remuneration Committee

Directors' report

Principal activities

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

The principal activities of the Group are the provision of domain name and web services (provided directly and indirectly), as well as domain name monetisation services. A more comprehensive description of the Group's activities, performance and likely developments are provided in the Chairman's statement, the Chief Executive Officer's report, the Chief Financial Officer's report, the corporate governance report and the remuneration report, which are incorporated by reference into this report.

A list of the subsidiary undertakings is disclosed in the particulars of subsidiaries and associates on pages 91 to 93 of the financial statements.

Financial instruments

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

Results and dividends

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

The Directors do not propose a final dividend for 2020. The Directors continuously observe the balance between the accretive opportunities that the Company can pursue and the capacity to return cash to Shareholders and will consider a maiden dividend at the appropriate time.

Directors

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

The Directors who served during the year were as follows:

Executive Directors

Benjamin Crawford (Chief Executive Officer)

Donald Baladasan (Group Managing Director)

Michael Riedl (Chief Financial Officer)

Alexander Siffrin (Chief Operating Officer, resigned from the Board on 31 March 2020)

Non-Executive Directors

Iain McDonald (Non-Executive Chairman)

Mike Turner (resigned 7 May 2020)

Samuel Dayani

Thomas Rickert

Thomas Pridmore

The biographical details of the Directors are provided on pages 26 and 27 of this annual report.

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

The Directors and their interests in the shares of the Group

The Directors of the Company, and their interests in the shares and share options of the Company, are shown in the remuneration report on pages 32 to 34 of this annual report.

Transactions with any parties related to the Directors are disclosed in note 25 to the financial statements.

Post year end

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

Directors' conflicts of interest

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

Articles of Association

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

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

Subject to the provisions of legislation, the Company's Articles of Association and any directions given by resolutions of the Shareholders, the Board may exercise all powers of the Company and may delegate authorities to committees and management as it sees fit. Details of the committees of the Board and their activities are contained in the corporate governance report on pages 29 and 30 of this report.

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

Principal risks and uncertainties

The Board's assessment of the principal risks and uncertainties, together with the mitigating factors, are presented in the strategic report on pages 22 to 25.

Directors' report *continued*

Substantial Shareholders

In addition to the Directors' interests disclosed in the remuneration report, the Company has been notified that the following Shareholders' interests exceeded 3% of the Company's ordinary share capital in issue at 31 March 2021:

	Ordinary shares	Percentage
Kestrel Investment Partners	56,583,670	24.21%
inter.services GmbH	37,085,870	15.87%
Erin Invest & Finance Limited	20,656,682	8.84%
Canaccord Genuity Wealth Management	15,332,228	6.56%
Chelverton Asset Management	14,602,275	6.25%
Schroder Investment Management	13,637,884	5.83%
Herald Investment Management	9,576,281	4.10%
BlackRock Investment Management	8,049,360	3.44%

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

Corporate governance

The corporate governance report, on pages 28 to 30, is incorporated into this annual report by reference and details how the Board communicates with stakeholders.

Streamlined Energy and Carbon Reporting

The environmental, social and governance (ESG) report, on pages 14 to 17, is incorporated into this Directors' report by reference.

Corporate responsibility

The Board recognises its employment, environmental and health and safety responsibilities, and devotes appropriate resources towards monitoring and improving compliance with existing standards. For more information, please refer to the ESG section on pages 14 to 17.

Management and staff

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

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

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

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

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

Communication with employees is primarily through formal and informal meetings and through the use of the Group's information systems. This comprises regular communication of information affecting our managers and their teams, to ensure all employees are kept up to date with issues affecting them. In addition, in 2021 the Group will be implementing Culture Amp, a culture and engagement survey platform, which will provide everyone with the ability to provide regular and open feedback to the management team as well as facilitate two-way communication and increased engagement with the business.

The Board recognises the importance of engaged employees working within the Group and how they are vital to the future success of the business. However, given the size of the Group and the specialist nature of its technical operations, there is dependency on a few key individuals, and this is discussed further in the strategic report on pages 14 to 17.

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

The Company seeks to ensure that every employee without exception is treated equally and fairly and that all employees are aware of their responsibilities, and our procedures and policies are designed (or are being designed) to fully support everyone. We are responsive to the needs of our people and should an employee be less able to work during their time with us, we will actively retrain that employee and make reasonable adjustments to the working environment where possible. Our Group procedures including recruitment, training, career development and promotion are, as far as possible, the same for everyone.

The Board of Directors comprises seven members, all of whom are male, the Senior Management team of seven is made up of five men and two women, and the overall number of employees at the year end is 569, which contains 376 men, 192 women and one non-binary person.

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

Standards accreditations

The Registry channel of CentralNic Group's Reseller segment is certified against ISO 27001 (Information security management), ISO 9001 (Quality management system) and ISO 22301 (Business continuity management) and SK-NIC a.s. is certified against ISO 27001 (Information security management). These certifications are internationally recognised and provide CentralNic Group's stakeholders with additional levels of assurance as to the technical integrity of the Group's IT system.

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

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

The Group's Directors and its Senior Management are committed to ensuring strict adherence to its anti-bribery and corruption policy and compliance with anti-bribery and corruption laws. The Group also maintains and ensures adherence to its policies in relation to anti-money laundering and trade sanctions and embargoes, again to comply with relevant laws across the relevant jurisdictions.

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

Environment

The Group is committed to operating in an environmentally responsible manner. The Directors consider environmental impacts when making decisions. Please refer to the ESG section for further details.

The community, charitable and political donations

The Directors consider the impact on the community when making decisions. During the year charitable donations totalling USD 55,000 were made (2019: USD 10,000).

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

Policy on the payment of creditors

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

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

R&D activity

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

Health and safety

The Directors and Senior Management are committed to providing for the welfare, health and safety of the Group's employees and have procedures in place, including regular monitoring by third-party specialists, to ensure compliance with its legal and contractual obligations. For more information, please refer to the ESG section on pages 14 to 17.

Business continuity

The Group has built a resilient technology infrastructure, designed to provide data security and continuity of service. The Board recognises the ongoing importance of resilience to cyber threats and invests in primary and secondary data centres along with a distributed domain name server constellation operated by the Group and third-party providers. The Board keeps the infrastructure requirements under review and adopts a continuous improvement approach to further investment, within appropriate parameters, as business activities expand. The technical provision, alongside customer support, is considered one of the most significant aspects of business continuity. This strategy has proven effective in the events around COVID-19 where the Company was able to switch to home office operations virtually seamlessly for materially all global staff. The proper functioning of the operations is followed up by the Company's Business Continuity Committee.

Going concern

The Directors have procedures in place to review the forecasts and budgets for the going concern review period, which have been drawn up with appropriate regard for the macroeconomic environment in which the Group operates, particular circumstances influencing the domain name and online advertising industry and the Group itself. These were prepared with reference to historical and current industry knowledge, as well as contractual trading activities and prospects that relate to the future strategy of the Group. As a result, at the time of approving the financial statements, the Directors consider that the Company and the Group have sufficient resources to continue in operational existence for the foreseeable future, and that it is therefore appropriate to adopt the going concern basis in the preparation of the financial statements. The COVID-19 pandemic, and the Group's ability to adapt to it, have been duly considered in making the judgement on the going concern assumption.

As with all forecasts, the Directors cannot guarantee that the going concern basis will remain appropriate given the inherent uncertainty relating to future events. Principal areas of uncertainty and risks are highlighted on pages 22 to 25.

Auditor

The Company's independent external auditor, Crowe U.K. LLP, was initially appointed on 17 July 2013 and was most recently re-appointed at the Company's Annual General Meeting of 4 June 2020. It is proposed by the Board that they be put forward for re-appointment as auditor and a resolution concerning their re-appointment will be proposed at the forthcoming Annual General Meeting.

Registered office

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

Directors' report *continued*

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

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

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU and applicable law and the Company financial statements in accordance with Financial Reporting Standard 102.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

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

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

Disclosure of audit information

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

Approved by the Board and signed on its behalf by:



Iain McDonald

Chairman

23 April 2021

Independent auditor's report to the members of CentralNic Group Plc

Opinion

We have audited the financial statements of CentralNic Group Plc and its subsidiaries (the "Group") and CentralNic Group Plc (the "Parent Company") for the year ended 31 December 2020, which comprise:

- the Group consolidated statement of comprehensive income for the year ended 31 December 2020;
- the Group consolidated and Parent Company statements of financial position as at 31 December 2020;
- the Group consolidated and Parent Company statements of changes in equity for the year then ended;
- the Group consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, including a summary of significant accounting policies.

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union. The financial reporting framework that has been applied in the preparation of the Parent Company financial statements is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 101 Reduced Disclosure Framework the Financial Reporting Standard applicable in the UK (United Kingdom Generally Accepted Accounting Practice).

In our opinion:

- the financial statements give a true and fair view of the state of the Group's and of the Parent Company's affairs as at 31 December 2020 and of the Group's loss for the year then ended;
- the Group financial statements have been properly prepared in accordance with IFRSs as adopted by the European Union;
- the Parent Company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

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

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the Directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included obtaining and reviewing management's assessment of going concern. This involved gaining an understanding of management's basis for the identification of events or conditions that may cast a significant doubt on the ability of the Group to continue as a going concern, and whether a material uncertainty related to going concern exists. Furthermore, we performed specific audit procedures around going concern; whereby we obtained and reviewed actual financial results against budgeted results, assessed the reasonableness of budgets and forecasts for successive financial years, evaluated the feasibility of management's plans in respect of going concern as well as considered whether new facts or information have become available since management made their assessment. We also considered explicitly whether there was any evidence of management bias in the preparation of the going concern assessment. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Overview of our audit approach

Materiality

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

Based on our professional judgement, we determined overall materiality for the Group and Company financial statements as a whole to be USD 750,000 (2019: USD 500,000) and USD 210,000 (2019: USD 200,000) respectively. In determining this, we considered a range of benchmarks with specific focus on approximately 3% of adjusted EBITDA (a key performance measure used by the Group), and, 5% of the Group's loss before tax for the financial year.

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

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

We agreed with the Audit Committee to report to it all identified errors in excess of USD 25,000 (2019: USD 20,000). Errors below that threshold would also be reported to it if, in our opinion as auditor, disclosure was required on qualitative grounds.

Independent auditor's report **continued**

to the members of CentralNic Group Plc

Overview of our audit approach **continued**

Overview of the scope of our audit

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

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

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy, the allocation of resources in the audit; and directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

Key audit matter	How the scope of our audit addressed the key audit matter
Revenue recognition	
<p>The Group's operating revenue which comprises registry, retail, corporate and monetisation revenues amounted to USD 241 million for the year ended 31 December 2020.</p> <p>The key revenue recognition risks are in respect of the following:</p> <ul style="list-style-type: none"> • appropriate recognition of revenue in accordance with the stated policies ensuring satisfaction of the respective performance obligations of each revenue stream, appropriate cut-off is applied for the recognition in the correct period and of accrued and deferred revenue; • completeness of revenue; and • segmental recognition and classification of revenue. 	<p>We obtained an understanding of the revenue agreements and evaluated the Group's processes and controls in place to calculate the amount and timing of subscription and activity based revenue transactions.</p> <p>We performed the following audit procedures on a sample basis, for both existing and new contracts, having regard to satisfaction of performance obligations, to assess the appropriateness of revenue recognition for individual transactions:</p> <ul style="list-style-type: none"> • assessed the appropriateness of the allocation of various revenue elements with reference to the terms of the contract; • ensured revenue recognised from subscription fees was supported by signed contracts; • assessed the existence of debtors through testing to contracts, cash received where applicable and a review of credit notes issued after year end; • assessed that revenue was recognised in the correct period, agreeing back to supporting documentation the contract price and the period in which the services were delivered; • performed analytical procedures and assessed revenue recognition policies for consistency and compliance with IFRS Revenue from Contracts with Customers; • performed substantive procedures designed to test the accuracy and completeness of revenue recorded in the year; and • reviewed revenue segmental classifications to ensure compliance with revenue recognition policies. <p>In our instructions to component auditors, our discussions with them, our review of their files and our assessment of their reporting, we examined and evaluated the work undertaken and their conclusions in respect of revenue recognition.</p>

Key audit matter**How the scope of our audit addressed the key audit matter****Business combinations and acquisition accounting (including the carrying value of goodwill and separately identifiable intangible assets)**

During the year, the Group completed the separate acquisition of Codewise Poland disclosed in note 24.

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

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

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

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

Our procedures included the following:

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

Carrying value of goodwill, investments and intangible assets

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

We evaluated, in comparison to the requirements set out in IAS 36, management's assessment (using discounted cash flow models) as to whether goodwill, investments and/or intangible assets were impaired.

We performed sensitivity analysis on the key assumptions in relation to growth rates and discount rates utilised within managements impairment assessment.

We performed stress testing where we examined the change in goodwill value should the growth rate fall or if the discount rate were to increase.

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

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

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

Independent auditor's report **continued**

to the members of CentralNic Group Plc

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the Directors

As explained more fully in the Directors' responsibilities statement set out on page 38, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

We obtained an understanding of the legal and regulatory frameworks within which the Group and Parent Company operates. We obtained specialist advice for non-UK jurisdictions that have a direct effect on the determination of material amounts and disclosures in the financial statements via the use of component auditors. We also considered and obtained an understanding of the UK legal and regulatory framework which we considered in this context were the Companies Act 2006 and UK taxation legislation.

We identified the greatest risk of material impact on the financial statements from irregularities, including fraud, to be the override of controls by management. Our audit procedures to respond to these risks included enquiries of management about their own identification and assessment of the risks of irregularities, sample testing on the posting of journals and reviewing accounting estimates for biases.

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. We are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations.

These inherent limitations are particularly significant in the case of misstatement resulting from fraud as this may involve sophisticated schemes designed to avoid detection, including deliberate failure to record transactions, collusion or the provision of intentional misrepresentations.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.



Leo Malkin

(Senior Statutory Auditor)

for and on behalf of
Crowe U.K. LLP
Statutory Auditor
London

23 April 2021

Consolidated statement of comprehensive income

for the year ended 31 December 2020

	Note	2020 USD'000	Restated 2019 USD'000
Revenue	5,6	241,212	109,194
Cost of sales		(164,894)	(66,419)
Gross profit		76,318	42,775
Administrative expenses		(70,845)	(42,718)
Share-based payment expenses		(5,113)	(2,878)
Operating profit/(loss)		360	(2,821)
Adjusted EBITDA ⁽¹⁾		30,594	17,921
Depreciation of property, plant and equipment	13	(2,084)	(1,306)
Amortisation of intangible assets	14	(12,508)	(8,299)
Non-core operating expenses ⁽²⁾	9	(8,237)	(7,357)
Foreign exchange		(2,137)	(828)
Share of associate EBITDA		(155)	(74)
Share-based payment expenses	27	(5,113)	(2,878)
Operating profit/(loss)		360	(2,821)
Finance income	10	5	5
Finance costs	10	(9,976)	(7,759)
Foreign exchange gain on borrowings	10	137	3,885
Net finance costs	10	(9,834)	(3,869)
Share of associate income		79	74
Loss before taxation	7	(9,395)	(6,616)
Income tax (expense)/income	11	975	39
Loss after taxation		(8,420)	(6,577)
Items that may be reclassified subsequently to profit and loss			
Exchange difference on translation of foreign operation		3,243	(6,034)
Total comprehensive loss for the period		(5,177)	(12,611)
Loss is attributable to:			
Owners of CentralNic Plc		(8,420)	(6,513)
Non-controlling interest		—	(64)
		(8,420)	(6,577)
Total comprehensive loss is attributable to:			
Owners of CentralNic Plc		(5,177)	(12,547)
Non-controlling interest		—	(64)
		(5,177)	(12,611)
	Note	2020 cents	2019 cents
Earnings per share			
Basic (cents)	12	(4.28)	(3.72)
Diluted (cents)	12	(4.28)	(3.72)

(1) Subsidiary and associate earnings before interest, tax, depreciation, amortisation, non-cash charges and non-core operating expenses.

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

All amounts relate to continuing activities.

The notes on pages 48 to 82 form an integral part of these financial statements.

The prior year figures have been restated due to the reclassification of foreign exchange differences arising from foreign currency borrowings; please refer to note 30 for further details.

Consolidated statement of financial position

as at 31 December 2020

	Note	2020 USD'000	Restated 2019 USD'000
ASSETS			
Non-current assets			
Property, plant and equipment	13	2,222	1,695
Right-of-use assets	13,26	6,455	4,732
Intangible assets	14	256,955	206,055
Other non-current assets	15	661	739
Investments	16	114	1,778
Deferred tax assets	21	5,410	2,545
		271,817	217,544
Current assets			
Trade and other receivables	17	47,941	40,760
Inventory		1,011	491
Cash and bank balances	18	28,654	26,182
		77,606	67,433
Total assets		349,423	284,977
EQUITY AND LIABILITIES			
Equity			
Share capital	19	290	232
Share premium	19	39,845	74,840
Merger relief reserve	19	5,297	5,297
Share-based payment reserve		11,032	6,095
Foreign exchange translation reserve		1,360	(1,883)
Accumulated profits/(losses)		59,311	(7,508)
Capital and reserves attributable to owners of the Group		117,135	77,073
Non-controlling interests		—	(69)
Total equity		117,135	77,004
Non-current liabilities			
Other payables	20	2,878	3,798
Lease liabilities	26	5,204	3,832
Deferred tax liabilities	21	21,965	22,609
Borrowings	23	107,820	98,967
		137,867	129,206
Current liabilities			
Trade and other payables and accruals	22	87,256	75,683
Lease liabilities	26	1,346	871
Borrowings	23	5,819	2,213
		94,421	78,767
Total liabilities		232,288	207,973
Total equity and liabilities		349,423	284,977

These financial statements were approved and authorised for issue by the Board of Directors on 23 April 2021 and were signed on its behalf by:



Iain McDonald
Chairman

Company Number: 08576358

The notes on pages 48 to 82 form an integral part of these financial statements.

The prior year figures have been restated due to the reclassification of foreign exchange differences arising from foreign currency borrowings; please refer to note 30 for further details.

Consolidated statement of changes in equity

for the year ended 31 December 2020

	Share capital USD'000	Share premium USD'000	Merger relief reserve USD'000	Share-based payment reserve USD'000	Restated foreign exchange translation reserve USD'000	Restated accumulated (losses)/retained earnings USD'000	Restated equity attributable to owners of the Parent Company USD'000	Non-controlling interests USD'000	Restated total equity USD'000
Balance as at 31 December 2018	216	69,238	2,314	3,330	4,151	(1,186)	78,063	5	78,068
Loss for the year	—	—	—	—	—	(6,513)	(6,513)	(64)	(6,577)
Adjustment to non-controlling interests	—	—	—	—	—	11	11	(11)	—
Other comprehensive income									
Translation of foreign operation	—	(1)	—	—	(6,034)	—	(6,035)	1	(6,034)
Total comprehensive loss for the year	—	(1)	—	—	(6,034)	(6,502)	(12,537)	(74)	(12,611)
Transactions with owners									
Issue of share capital	16	5,603	2,983	—	—	—	8,602	—	8,602
Share-based payments	—	—	—	2,336	—	—	2,336	—	2,336
Share-based payments – deferred tax assets	—	—	—	609	—	—	609	—	609
Share-based payments – exercised and lapsed	—	—	—	(180)	—	180	—	—	—
Balance as at 31 December 2019	232	74,840	5,297	6,095	(1,883)	(7,508)	77,073	(69)	77,004
Loss for the year	—	—	—	—	—	(8,420)	(8,420)	—	(8,420)
Adjustment to non-controlling interest	—	—	—	—	—	—	—	69	69
Other comprehensive income									
Translation of foreign operation	—	—	—	—	3,243	—	3,243	—	3,243
Total comprehensive loss for the year	—	—	—	—	3,243	(8,420)	(5,177)	69	(5,108)
Transactions with owners									
Issue of share capital	58	43,674	—	—	—	—	43,732	—	43,732
Share issue costs	—	(3,829)	—	—	—	—	(3,829)	—	(3,829)
Capital reduction	—	(74,840)	—	—	—	74,840	—	—	—
Share-based payments	—	—	—	5,179	—	—	5,179	—	5,179
Share-based payments – deferred tax assets	—	—	—	157	—	—	157	—	157
Share-based payments – exercised and lapsed	—	—	—	(399)	—	399	—	—	—
Balance as at 31 December 2020	290	39,845	5,297	11,032	1,360	59,311	117,135	—	117,135

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

The notes on pages 48 to 82 form an integral part of these financial statements.

The prior year figures have been restated due to the reclassification of foreign exchange differences arising from foreign currency borrowings; please refer to note 30 for further details.

Consolidated statement of cash flows

for the year ended 31 December 2020

	2020 USD'000	Restated 2019 USD'000
Cash flow from operating activities		
Loss before taxation	(9,395)	(6,616)
Adjustments for:		
Depreciation of property, plant and equipment	2,084	1,306
Amortisation of intangible assets	12,508	8,299
Share of associate EBITDA	(155)	(74)
Gain on sale of associate	(266)	—
Finance costs (net)	9,834	3,869
Share-based payments	5,113	2,878
Increase in trade and other receivables	(9,266)	(11,487)
Increase in trade and other payables and accruals	12,195	16,847
Decrease in inventories	—	3,603
Cash flow from operations	22,652	18,625
Income tax paid	(1,957)	(2,309)
Net cash flow generated from operating activities	20,695	16,316
Cash flow used in investing activities		
Purchase of property, plant and equipment	(1,296)	(755)
Purchase of intangible assets	(2,963)	(14,742)
Payment of deferred consideration	(5,467)	(2,940)
Proceeds from disposal of investment in associate	1,814	—
Acquisition of subsidiaries, net of cash acquired	(37,065)	(60,900)
Net cash flow used in investing activities	(44,977)	(79,337)
Cash flow used in financing activities		
Proceeds from borrowings	2,208	103,424
Bond arrangement fees	(645)	(2,377)
Proceeds from issuance of ordinary shares (net)	34,667	2,133
Payment of debt like items	—	(27,839)
Payment of lease liability	(1,081)	(528)
Interest paid	(9,512)	(1,970)
Net cash flow generated from financing activities	25,637	72,843
Net increase in cash and cash equivalents	1,355	9,822
Cash and cash equivalents at beginning of the year	26,182	23,090
Exchange gains/(losses) on cash and cash equivalents	1,117	(6,730)
Cash and cash equivalents at end of the year	28,654	26,182

The notes on pages 48 to 82 form an integral part of these financial statements.

The prior year figures have been restated due to the reclassification of foreign exchange differences arising from foreign currency borrowings; please refer to note 30 for further details.

Notes to the consolidated financial statements

for the year ended 31 December 2020

1. General information

(a) Nature of operations

CentralNic Group Plc is the UK holding company of a group of companies which are engaged in the provision of global domain name services. The Company is registered in England and Wales. Its registered office and principal place of business is 4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR.

The CentralNic Group is a global internet platform that derives revenue from the worldwide sales of internet domain names and related web services.

(b) Component undertakings

The principal activities of the subsidiaries and other entities included in the financial statements are presented within the particulars of subsidiaries and associates on pages 91 to 93 of these financial statements.

2. Application of IFRS

(a) Basis of preparation

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

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

In assessing the Group's going concern position as at 31 December 2020, the Directors have considered a number of factors, including the current statement of financial position, the principal and emerging risks which could impact the performance of the Group and the Group's strategic and financial plan. The assessment concluded that, for the foreseeable future, the Group has sufficient capital to support its operations, has a funding and liquidity base which is strong, robust, diversified and well managed with future capacity, and has expectations that performance will continue to improve as the Group's strategy is executed.

In addition, the COVID-19 pandemic has been duly considered by the Directors when making a judgement on the going concern assumption. As a provider of online subscription services with high cash conversion and solid organic growth, CentralNic has not been, and is not expected to be, severely affected by COVID-19, but the Directors will take necessary precautions to preserve the Group's cash, as well as reviewing the acquisition pipeline and financing plans to ensure that stability is maintained and business strategies are optimised in the new global climate.

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

(b) Standards adopted in the year

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

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

The Directors have considered those standards and interpretations, which have not been applied in the financial statements but are relevant to the Group's operations, that are in issue but not yet effective and do not consider that they will have a material impact on the future results of the Group.

On 14 January 2021, the European Union published a Commission Regulation endorsing 'Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16)'. The amendments, effective for annual periods beginning on or after 1 January 2021, address issues that might affect financial reporting after the reform of an interest rate benchmark, including its replacement with alternative benchmark rates. The impact of the amendments on the Group's financial statements is still being assessed.

3. Summary of significant accounting policies

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

(a) Basis of consolidation

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

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

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

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

(b) Business combinations

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

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

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

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

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

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

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

Notes to the consolidated financial statements **continued**

for the year ended 31 December 2020

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

(c) Functional and foreign currencies

(i) Functional and presentational currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates. The consolidated financial statements are presented in USD given that more than half of the Group's trade is in USD and the industry in which the Group operates predominantly trades in USD.

(ii) Transactions and balances

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

(iii) Group companies

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

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

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

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

(iv) Prior year restatement

The comparative figures for the financial year ended 31 December 2019 have been restated due to the reclassification of foreign exchange differences arising from foreign currency borrowings. The Directors believe that this change of presentation provides more reliable and relevant information to the users of these financial statements about the effect of the transactions and the financial performance of the Group. The change has had a material impact on the Group's reported consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows for the financial year ended 31 December 2019. Please refer to note 30 for further details of the restatement. Following this change of accounting policy, and in order to conform with IAS 21.32, future foreign exchange differences arising on the translation of foreign currency borrowings will be recognised in other comprehensive income and accumulated in the foreign exchange translation reserve within equity.

(v) Change of functional currency

On 1 January 2020, CentralNic Group Plc, the Parent Company of the Group, changed its functional currency from GBP to EUR.

The change was made to reflect that EUR has become the predominant currency in the Company, accounting for a significant part of the Company's foreign currency borrowings. The change has been implemented with prospective effect only, and therefore the prior year comparative figures for the Company have not been restated. The change in functional currency will significantly reduce the volatility of the Company's exposure to foreign currency exchange movements, in particular due to translation of foreign currency borrowings.

The exchange rates used were as follows:

	1 January 2020	31 December 2020
GBP/EUR exchange rate		
Spot rate	1.1755	1.3649
Average rate	—	1.2835
Closing rate	—	1.3649

(d) Financial instruments

Financial assets and liabilities are recognised in the statements of financial position when any entity within the Group becomes a party to the contractual provisions of the instruments.

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

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

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

(i) Amortised cost

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

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

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

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

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

(ii) Fair value through other comprehensive income

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

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

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

(iii) Financial liabilities and equity instruments

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

Notes to the consolidated financial statements **continued**

for the year ended 31 December 2020

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

(d) Financial instruments **continued**

(iii) Financial liabilities and equity instruments **continued**

Financial liabilities

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

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

Bond issue costs are initially recorded as a deduction from the bond liability on the statement of financial position, and subsequently expensed to the consolidated statement of profit and loss over the life of the bond using the straight-line method.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all its liabilities.

Equity instruments issued by the CentralNic Group are recognised at the proceeds received, net of direct issue costs.

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

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

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

(e) Property, plant and equipment

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

Depreciation is calculated using the methods below to write off the depreciable amount of the assets over their estimated useful lives.

Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The principal annual rates used for this purpose are:

	UK	Australia	New Zealand	Slovakia	Germany	Luxembourg	Poland
Depreciation method	Reducing balance	Reducing balance	Reducing balance	Straight line	Straight line	Straight line	Straight line
Computer equipment	60-65%	25%	25%	20%	33%	20-25%	30%
Furniture and fittings	15-20%	5-10%	5-20%	20%	9-10%	—	10%
Motor vehicles	—	—	—	—	16.7%	—	—

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

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

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

(f) Intangible assets

Domain name intangible assets represent amounts paid to acquire the rights to own and act as registrant for a portfolio of domain names. Capitalised domain names have a finite useful life and are measured at cost less accumulated amortisation and impairment losses, if any. Domain names are amortised on an annual basis at the rate of 10% reducing balance. Domain names not held for resale are included in the balance sheet at amortised cost and classified as 'Domain names' and amortised over their useful lives. Domain names held for resale are included in the balance sheet at the lower of cost and net realisable value and classified as inventory held for sale with no amortisation charged. If a decision is taken to sell a domain name previously included in intangible assets it is reclassified as inventory at net book value prior to sale.

The useful economic life for the software acquired as part of the Internet.BS, Instra and SK-NIC acquisitions is five years and the acquired customer lists are amortised over ten years. The useful economic lives for the software acquired as part of the KeyDrive and Team Internet acquisitions are three to nine years and the acquired customer lists are amortised over seven to ten years. The useful economic lives for all of the intangible assets acquired as part of the Codewise acquisition are five years.

Patents and trademarks acquired as part of the acquisitions of KeyDrive and GlobeHosting are amortised over the shorter of their useful life and/or their contractual life (or length of legal right to assets). If the contractual or legal rights are renewed, the useful life will include the renewal period. Patents and trademarks are amortised over five to 15 years.

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

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

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

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

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

Research and development expenditure that does not meet the criteria above is recognised as an expense as incurred.

Development costs previously recognised as an expense cannot be recognised as an asset in a subsequent period.

Development costs acquired as part of the acquisition of Team Internet are amortised over three to five years.

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

Costs for development initiatives that the CentralNic Group undertakes that are not otherwise allocable to specific domain names or projects are expensed through the consolidated statement of comprehensive income as incurred.

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

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

(g) Impairment of non-financial assets

The carrying values of non-financial assets, other than deferred tax assets, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of the asset is the higher of the asset's fair value less costs to sell and their value-in-use, which is measured by reference to discounted future cash flows.

An impairment loss is recognised if the carrying value of the asset exceeds its recoverable amount and is recognised immediately in the consolidated statement of comprehensive income.

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

(h) Cash and cash equivalents

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

(i) Employee benefits

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

Notes to the consolidated financial statements **continued**

for the year ended 31 December 2020

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

(j) Leases

Under IFRS 16, the Group recognises right-of-use assets and corresponding lease liabilities for most leases by recording them on the balance sheet.

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

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

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

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

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

The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any lease incentives received. The right-of-use asset is typically depreciated on a straight-line basis over the lease terms. In addition, the right-of-use asset may be adjusted for certain remeasurements of the lease liability, such as indexation and market rent review uplifts. Please refer to note 26 for further details.

(k) Taxation

Taxation for the year comprises current and deferred tax.

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same taxation authority.

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

(l) Share-based payments

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

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

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

(m) Provisions, contingent liabilities and contingent assets

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

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the CentralNic Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required, or the amount of obligation cannot be measured reliably. A contingent liability is not recognised in the financial statements but is disclosed in the notes to the financial statements. When a change in the probability of a contingent outflow occurs so that the outflow is probable, a liability will be recognised as a provision.

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

(n) Revenue recognition

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

The acquisition of Team Internet AG and other transformative acquisitions during 2019 altered the business mix of the Group and resulted in a reassessment of the Group's segmental reporting. Therefore, certain restatements and reclassifications have been made to the segmental reporting analysis of the CentralNic Group for the financial year ended December 2019 to enhance comparability with the current year. These restatements and reclassifications have had no impact on the Group's reported consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows. The prior year figures in note 5 Segment analysis have been adjusted to conform to the current year presentation and the formerly reported segments have been restated and reclassified as follows:

- a) Indirect, materially consistent with the former Reseller segment;
- b) Direct, combining the former Small Business and Corporate segments; and
- c) Monetisation, which, due to its materially enlarged weight, warrants its own segment.

Please refer to note 5 for further details.

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

(i) Indirect sales of services for domain names to registrars ('Indirect' segment)

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

- a) reseller channel – Revenues are derived by facilitating the sale of domain names and associated digital subscription products to registrars by acting as a wholesale platform provider;
- b) registry operator channel – CentralNic is an asset holder for Country Code TLD '.SK', and therefore generates revenues through sales of domain names with the '.SK' extension to registrars; and
- c) registry service provider channel – These revenues are generated from the provision of services through the registry service provider mechanism. CentralNic operates as a back-end service provider for third-party TLDs on an exclusive basis enabling the registrars to sell domain names to registrants.

In accordance with IFRS 15, the underlying customer contract with the registrar is evaluated and the performance obligation that is required to be met under that customer contract is identified. The transaction price is also determined and allocated to the performance obligation. Revenue is recognised on fulfilment of the performance obligation.

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

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

Notes to the consolidated financial statements **continued**

for the year ended 31 December 2020

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

(n) Revenue recognition **continued**

(ii) Direct sale of services for domain names to domain registrants ('Direct' segment)

Direct revenues are derived from their customer base via the following three channels:

- a) retail channel – Revenues arise from the provision of retail and similar services to domain registrants, with sub-revenue streams being those of new registrations and renewals. Revenues originate when a transaction is generated on the service registry platform by the customer;
- b) computer software channel – Revenues arise from the provision of computer software; and
- c) strategic consultancy and similar services – Revenues arise from the provision of corporate strategic consulting services.

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

For b) computer software channel, customer contracts typically require the delivery of software including all adaptations required by the customer; this can either be specified as one performance obligation within the whole contract, or split into separate and specific milestone deliverables, i.e. separate performance obligations, within the contract. Revenue is recognised at the point of fulfilment of the relevant performance obligation in line with the customer contract.

For c) strategic consultancy and similar services, the customer contract typically covers a broad range of consultancy services to be delivered over varying lengths of time. Performance obligations are fulfilled as work is completed, and revenue is therefore recognised based on completion of work performed to date as a percentage of total services to be performed.

(iii) Monetisation services ('Monetisation' segment)

In the Monetisation segment, CentralNic places third-party advertising ('Advertiser') on domain names held by third parties ('Publisher') not yet or not intended to be developed into websites. Revenues are recognised after either of the following is registered: (i) a chargeable click on the Advertiser's advertisement placed on the Publisher's domain name; or (ii) a chargeable re-direct from a Publisher's domain name to an Advertiser's website.

(o) Inventories

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

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

On 1 July 2019, an amount of USD 3,667,000 was reclassified from inventories to intangible assets and subsequently amortised in line with the Group's policy. This reclassification was done to reflect a change in the Group's strategy with respect to the specific domain name portfolio. The residual inventories are held for resale.

(p) Associates

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

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

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

(q) Non-core operating expenses

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

(r) Definition of organic growth

Given that the Group has made a number of key strategic acquisitions in 2019 and 2020, we have estimated unaudited pro forma information to provide period-to-period comparison of performance. In doing so, we have made the following assumptions:

- a) figures are provided for the entire comparative period, irrespective of when the acquisition by the Group arose;
- b) adjustments have been made to the currency rates used for the comparative period to the most recent balance sheet date to harmonise the impact of currency fluctuations;

- c) the impact of unwinding the deferred revenues relating to the period prior to 1 November 2018 arising from a change in the terms of conditions, as well as identified material non-cash or one-off revenues, have been excluded to ensure period-to-period comparability; and
- d) adjustments have been made, as appropriate, to ensure GAAP comparability between periods. Differences to reported figures may result.

4. Critical accounting judgements and key sources of estimating uncertainty

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

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

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

Impairment testing and fair value assessment

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

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

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

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

Acquisition accounting and goodwill

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

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

Judgement was exercised in determining the fair value of the assets and liabilities and the deferred consideration in the Codewise acquisition. Further details are set out in note 24.

Taxes

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

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

The Group estimates and recognises additional tax liabilities as appropriate based on management's interpretation of country-specific tax law, external advice and the likelihood of settlement. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the results in the year in which such determination is made. Further details of this are provided in note 21.

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

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2020

5. Segment analysis

CentralNic is an independent global service provider distributing domain names and associated digital subscription products through Indirect and Direct channels, as well as providing Monetisation services to domain name owners. Operating segments are organised around the products and services of the business and are prepared in a manner consistent with the internal reporting used by the chief operating decision maker to determine allocation of resources to segments and to assess segmental performance. The Directors do not rely on analyses of segment assets and liabilities, nor on segmental cash flows arising from the operating, investing and financing activities for each reportable segment, for their decision making and therefore have not included them.

As described in note 3, there has been a restatement and reclassification of the Group's segmental reporting and therefore the comparatives have been updated.

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

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

	2020			
	Indirect USD'000	Direct USD'000	Monetisation USD'000	Total USD'000
Revenue	85,765	43,374	112,073	241,212
Gross profit	25,833	20,458	30,027	76,318
Total administrative expenses				(70,845)
Share-based payment expenses				(5,113)
Operating profit				360
Adjusted EBITDA				30,594
Depreciation of property, plant and equipment				(2,084)
Amortisation of intangible assets				(12,508)
Non-core operating expenses				(8,237)
Foreign exchange loss				(2,137)
Share of associate income				(155)
Share-based payment expenses				(5,113)
Operating profit				360
Finance cost (net)				(9,834)
Share of associate income				79
Loss before taxation				(9,395)
Income tax expense				975
Loss after taxation				(8,420)

	2019			
	Indirect USD'000	Direct USD'000	Monetisation USD'000	Total USD'000
Revenue	60,681	46,638	1,875	109,194
Gross profit	19,604	22,671	500	42,775
Total administrative expenses				(41,718)
Share-based payment expenses				(2,878)
Operating loss				(2,821)
Adjusted EBITDA				17,921
Depreciation of property, plant and equipment				(1,306)
Amortisation of intangible assets				(8,299)
Non-core operating expenses				(7,357)
Foreign exchange loss				(828)
Share of associate income				(74)
Share-based payment expenses				(2,878)
Operating loss				(2,821)
Finance cost (net)				(3,869)
Share of associate income				74
Loss before taxation				(6,616)
Income tax expense				39
Loss after taxation				(6,577)

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

	2020			
	Non-current assets USD'000	Current assets USD'000	Non-current liabilities USD'000	Current liabilities USD'000
UK	26,809	17,811	(110,119)	37,957
North America	8,149	3,143	(191)	(3,334)
Europe	201,456	49,504	(24,746)	(46,970)
Australasia	32,304	5,795	(2,811)	(4,595)
ROW	3,099	1,353	—	(1,565)
	271,817	77,606	(137,867)	94,421

	2019			
	Non-current assets USD'000	Current assets USD'000	Non-current liabilities USD'000	Current liabilities USD'000
UK	24,170	16,716	101,263	31,147
North America	6,050	3,952	42	4,584
Europe	153,732	40,067	24,514	36,642
Australasia	30,257	4,976	3,387	4,314
ROW	3,335	1,722	—	2,080
	217,544	67,433	129,206	78,767

6. Revenue

The Indirect segment generated its revenue from reselling domain names totalling USD 85,764,000 (2019: USD 60,681,000). The Direct segment represents revenue from provision of domain names sales totalling USD 34,957,000 (2019: USD 37,753,000), revenue from corporate sales of USD 8,261,000 (2019: USD 8,863,000) and other revenue of USD 156,000 (2019: USD 22,000). The Monetisation segment represents revenue from provision of monetisation services of USD 112,073,000 (2019: USD 1,875,000).

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

	2020 USD'000	2019 USD'000
Indirect services		
UK	964	828
North America	22,527	13,509
Europe	45,766	34,972
ROW	16,508	11,372
	85,765	60,681
Direct services		
UK	2,401	2,792
North America	13,439	11,656
Europe	18,321	19,623
ROW	9,213	12,567
	43,374	46,638
Monetisation services		
UK	575	8
North America	6,197	102
Europe	100,129	1,711
ROW	5,172	54
	112,073	1,875
Total revenue	241,212	109,194

Notes to the consolidated financial statements *continued* for the year ended 31 December 2020

6. Revenue continued

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

	2020 USD'000	2019 USD'000
Revenue by customer location		
Ireland	95,829	1,880
United States of America	38,809	24,364
Germany	25,074	19,999
Australia	11,693	6,645
Netherlands	7,933	8,070
Switzerland	6,561	5,549
United Kingdom	3,940	3,628
Slovakia	3,510	3,458
Canada	3,353	756
China	3,013	2,858
Other	41,497	31,987
	241,212	109,194

For the year ended 31 December 2020, there was one customer that represented more than 10% of the Group's revenue, amounting to USD 101,329,000 across all three segments (Monetisation: USD 95,751,000; Indirect: USD 4,825,000; Direct: USD 753,000).

7. Profit before taxation

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

	2020 USD'000	Restated 2019 USD'000
Employee benefit expense – wages and salaries	25,455	14,659
Employee benefit expense – social security	3,683	2,093
Employee benefit expense – pension	577	353
Employee benefit expense – share-based payments	1,268	1,258
Staff consultancy fees	3,357	1,689
Directors' remuneration – fees and salaries	3,173	2,105
Directors' remuneration – share-based payments	3,845	1,620
Fees payable to the Company's auditor for the audit of Parent Company and consolidated financial statements – UK auditor office	282	270
Fees payable to the Company's auditor for the audit of subsidiary companies – Overseas auditor associates	3	3
Fees payable to the Company's auditor for:		
– Assurance-related services	64	73
– Due diligence and other acquisition costs	126	238
Depreciation and amortisation expense	14,592	9,605

8. Employee information

The average number of persons employed by the Group (excluding Directors) during the year was 405 (2019: 328), analysed by category as follows:

	2020 Number	2019 Number
Management and finance	62	59
Technical	140	99
Sales and marketing	84	70
Administrative	26	21
Operations	93	79

Key management personnel

Total remuneration of key management personnel (considered to be the Directors and Senior Management) is USD 7,751,000 (2019: USD 5,960,000) and is set out below in aggregate for each of the categories specified in IAS 24: Related Party Disclosures. Compensation has been disclosed in this note, while further information can be found in the remuneration report on page 32.

	2020			2019		
	Directors USD'000	Senior Management USD'000	Total USD'000	Directors USD'000	Senior Management USD'000	Total USD'000
Wages and salaries	2,431	947	3,378	1,468	1,678	3,147
Social security	160	50	210	72	164	236
Pension	29	21	50	20	38	58
Share-based payment expenses	3,845	28	3,873	1,620	308	1,928
Directors' consultancy fees	553	—	553	545	47	592
	7,018	1,046	8,064	3,725	2,234	5,960

The Group made contributions to defined contribution personal pension schemes for six Directors in the period (2019: six). The number of individuals included within Senior Management was seven (2019: nine). Included in the above tables, the highest paid Director had wages and salaries, including pensions, of USD 587,000 (2019: USD 330,000), a special bonus of USD 531,000 (2019: USD 393,000), and share-based payment expenses of USD 1,568,000 (2019: 877,000) totalling USD 2,686,000 (2019: USD 1,600,000).

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

9. Non-core operating expenses

	2020 USD'000	2019 USD'000
Acquisition-related costs	1,386	4,069
Integration and streamlining	3,613	3,288
Other costs ⁽¹⁾	3,238	—
	8,237	7,357

(1) Other costs include items related primarily to business reviews and restructuring expenses.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2020

10. Finance income and costs

	2020 USD'000	Restated ⁽²⁾ 2019 USD'000
Interest income on loans to Accent Media Ltd (a related party)	—	5
Finance income	5	5
Impact of unwinding of discount on net present value of deferred consideration ⁽¹⁾	(221)	(3,398)
Reappraisal of deferred consideration	(921)	—
Foreign exchange loss on revaluation of revolving credit facility	137	(214)
Foreign exchange (loss)/gain on revaluation of bond	—	4,099
Arrangement fees on borrowings	(1,115)	(1,420)
Interest expense on current borrowings	(235)	(781)
Interest expense on non-current borrowings	(7,324)	(2,033)
Interest expense on leases	(160)	(127)
Finance costs	(9,839)	(3,874)
Net finance costs	(9,834)	(3,869)

(1) The impact of deferred consideration on finance costs is discussed in detail in note 28.

(2) In order to reflect the appropriate accounting treatment under IAS 23: Borrowing Costs, finance costs for the financial year ended 31 December 2019 have been restated to now include (i) the foreign exchange loss arising on the revaluation of the revolving credit facility, and (ii) the foreign exchange gain arising on the revaluation of the bond; these items were previously included in administrative expenses.

11. Income tax expense

	2020 USD'000	2019 USD'000
UK corporation tax		
Current tax on profits for the year	(1,928)	(1,292)
Adjustments in respect of prior years	344	48
Current income tax	(1,584)	(1,244)
Deferred income tax (note 21)	2,559	1,283
Income tax expense	975	39

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

	2020 USD'000	Restated 2019 USD'000
Loss before taxation	(9,395)	(6,947)
Tax calculated at domestic tax rates applicable to profits in the respective countries	(1,344)	(1,360)
Tax effects of:		
– Expenses not deductible for tax purposes	(674)	803
– Tax losses movement	5,639	358
– Share-based payment expenses	(147)	403
– Deferred tax	2,559	1,283
– Withholding tax	(274)	(168)
– Other adjustments	(5,128)	(1,328)
– Adjustments in respect of prior years	344	48
Current income tax	975	39

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

The effective rate of tax for the year ended 31 December 2020 was -10.4% (year ended 31 December 2019: -0.6%). This effective tax rate is a combination of the following items:

- the various tax rates and tax regimes applicable in all of the different jurisdictions in which the businesses of CentralNic operate;
- the diverse tax treatments of deferred consideration amounts applied in each jurisdiction;
- the tax loss carry forward regulations in different jurisdictions;
- the impact of some entities' profits being set off against goodwill amortisation in certain jurisdictions; and
- the high level of non-cash charges which are mainly not deductible for income taxes in the certain jurisdictions, and largely represent permanent differences between accounting and taxable profits.

As the tax loss carry forward position varies in each jurisdiction, this has resulted in the Group paying income tax totalling USD 1,423,000 for the year ended 31 December 2020 (year ended 31 December 2019: USD 2,309,000).

The tax rates applicable in various jurisdictions are:

- UK: The applicable statutory tax rate for 2020/21 is 19%;
- USA: Federal taxes are due at 21% of taxable income. Under California tax legislation, a statutory minimum of USD 800 of state tax is due;
- Germany: Federal taxes are due at 15% of taxable income, with an additional 5.5% solidarity surcharge due on the income tax; a community business tax of 14%-c.17% is also levied, with rates determined by the municipality, taking the total effective tax charge to c.30%-34%;
- Australia: Income taxes are due at 30% of taxable income;
- New Zealand: Income taxes are due at 28% of taxable income;
- Slovakia: Income tax is due at 21% of taxable income; and
- Poland: Income tax is due at 19% of taxable income.

12. Earnings per share

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

Diluted earnings per share has been calculated on the same basis as above, except that the weighted average number of ordinary shares that would be issued on the conversion of the dilutive potential ordinary shares as calculated using the treasury stock method (arising from the Group's share option scheme and warrants) into ordinary shares has been added to the denominator. There are no changes to the profit (numerator) as a result of the dilutive calculation. Due to the loss made in the year ended 31 December 2020, the impact of the potential shares to be issued on exercise of share options and warrants would be anti-dilutive and therefore diluted earnings per share is reported on the same basis on earnings per share.

	2020 USD	Restated 2019 USD
Loss after tax attributable to owners	(8,420)	(6,577)
Operating profit/(loss)	360	(2,821)
Depreciation of property, plant and equipment	2,084	1,306
Amortisation of intangible assets	12,508	8,299
Non-core operating expenses	8,237	7,357
Foreign exchange loss	2,137	828
Share of associate income	155	74
Share-based payment expenses	5,113	2,878
Adjusted EBITDA	30,594	17,921
Depreciation	(2,084)	(1,306)
Finance costs (excluding deferred consideration related amounts – note 10)	(8,698)	(476)
Finance income	5	5
Taxation	975	39
Adjusted earnings	20,792	16,183
Weighted average number of shares:		
Basic	196,680,310	175,083,962
Effect of dilutive potential ordinary shares	8,019,971	5,397,202
Diluted average number of shares	204,700,281	180,481,164
Earnings per share:		
Basic (cents)	(4.28)	(3.72)
Diluted (cents)	(4.28)	(3.72)
Adjusted earnings – Basic (cents)	10.57	9.24
Adjusted earnings – Diluted (cents)	10.16	8.97

Basic and diluted earnings per share of (4.28) cents (2019: (3.72) cents) has been impacted by interest, tax, depreciation, amortisation, non-cash charges and non-core operating expenses. Tax on adjusted earnings is the same figure as that shown in the consolidated statement of comprehensive income given that the majority of the adjusting items in the earnings per share calculation above are also adjusted for when calculating the Group's tax expense.

The weighted average number of shares for the Company is disclosed above. The issued share capital of the Company at 31 December 2020 was 233,738,026 and the total number of shares that were vested but not exercised were 11,183,147.

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for the year ended 31 December 2020

13. Property, plant and equipment

	Right-of-use assets USD'000	Motor vehicles USD'000	Computer equipment USD'000	Furniture and fittings USD'000	Total USD'000
Cost					
At 1 January 2019	—	30	1,722	257	2,009
IFRS 16 adjustment	779	—	—	—	779
Additions	3,598	—	680	213	4,491
Acquisition of subsidiary	911	—	376	127	1,414
Exchange differences	113	(18)	(132)	(17)	(54)
At 31 December 2019	5,401	12	2,646	580	8,639
Additions	186	—	1,205	24	1,415
Acquisition of subsidiary	2,422	—	17	87	2,526
Exchange differences	365	—	215	26	606
At 31 December 2020	8,374	12	4,083	717	13,186
Accumulated depreciation					
At 1 January 2019	—	11	958	109	1,078
Charge for the year	658	5	527	116	1,306
Exchange differences	11	(4)	(162)	(17)	(172)
At 31 December 2019	669	12	1,323	208	2,212
Charge for the year	1,124	—	854	106	2,084
Exchange differences	126	—	77	10	213
At 31 December 2020	1,919	12	2,254	324	4,509
Property, plant and equipment, net					
At 31 December 2020	6,455	—	1,829	393	8,677
At 31 December 2019	4,732	—	1,323	372	6,427

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

14. Intangible assets

	Domain names USD'000	Software USD'000	Customer list USD'000	Patents and trademarks USD'000	Goodwill USD'000	Intellectual property USD'000	Total USD'000
Cost or deemed cost							
At 1 January 2019	1,472	14,639	41,946	3,210	77,600	—	138,867
Additions	—	163	—	—	—	—	163
Acquisition of subsidiary	6,761	3,232	34,566	1,874	31,775	1,464	79,672
Reclassification from inventory	3,467	—	—	—	—	—	3,467
Exchange differences	138	283	2,670	90	862	175	4,219
At 31 December 2019	11,838	18,317	79,182	5,174	110,237	1,640	226,388
Additions	29	3,069	7	2	4,757	8	7,872
Acquisition of subsidiary	—	8,001	1,400	5,111	26,206	—	40,718
Reclassification to inventory	(7)	—	—	—	—	—	(7)
Exchange differences	543	510	5,173	170	8,456	159	15,011
At 31 December 2020	12,403	29,897	85,762	10,457	149,656	1,807	289,982
Amortisation							
At 1 January 2019	399	3,718	7,395	88	—	—	11,600
Charge for the year	643	2,160	5,136	298	4	58	8,299
Exchange differences	34	75	317	(8)	(4)	20	434
At 31 December 2019	1,076	5,953	12,848	378	—	78	20,333
Charge for the year	1,425	2,727	7,676	518	—	162	12,508
Exchange differences	78	154	1	(69)	—	22	186
At 31 December 2020	2,579	8,834	20,525	827	—	262	33,027
Intangible assets, net							
At 31 December 2020	9,824	21,063	65,237	9,630	149,656	1,545	256,955
At 31 December 2019	10,762	12,364	66,334	4,796	110,237	1,562	206,055

The average remaining amortisation period of intangible assets is 6.3 years.

When testing for impairment, intangible assets are evaluated according to the cash-generating units (CGUs) to which they belong; these are specifically the separately identifiable entities acquired in each of the following acquisitions:

- DNSXperts;
- Internet.bs;
- Instra;
- SK-NIC;
- KeyDrive;
- TPP;
- Ideegeo;
- Hexonet;
- Team Internet; and
- Internexum.

Acquisitions completed in the current financial year will be tested for impairment in subsequent financial years.

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

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

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

Goodwill and customer lists

The Group tests goodwill recognised through business combinations annually for impairment. Additions to goodwill arose through the business combinations outlined in note 24. The carrying value of goodwill and the customer list is allocated to the respective segments within the CGUs as follows:

	Customer list		Goodwill	
	2020 USD'000	2019 USD'000	2020 USD'000	2019 USD'000
Indirect segment	20,074	24,676	65,986	57,554
Direct segment	14,570	12,815	36,776	35,894
Monetisation segment	30,593	28,843	46,894	16,789
Total carrying value	65,237	66,334	149,656	110,237

The recoverable amount of goodwill at 31 December 2020 of USD 153,270,000 (2019: USD 110,237,000) is determined based on a value-in-use calculation using cash flow projections from financial budgets approved by key management personnel covering a one-year period. Cash flow projections beyond the one year time frame are extrapolated by applying a flat growth rate into perpetuity as set out in the table below. These long-term growth rates are based on historical trends, expected return on investments, and management's judgement, experience and discretion. The pre-tax discount rate applied to the cash flow projections is 11.0% depending on the segment within each CGU. Based on the value-in-use calculation, goodwill does not need to be impaired in any of the CGUs.

	Growth rates
Indirect segment	3%
Direct segment	3%
Monetisation segment	3%

Discount rates

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

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

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2020

15. Other non-current assets

	2020 USD'000	2019 USD'000
Deferred costs	600	639
Amounts due from related parties	61	100
	661	739

In June 2017 the Company loaned Accent Media Ltd USD 100,000. The full amount was outstanding at the end of 2019, and USD 40,000 has been repaid during 2020. The balance outstanding at 31 December 2020 is USD 60,000 which is expected to be repaid by June 2021. The loan continues to accrue interest at 5% which is payable quarterly in arrears. Please refer to note 25 for further details. Deferred costs are invoices relating to domain name purchases from wholesalers which are prepaid for periods over twelve months.

16. Investments

(a) Fair value through other comprehensive income

The Company owns less than 20% of the following undertakings which are measured at fair value through other comprehensive income. The values of these investments at 31 December 2020 are USD 114,000 (2019: USD nil):

Name	Place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital	Effective interest	Net assets of 100% of investment ⁽¹⁾ USD'000	2020 Value USD'000	2019 Value USD'000
Accent Media Ltd	UK	Domain registry operator	Ordinary shares	10.40%	3,072	—	—
Verve Capital Partners AG	Switzerland	Investment fund	Ordinary shares	2.00%	280	55	—
Matomy Media Group Ltd	Israel	Dormant company	Ordinary shares	1.23%	5,387	59	—
						114	—

(1) As per the most recently available financial information.

These investments are categorised in the fair value hierarchy under level 3 as no observable market data is available.

A full impairment of USD 997,000 was applied to the investment in Accent Media Ltd in 2018, and as there have been no indicators of any changes in fair value in 2020, the investment continues to be held at USD nil.

(b) Investments in associates

	USD'000
At 31 December 2019	1,778
Share of associate income	79
Elimination of carrying amount of associate sold immediately before disposal	(1,533)
Foreign exchange movement	(210)
Reclassification to investments held at fair value through other comprehensive income	(114)
At 31 December 2020	—

In December 2020, the Company sold its 26.5% associate investment in Thomsen Trampedach GmbH. Sales proceeds of USD 1,814,000 were generated on the sale and a gain on disposal of USD 266,000 was booked.

In 2020, certain investments were reclassified to investments held at fair value through other comprehensive income. Please refer to note 16 (a) for further details of these investments.

Name	Place of incorporation/ establishment	Principal activities	Issued and paid-up/ registered capital	Effective interest
Thomsen Trampedach GmbH	Germany	Online brand protection	Ordinary shares	0%

	2020 USD'000	2019 USD'000
% of ownership interests/voting rights held by the Group		
At 31 December:		
Non-current assets	—	477
Current assets	—	1,295
Current liabilities	—	(694)
Net assets	—	1,078
Group's share of net assets	—	286
Other adjustments	—	792
Year ended 31 December:		
Revenue	—	3,089
Profit from continuing operations	—	283
Post-tax profit or loss from continuing operations	—	241
Total comprehensive income	—	241

17. Trade and other receivables

	2020 USD'000	2019 USD'000
Trade receivables	27,241	21,121
Accrued revenue	6,725	6,251
Deferred costs	1,395	1,723
Supplier payments on account	3,478	4,387
Prepayments and other receivables	9,102	7,278
	47,941	40,760

As of 31 December 2020, trade receivables of USD 4,112,000 (2019: USD 5,194,000) were past due but not impaired. These primarily relate to several customers for whom there is considered a low risk of default.

The ageing of the trade receivables past due but not impaired is as follows: 0-30 days USD 2,506,000 (2019: USD 2,920,000), 30-60 days USD 359,000 (2019: USD 888,000), 60-90 days USD 298,000 (2019: USD 388,000), and over 90 days USD 949,000 (2019: USD 998,000).

Deferred costs are invoices relating to domain name purchases from wholesalers which are prepaid for periods within twelve months.

Supplier payments on account reflect payments to domain name registries for use against future wholesale domain purchases within the Internet.BS and Instra retail businesses. Other receivables primarily relate to rebates due from registries in the KeyDrive and UK businesses.

There are no contract assets within trade and other receivables.

18. Cash and cash equivalents

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

	2020 USD'000	2019 USD'000
Amounts held on deposit		
GBP	1,176	591
USD	15,830	12,784
EUR	9,588	10,990
AUD	473	127
NZD	926	962
CAD	178	62
PLN	300	—
Other	183	666
	28,654	26,182

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2020

19. Share capital

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

	Number	Share capital USD'000	Share premium USD'000	Merger relief reserve USD'000
Ordinary shares of 0.1 pence each				
At 31 December 2018	170,652,802	216	69,238	2,314
Proceeds from shares issued in connection with employee share option schemes	100,000	—	44	—
Shares issued to settle deferred consideration in respect of KeyDrive acquisition	7,384,978	10	5,553	—
Options exercised in August 2019	436,698	1	5	—
Shares issued in respect of Team Internet acquisition	3,911,650	5	—	2,983
At 31 December 2019	182,486,128	232	74,840	5,297
Capital reduction	—	—	(74,840)	—
Shares issued to settle deferred consideration in respect of Hexonet acquisition	3,208,819	4	3,324	—
Shares issued to fund Codewise acquisition	40,000,000	52	38,444	—
Shares issued to settle deferred consideration in respect of KeyDrive acquisition	1,685,723	2	1,906	—
Share issue costs	—	—	(3,829)	—
At 31 December 2020	227,380,670	290	39,845	5,297

The actual number of ordinary shares in issue is 233,738,026, however 6,357,356 ordinary shares are held by the CentralNic Employee Benefit Trust (the 'Trust') which is consolidated into these financial statements as it is considered that CentralNic Group Plc controls the Trust (in line with the IFRS 10: Consolidated Financial Statements definition of 'control'). Therefore, these 6,357,356 ordinary shares are eliminated on consolidation. In addition to the issued share capital of 233,738,026 noted above, the total number of shares that were vested but not exercised as at 31 December 2020 was 11,183,147.

As resolved by the Annual General Meeting on 4 June 2020, a capital reduction has been completed subsequent to its approval by the High Court and its registration by the Companies House effective 14 August 2020. The capital reduction is effected by the cancellation of the Company's share premium, thereby increasing distributable reserves.

On 6 August 2020, 3,208,819 ordinary shares were issued for USD 3,328,000 in relation to settlement of deferred consideration in respect of the acquisition of Hexonet.

On 11 September 2020, 40,000,000 ordinary shares were issued for USD 38,496,000. These net proceeds were used to fund the acquisition of Codewise.

On 2 November 2020, 1,685,723 ordinary shares were issued for USD 1,908,000 in relation to settlement of deferred consideration in respect of the acquisition of KeyDrive.

The Company has an authorised share capital of GBP 62,900, thereof GBP 18,875 with suspended pre-emptive rights. The authorised capital expires at the earlier of the AGM held in 2021 and 20 September 2021.

20. Non-current other payables

	2020 USD'000	2019 USD'000
Deferred revenue	1,208	1,604
Deferred consideration	1,670	2,194
	2,878	3,798

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

21. Deferred tax

	Share-based payments USD'000	Losses USD'000	Other temporary differences USD'000	Total USD'000
Deferred tax assets				
At 1 January 2019	723	257	645	1,625
Acquisition of subsidiary	—	—	269	269
Credit to income	404	91	(349)	146
Credit to equity	524	—	—	524
Exchange differences	30	7	(56)	(19)
At 31 December 2019	1,681	355	509	2,545
Acquisition of subsidiary	—	—	1,017	1,017
Credit to income	877	—	432	1,309
Credit to equity	157	—	—	157
Exchange differences	442	—	(60)	382
At 31 December 2020	3,157	355	1,898	5,410

	Team Internet intangible assets USD'000	Hexonet intangible assets USD'000	Ideegeo intangible assets USD'000	KeyDrive intangible assets USD'000	SK-NIC intangible assets USD'000	Instra intangible assets USD'000	Others USD'000	Total USD'000
Deferred tax liabilities								
At 1 January 2019	—	—	—	5,425	2,778	2,834	1,558	12,595
Acquisition of subsidiary	10,163	677	198	—	—	—	11	11,049
(Credit)/charge to income	(59)	(53)	(18)	(642)	(313)	(512)	500	(1,097)
Exchange differences	141	9	14	—	(52)	(19)	(31)	62
At 31 December 2019	10,245	633	194	4,783	2,413	2,303	2,038	22,609
(Credit)/charge to other comprehensive income	(728)	(111)	(33)	(642)	(319)	(511)	182	(2,162)
Exchange differences	891	50	10	—	199	170	198	1,518
At 31 December 2020	10,408	572	171	4,141	2,293	1,962	2,418	21,965

The deferred tax assets of USD 5,410,000 include an amount of USD 355,000 in carried forward tax losses which relates to Instra. The Group incurred the losses over the last three financial years following acquisition. They relate to the one-off costs of integrating the operations and will not recur in future. The Group has concluded that the deferred tax assets will be recoverable based on the estimated future taxable income in the management-approved business plans and budgets. The Group is expected to generate taxable income from 2021 onwards. The losses can be carried forward indefinitely and have no expiry date. Management does not expect the prior period loss to adversely impact future deferred tax asset recovery to a significant extent. Elsewhere in the Group, the amount of unused tax losses available for carry forward for which no deferred tax asset has been recognised is USD 27,769,000.

22. Trade and other payables and accruals

	2020 USD'000	2019 USD'000
Trade payables	21,869	15,645
Accrued expenses	31,875	23,252
Other taxes and social security	546	—
Deferred consideration	1,931	10,881
Deferred revenue (note 20)	7,729	6,331
Customer payments on account	20,631	16,724
Accrued interest	32	1,850
Other liabilities	2,643	1,000
	87,256	75,683

Deferred consideration is subject to actuarial and net present value discounts. The maximum amount of deferred consideration payable is USD 3,601,000, a part of which may be settled in shares, the remainder in cash.

Notes to the consolidated financial statements *continued* for the year ended 31 December 2020

23. Borrowings

	2020 USD'000	2019 USD'000
Non-current		
Bank borrowings	110,447	101,402
Prepaid finance costs	(2,627)	(2,435)
	107,820	98,967
Current		
Bank borrowings	6,327	3,307
Prepaid finance costs	(508)	(1,094)
	5,819	2,213
Total borrowings	113,639	101,180

	Bank borrowings USD'000	Prepaid finance costs USD'000	Total USD'000
Bank borrowings 1 January 2018	26,262	(1,056)	25,206
New financing drawdown	3,536	(150)	3,386
New financing bond	96,707	(3,379)	93,328
Repayment of new financing	(26,041)	1,046	(24,995)
Exchange differences	4,246	9	4,255
Total borrowing as at 31 December 2019	104,710	(3,530)	101,180
New financing drawdown	3,026	125	3,151
New financing bond	—	1,046	1,046
Repayment of new financing	(812)	—	(812)
Exchange differences	9,851	(777)	9,074
Total borrowing as at 31 December 2020	116,775	(3,136)	113,639

The borrowings amounting to USD 107,334,000 (EUR 90,000,000) relate to two successful placements of senior secured non-convertible bond issues in the amount of EUR 50,000,000, completed on 24 June 2019, and EUR 40,000,000, completed on 20 December 2019, respectively. The bond matures in July 2023 and has a coupon of three-month EURIBOR plus 7% per annum with interest payable quarterly. The EUR 90,000,000 bond is currently listed on the Oslo Stock Exchange and can also be traded on the open market of the Frankfurt Stock Exchange. The bond proceeds have been used to fund the acquisitions which occurred during the financial year ended 31 December 2019 and also to repay existing interest-bearing liabilities.

Bank borrowings relate to the EUR 7,500,000 secured debt facility (RCF) entered into with Silicon Valley Bank (SVB) on 11 September 2019. The debt facility was used to fund the working capital requirement of the Parent Company, which has no income other than dividend income, interest income and intercompany recharge income from subsidiaries, which may or may not coincide with the payment obligations of the Parent Company. As at the balance sheet date, a total amount of USD 6,305,000 has been drawn down from the SVB RCF facility.

24. Business combinations

Codewise

On 31 October 2020, CentralNic Group Plc completed the acquisition of the Zeropark and Voluum businesses including all material trade and assets pertaining thereto (together, 'Codewise'). Codewise is a monetisation and marketing technology business offering digital solutions, including Zeropark (an advertising exchange platform connecting domain investors and other traffic providers with online marketers) and Voluum (provider of SaaS analytics, measurement and optimisation services, and seller of media buying tools). In addition to the underlying Zeropark and Voluum platforms, CentralNic took on all Codewise staff and management, including the team in charge of platform development, to allow for the servicing of an increasing number of monetisation and marketing customers. Zeropark operates a revenue model based on cost per 1k impressions (CPM) and cost per click (CPC), together with a commission-based model on sales in marketplaces. Voluum operates a revenue model based on a recurring yearly tiered subscription pricing for its 'Tracker' product, together with a commission-based model on demand side platforms (DSPs).

The primary reason for the business combination is to further enhance CentralNic's status as one of the world's leading providers of domain name monetisation services, following the acquisition of Team Internet in 2019.

The following table summarises the consideration paid for the trade and assets of Codewise and the fair value of the assets and liabilities at the acquisition date, in line with Group policies.

Consideration	USD'000
Initial cash consideration	36,000
Apportionment cap	(400)
Total consideration	35,600
Fair value recognised on acquisition	USD'000
Assets	
Technology	8,001
Customer relationships	1,400
Trademarks	5,111
Property, plant and equipment	2,526
Deferred tax	667
Other assets	123
	17,828
Liabilities	
Trade payables	(3,248)
Other provisions	(2,865)
IFRS 16 lease liability	(2,321)
	(8,434)
Total identifiable estimated net assets at fair value	9,394
Goodwill arising on acquisition	26,206
Purchase consideration	35,600

For the post-completion period to 31 December 2020 revenues of USD 8,693,000, adjusted EBITDA of USD 1,119,000 and a post-tax loss of USD 1,009,000 have been generated by Codewise.

The acquisition of Codewise was funded via a placing of 40,000,000 new ordinary shares at a placing price of GBP 0.75 per share to raise GBP 30,000,000.

Goodwill arising on acquisition primarily relates to the specific synergistic benefits able to be realised through Codewise being a part of the larger CentralNic Group, as well as goodwill in relation to employees.

Acquisitions of business after the end of the reporting period

The Group acquired two businesses, SafeBrands and Wando, after the end of the reporting period; please refer to note 29 for further details of these acquisitions. Full disclosure of the fair values of assets acquired and liabilities assumed for these post-balance sheet acquisitions is not possible as the initial accounting for these acquisitions is incomplete at the date of issue of these financial statements.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2020

25. Related party disclosures

(a) Ultimate controlling party

The Company is not controlled by any one party.

(b) Related party transactions

Key management personnel are considered to be the Directors and Senior Management. Compensation has been disclosed in note 8, while further information can be found in the remuneration report on page 32.

(i) Directors

During the year inter.services GmbH, a company of which Alexander Siffrin is a shareholder, provided services totalling USD 511,000 (2019: USD 478,000) to the Group. USD nil (2019: USD nil) was outstanding at the year end.

During the year the Group incurred rental costs of USD 7,000 (2019: USD 6,000) from Horst Siffrin, a close relative of Alexander Siffrin.

The Group provided services amounting to USD 285,000 (2019: USD 198,000) to Shortdot S.A., a company of which Michael Riedl is a Director and shareholder. The amount outstanding at the year end amounted to USD 71,000 (2019: USD 132,000).

The Group provided services amounting to USD nil (2019: USD 32,000) to Neozoon Sàrl, a company of which Michael Riedl is a Director and shareholder, and procured services from Neozoon Sàrl amounting to USD nil (2019: USD 3,000). The amount outstanding at the year end amounted to USD nil (2019: USD 2,000).

The Group provided services amounting to USD 228,000 (2019: USD nil) to Am Bongert Business Advisory SARL, a company of which Michael Riedl is a Director. The amount outstanding at the year end amounted to USD 57,000 (2019: USD nil).

Rental income payable to Erin Investments & Finance Limited, of which Samuel Dayani is a member, amounted to USD nil (2019: USD 39,000) for the year. The Company vacated the premises in 2019.

(ii) Non-Executive Directors

During the year, CentralNic engaged with Rickert Rechtsanwaltsgesellschaft GmbH, of which Thomas Rickert has a controlling interest, to provide legal services in relation to the purchase of intangible assets and advice on potential acquisitions and other legal matters.

The fees were USD 164,000 (2019: USD 10,000) and USD 97,000 was outstanding at 31 December 2020 (2019: USD 6,000).

(iii) Other related parties

Balances outstanding with other related parties:

	2020 USD'000	2019 USD'000
Accent Media Ltd	60	100

In June 2017 the Company loaned Accent Media Ltd USD 100,000. The full amount was outstanding at the end of 2019, and USD 40,000 has been repaid during 2020. The balance outstanding at 31 December 2020 is USD 60,000, which is expected to be repaid by June 2021. Any outstanding amounts on the loan accrue interest at 5% which is payable quarterly in arrears. Interest receivable in the year amounted to USD 4,000 (2019: USD 5,000).

26. Leases

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

	31 December 2020 USD'000	31 December 2019 USD'000
Lease liabilities		
Current lease liabilities	1,346	871
Non-current lease liabilities	5,204	3,832
Total lease liabilities	6,550	4,703
	31 December 2020 USD'000	31 December 2019 USD'000
Right-of-use assets		
Properties	6,378	4,618
Motor vehicles	72	109
Equipment	5	7
Total right-of-use assets	6,455	4,732

Interest expense related to the lease liabilities and depreciation related to the right-of-use assets recognised in the consolidated statement of comprehensive income at 31 December 2020 are shown below:

	31 December 2020 USD'000	31 December 2019 USD'000
Depreciation for right-of-use assets	1,124	657
Interest expense on lease liabilities	160	127

Properties

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

London, UK. The lease agreement was entered into on 7 March 2019 with a break clause on 6 March 2024 and an expiry date of 6 March 2029. The post balance sheet lease commitment to the break clause date is USD 1,549,000.

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

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

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

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

Munich, Germany. The Group also acquired several leases on its acquisition of Team Internet for a period of 36 months from August 2014. The leases are renewed tacitly, and termination is subject to a month's notice by either party.

Sankt Ingbert, Germany. The lease agreement was entered into on 1 July 2018 for an initial term until 31 December 2023. The lease will then be renewed for two years after the lease date unless a year's notice is provided.

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

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

Leesburg (VA), USA. The lease agreement was entered into on 1 October 2013 for an initial term of three years. The lease will renew each year for a further year unless either party terminates with six months' notice.

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

Krakow, Poland. The Group acquired an office lease on the acquisition of Codewise which expires on 31 July 2026.

Motor vehicles

The Group also acquired several motor vehicle leases on the acquisition of KeyDrive Group in 2018 and Hexonet Group and Team Internet in 2019. These leases run for a period of 36 months.

Equipment

The Group leases equipment under various short-term or low-value leases, the majority of which can be terminated immediately, and equate to immaterial sums.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2020

27. Share options and warrants

Share options

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

The share option scheme is administered by the Remuneration Committee.

9,101,271 options were granted during 2020 (2019: 8,404,109) with a weighted average fair value of 54 pence (2019: 55 pence). These fair values were based on the Company's share price at the dates of grants. Out of the 21,390,916 outstanding options (2019: 13,109,674), 8,347,828 options (2019: 6,371,468) were exercisable.

568,128 share options were exercised in 2020 (2019: 1,367,698), with 251,901 options lapsing during the year (2019: 213,903).

A charge of USD 5,113,000 (2019: USD 2,878,000) has been recognised in the consolidated statement of comprehensive income for the year relating to these options.

Options are exercisable in accordance with the contracted vesting schedules; if the employee leaves the employment of the Group prior to the options vesting, then the share options previously granted will lapse.

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

	Number 2020	WAEF ⁽¹⁾ 2020	Number 2019	WAEF ⁽¹⁾ 2019
Outstanding at 1 January	13,109,674	28p	6,287,166	27p
Granted during year	9,101,271	0p	8,404,109	3p
Exercised during year	(568,128)	22p	(1,367,698)	13p
Lapsed during year	(251,901)	4p	(213,903)	28p
Outstanding at 31 December	21,390,916	9p	13,109,674	16p
Thereof exercisable at 31 December	8,347,828	23p	6,371,468	28p

(1) Weighted average exercise price.

The weighted average remaining contractual life of the options outstanding at the statement of financial position date is 8.1 years.

28. Financial instruments

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

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

	2020 USD'000	2019 USD'000
Financial assets measured at amortised cost		
Trade and other receivables	43,047	33,701
Cash and cash equivalents	28,654	26,182
	71,701	59,883
Financial liabilities measured at amortised cost		
Trade and other payables and accruals	63,629	46,555
Borrowings (current liabilities)	5,819	2,213
	69,448	48,768

Non-current borrowings are included within section (ii), credit risk, below.

(a) Financial risk management framework

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

(i) Market risk**Foreign currency risk**

The CentralNic Group is exposed to foreign currency risk on transactions and balances that are denominated in currencies other than its principal functional currencies, primarily USD and EUR. Foreign currency risk is monitored on an ongoing basis to ensure that the net exposure is at an acceptable level.

The CentralNic Group's exposure to foreign currency risk is minimal as it trades predominantly in USD, EUR, GBP and AUD. Exposure to currency risk is negated by the holding of adequate reserves in these four currencies to meet trading and provisioned obligations as the need arises.

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

For example, the Group entered into a USD/PLN forward agreement in September 2020 which was related to the acquisition of Codewise. In addition, a GBP/USD forward agreement, first entered into in March 2020 was, and continues to be, renewed on a monthly basis.

The carrying amounts of the Group's financial instruments are denominated in the following currencies as at 31 December 2020:

	GBP USD'000	USD USD'000	EUR USD'000	AUD USD'000	Other currencies USD'000	Total USD'000
Current financial assets						
Loans and receivables						
Trade and other receivables	14,477	3,101	21,932	2,608	929	43,047
Cash and cash equivalents	1,176	15,830	9,588	473	1,587	28,654
	15,653	18,931	31,520	3,081	2,516	71,701
Current financial liabilities measured at amortised cost						
Trade and other payables	16,545	9,188	32,977	1,452	3,467	63,629
Loans and borrowings	(113)	1,485	4,524	(3)	(74)	5,819
	16,432	10,673	37,501	1,449	3,393	69,448

The sensitivity analyses in the table below detail the impact of changes in foreign exchange rates on the Group's post-tax profit or loss for the year ended 31 December 2020.

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

	2020 Strengthen/ weaken USD'000	2019 Strengthen/ weaken USD'000
GBP	+/- 771	+/- 947
EUR	+/- 273	+/- 613

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2020

28. Financial instruments *continued*

(a) Financial risk management framework *continued*

(i) Market risk *continued*

Interest rate risk

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

As at each of 31 December 2019 and 2020, the Group's debt facilities with SVB bear interest at LIBOR plus a margin.

	2020 USD'000	2019 USD'000
Cash and bank balances	28,654	26,182
Effect of interest rate change of 100 basis points on cash and bank balances	+/- 287	+/- 262
SVB bank facilities	6,305	3,455
Effect of interest rate change of 100 basis points on cash and bank balances	+/- 63	+/- 35
Bond	107,334	97,724
Effect of interest rate change of 100 basis points on cash and bank balances	+/- 1,073	+/- 977

Equity price risk

The CentralNic Group does not have any quoted investments as at each of 31 December 2019 and 2020 and as such does not have significant exposure to equity price risk.

(ii) Credit risk

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

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

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

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

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

	2020 USD'000	2019 USD'000
Trade and other receivables	43,047	33,701
Deferred receivables	61	100
Cash and bank balances	28,654	26,182
	71,762	59,983

(iii) Liquidity risk

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

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

	Carrying amount USD'000	Total USD'000	Within 1 year USD'000	1-5 years USD'000
31 December 2020				
Trade and other payables and accruals	63,629	63,629	63,629	—
Lease liabilities	6,550	6,550	1,346	5,204
Borrowings	113,639	113,639	5,819	107,820
	183,818	183,818	70,794	113,024
	Carrying amount USD'000	Total USD'000	Within 1 year USD'000	1-5 years USD'000
31 December 2019				
Trade and other payables and accruals	46,555	46,555	46,555	—
Lease liabilities	4,703	4,703	871	3,832
Borrowings	101,180	101,180	2,213	98,967
	152,438	152,438	49,639	102,799

(b) Capital risk management

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

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

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

	2020 USD'000	2019 USD'000
Total liabilities	183,818	152,438
Less: cash and bank balances	(28,654)	(26,182)
Financial instruments – net debt	155,164	126,256
Total equity	117,135	77,004
Debt-to-equity ratio	1.32	1.64

The net debt of the CentralNic Group as at the end of each reporting period, excluding prepaid finance costs, was as follows:

	2020 USD'000	2019 USD'000
Cash and bank balances	28,654	26,182
Less: borrowings (excluding prepaid finance costs)	(116,774)	(104,709)
Net debt	(88,120)	(78,527)

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

	2020 USD'000	2019 USD'000
Cash and bank balances	28,654	26,182
Less: borrowings (including prepaid finance costs)	(113,639)	(101,180)
Net debt	(84,985)	(74,998)

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2020

28. Financial instruments *continued*

(b) Capital risk management *continued*

(i) Bond covenant

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

- the leverage ratio must be not more than 6.0x.

The Group has complied with this covenant throughout the reporting period.

(ii) Net debt reconciliation

	Cash/bank overdraft USD'000	Borrowings, due within 1 year USD'000	Borrowings, due after 1 year USD'000	Total USD'000
Net debt as at 1 January 2019	23,090	(2,560)	(23,702)	(3,172)
Cash flows	9,822	(747)	(77,700)	(68,625)
Foreign exchange adjustments	(6,730)	—	—	(6,730)
Net debt as at 31 December 2019	26,182	(3,307)	(101,402)	(78,527)
Cash flows	1,355	(3,020)	(9,045)	(10,710)
Foreign exchange adjustments	1,117	—	—	1,117
	28,654	(6,327)	(110,447)	(88,120)

(c) Fair values of financial instruments

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

	2020		2019	
	Carrying amount USD'000	Fair value USD'000	Carrying amount USD'000	Fair value USD'000
Trade and other receivables	43,047	43,047	33,701	33,701
Deferred receivables	61	61	100	100
Cash and bank balances	28,654	28,654	26,182	26,182
	71,762	71,762	59,983	59,983
Trade and other payables and accruals	(63,629)	(63,629)	(46,555)	(46,555)
	8,133	8,133	13,428	13,428

The SK-NIC acquisition on 5 December 2017 had an element of deferred and contingent cash consideration of EUR 5,850,000 that, subject to any claims, will be released to the vendor in tranches until 2024 dependent on SK-NIC attaining defined growth targets from 2018 to 2020. As at 31 December 2020, the deferred cash consideration has been accounted for in the consolidated statement of financial position at fair value, using a discount factor of 10%, which amounted to USD 1,592,000 (2019: USD 2,743,000). The growth rates in relation to the contingent consideration are calculated based on the number of registered domains at the end of each financial year over the three years post-acquisition, with the payment profile spread over eight years. The last payment on the profile is not subject to the defined growth rates. The Directors have considered the range of outcomes on the target growth rate which would trigger the unwinding of the deferred consideration and, on the basis that there exists sufficient headroom against management sensitivity to attain these domain name growth rates, they have concluded that the deferred consideration will be payable in full over the agreed period.

The KeyDrive Group acquisition on 2 August 2018 included earnout commitments whereby, if certain financial performance tests are met, CentralNic will pay inter.services GmbH a performance-based earnout of up to USD 6,500,000, a minimum of 15% of which shall be settled in cash and up to 85% of which may be settled by the issue of additional consideration shares. If the performance-based earnout pays out less than USD 6,500,000 in total, CentralNic will pay for certain tax losses within the KeyDrive Group on the same basis as the payment of the performance-based earnout, but only to the extent that such tax losses are used by the enlarged Group and provided that the aggregate consideration for the earnout and the tax losses does not exceed USD 6,500,000. As at 31 December 2020, the earnout element has been accounted for in the consolidated statement of financial position at fair value, using a discount factor of 8.5-8.6%, which amounted to USD 921,000 (2019: USD 2,544,000).

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

(d) Fair value hierarchy

The different levels are defined as follows:

- Level 1: Fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2: Fair value measurements are derived from inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Fair value measurements derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

29. Post balance sheet events**Acquisition of SafeBrands**

On 9 January 2021, CentralNic acquired SafeBrands, a France-based corporate domain management and brand protection company, for a purchase price of up to EUR 3,000,000 (approximately USD 3,600,000). Additional consideration of EUR 600,000 (USD 700,000) may be payable subject to SafeBrands having met agreed FY2020 financial objectives. It offers registration management for all Top-Level Domains and a wide range of value-added services for domain management and brand protection, including secure hosting, DNS optimisation and SSL management. SafeBrands' online brand protection products and expertise have, to date, been available to companies based in French-speaking markets. CentralNic plans to offer these services, which help businesses protect their revenue streams in digital channels, through its global brand services offering, which currently serves clients worldwide through teams based in the US, the UK, Canada, Australia, Germany, New Zealand, and other countries. SafeBrands' strong presence in France, one of the largest internet services markets globally, complements CentralNic's brand services business, which includes a leading corporate registrar in Germany. This positions CentralNic as the European champion for corporate domain portfolio management and online brand protection, as well as one of the top three global leaders available to serve customers in any country.

Bond tap issue

On 12 February 2021, the Company successfully completed a EUR 15,000,000 (approximately USD 18,000,000) tap issue under the existing senior secured callable bonds. The tap issue was oversubscribed and priced at 104.5% of par value. The maturity and call conditions are identical to the prior tranches of senior secured callable bonds.

Acquisition of Wando Internet Solutions

On 19 February 2021, CentralNic acquired Wando Internet Solutions, a Berlin-based technology company specialising in social marketing, search engine marketing (SEM) advertising and display advertising that enables augmentation of the quality and volume of internet traffic on domain names and websites in order to generate superior returns. In FY2020, Wando generated unaudited revenue of EUR 4,900,000 (c.USD 5,600,000) and unaudited EBITDA of EUR 1,200,000 (c.USD 1,400,000). The acquisition is a vertical integration and more than half of Wando's historical revenue generation has come from CentralNic. The initial consideration for the acquisition is EUR 5,400,000 (c.USD 6,500,000) and the sellers of Wando may earn up to another EUR 5,400,000 (c.USD 6,500,000) payable in Q3 2022 subject to stretched performance targets being met.

Including the deferred consideration amounts described above for Wando and SafeBrands, the maximum amount of deferred consideration payable (before NPV adjustments) is USD 10,801,000, a part of which may be settled in shares, the remainder in cash.

Notes to the consolidated financial statements *continued*

for the year ended 31 December 2020

30. Prior year restatement

The comparative figures for the year ended 31 December 2019 have been restated to reclassify foreign exchange differences arising from foreign currency borrowings as follows:

- a foreign exchange gain of USD 3,885,000, arising from translation of the predominantly EUR-denominated foreign currency borrowings into USD, has been reclassified from administrative expenses to finance costs; and
- a foreign exchange loss of USD 1,583,000, arising from the foreign exchange revaluations of intercompany loans being reassessed as comprising net investments in foreign operations, has been reclassified from administrative expenses to other comprehensive income.

This results in a net increase in administrative expenses of USD 2,302,000.

The restatement has had a material impact on the Group's reported consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of cash flows for the financial year ended 31 December 2019 (the impact on the financial statements for the year ended 31 December 2018 was not material). Following this restatement, future foreign exchange differences arising on the translation of foreign currency borrowings which are part of the net investment in a foreign operation will be recognised in other comprehensive income and accumulated in the foreign exchange translation reserve within equity.

The following tables show the financial impact of the restatements by comparing the previously stated and the now restated primary statements.

Consolidated statement of comprehensive income

	Note	As reported 2019 USD'000	Restatements 2019 USD'000	As restated 2019 USD'000
Revenue	5,6	109,194	—	109,194
Cost of sales		(66,419)	—	(66,419)
Gross profit		42,775	—	42,775
Administrative expenses		(40,416)	(2,302)	(42,718)
Share-based payment expenses		(2,878)	—	(2,878)
Operating loss		(519)	(2,302)	(2,821)
Adjusted EBITDA ⁽¹⁾		17,921	—	17,921
Depreciation	13	(1,306)	—	(1,306)
Amortisation of intangible assets	14	(8,299)	—	(8,299)
Non-core operating expenses ⁽²⁾	9	(7,357)	—	(7,357)
Foreign exchange		1,474	(2,302)	(828)
Share of associate income/(loss)		(74)	—	(74)
Share-based payment expenses	27	(2,878)	—	(2,878)
Operating loss		(519)	(2,302)	(2,821)
Finance income	10	5	—	5
Finance costs	10	(7,759)	—	(7,759)
Foreign exchange gain/(loss) on borrowings	10	—	3,885	3,885
Net finance costs	10	(7,754)	—	(3,869)
Share of associate income		74	—	74
Loss before taxation	7	(8,199)	1,583	(6,616)
Income tax expense	11	39	—	39
Loss after taxation		(8,160)	1,583	(6,577)
Items that may be reclassified subsequently to profit and loss				
Exchange difference on translation of foreign operation		(4,451)	(1,583)	(6,034)
Total comprehensive loss for the period		(12,611)	—	(12,611)
Loss is attributable to:				
Owners of CentralNic Plc		(8,096)	1,583	(6,513)
Non-controlling interest		(64)	—	(64)
		(8,160)	1,583	(6,577)
Total comprehensive loss is attributable to:				
Owners of CentralNic Plc		(12,547)	—	(12,547)
Non-controlling interest		(64)	—	(64)
		(12,611)	—	(12,611)

(1) Subsidiary and associate earnings before interest, tax, depreciation, amortisation, non-cash charges and non-core operating expenses.

(2) Non-core operating expenses include items related primarily to acquisition, integration and other related costs, which are not incurred as part of the underlying trading performance of the Group, and which are therefore adjusted for, in line with Group policy. All amounts relate to continuing activities.

Consolidated statement of financial position

	Note	As reported 2019 USD'000	Restatements 2019 USD'000	As restated 2019 USD'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	1,695	—	1,695
Right-of-use assets	13,26	4,732	—	4,732
Intangible assets	14	206,055	—	206,055
Other non-current assets	15	739	—	739
Investments	16	1,778	—	1,778
Deferred tax assets	21	2,545	—	2,545
		217,544	—	217,544
Current assets				
Trade and other receivables	17	40,760	—	40,760
Inventory		491	—	491
Cash and bank balances	18	26,182	—	26,182
		67,433	—	67,433
Total assets		284,977	—	284,977
EQUITY AND LIABILITIES				
Equity				
Share capital	19	232	—	232
Share premium	19	74,840	—	74,840
Merger relief reserve	19	5,297	—	5,297
Share-based payment reserve		6,095	—	6,095
Foreign exchange translation reserve		(300)	(1,583)	(1,883)
Accumulated losses		(9,091)	1,583	(7,508)
Capital and reserves attributable to owners of the Group		77,073	—	77,073
Non-controlling interests		(69)	—	(69)
Total equity		77,004	—	77,004
Non-current liabilities				
Other payables	20	3,798	—	3,798
Lease liabilities	26	3,832	—	3,832
Deferred tax liabilities	21	22,609	—	22,609
Borrowings	23	98,967	—	98,967
		129,206	—	129,206
Current liabilities				
Trade and other payables and accruals	22	75,683	—	75,683
Lease liabilities	26	871	—	871
Borrowings	23	2,213	—	2,213
		78,767	—	78,767
Total liabilities		207,973	—	207,973
Total equity and liabilities		284,977	—	284,977

Notes to the consolidated financial statements *continued* for the year ended 31 December 2020

30. Prior year restatement *continued*

Consolidated statement of cash flows

	As reported 2019 USD'000	Restatements 2019 USD'000	As restated 2019 USD'000
Cash flow from operating activities			
Loss before taxation	(8,199)	1,583	(6,616)
Adjustments for:			
Depreciation of property, plant and equipment	1,306	—	1,306
Amortisation of intangible assets	8,299	—	8,299
Profit on investment in associate	(74)	—	(74)
Finance cost – net	7,754	(3,885)	3,869
Share-based payment expenses	2,878	—	2,878
(Increase)/decrease in trade and other receivables	(11,487)	—	(11,487)
Increase in trade and other payables and accruals	14,545	2,302	16,847
Decrease/(increase) in inventories	3,603	—	3,603
Cash flow from operations	18,625	—	18,625
Income tax paid	(2,309)	—	(2,309)
Net cash flow generated from operating activities	16,316	—	16,316
Cash flow used in investing activities			
Purchase of property, plant and equipment	(755)	—	(755)
Purchase of intangible assets	(14,742)	—	(14,742)
Payment of deferred consideration	(2,940)	—	(2,940)
Acquisition of subsidiaries, net of cash acquired	(60,900)	—	(60,900)
Net cash flow used in investing activities	(79,337)	—	(79,337)
Cash flow used in financing activities			
Proceeds from borrowings	103,424	—	103,424
Bond arrangement fees	(2,377)	—	(2,377)
Proceeds from issuance of ordinary shares (net)	2,133	—	2,133
Payment of debt like items	(27,839)	—	(27,839)
Payment of finance leases	(528)	—	(528)
Interest paid	(1,970)	—	(1,970)
Net cash flow generated from financing activities	72,843	—	72,843
Net increase in cash and cash equivalents	9,822	—	9,822
Cash and cash equivalents at beginning of the year	23,090	—	23,090
Exchange losses on cash and cash equivalents	(6,730)	—	(6,730)
Cash and cash equivalents at end of the year	26,182	—	26,182

Company statement of financial position

as at 31 December 2020

	Note	2020 USD'000	2019 USD'000
ASSETS			
Fixed assets			
Property, plant and equipment		97	112
Right-of-use assets		1,956	2,123
Intangible assets		387	—
Investments	7	58,752	79,538
Deferred tax asset	8	2,330	1,260
		63,522	83,033
Current assets			
Other debtors, deposits and prepayments	9	200,577	122,469
Cash and bank balances		2,013	2,151
		202,590	124,620
Total assets		266,112	207,653
LIABILITIES			
Current liabilities			
Creditors – amounts falling due within one year			
Trade and other payables and accruals	11	11,125	10,249
Lease liabilities		205	117
Borrowings		5,493	1,417
		16,823	11,783
Non-current liabilities			
Creditors – amounts falling due after one year			
Lease liabilities		1,812	1,945
Borrowings		107,820	98,668
		109,632	100,613
Total liabilities		126,455	112,396
Net assets		139,657	95,257
CAPITAL AND RESERVES			
Share capital	10	298	236
Share premium	10	39,845	74,840
Merger relief reserve	10	5,297	5,297
Share-based payment reserve		10,329	6,020
Foreign exchange translation reserve		3,523	3,087
Retained earnings		80,365	5,777
Shareholders' funds		139,657	95,257

The loss for the year, including other comprehensive income, was USD 1,000 (December 2019: profit of USD 12,061,000). The loss for the year, excluding other comprehensive income, was USD 285,000 (December 2019: profit of USD 9,510,000).

These financial statements were approved and authorised for issue by the Board of Directors on 23 April 2021 and were signed on its behalf by:



Iain McDonald

Chairman

Company Number: 08576358

The notes on pages 85 to 90 form an integral part of these financial statements.

Company statement of changes in equity

for the year ended 31 December 2020

	Share capital USD'000	Share premium USD'000	Merger relief reserve USD'000	Share-based payment reserve USD'000	Foreign exchange translation reserve USD'000	Retained earnings/ (accumulated losses) USD'000	Total USD'000
Balance at 1 January 2019	216	69,238	2,314	2,621	685	(3,739)	71,335
Profit for the year	—	—	—	—	—	9,510	9,510
Other comprehensive income							
Translation of foreign operation	—	(1)	—	150	2,402	—	2,551
Transactions with owners							
Issue of share capital	20	5,603	2,983	—	—	—	8,606
Share-based payments	—	—	—	2,868	—	—	2,868
Share-based payments – exercised and lapsed	—	—	—	(6)	—	6	—
Share-based payments – deferred tax assets	—	—	—	387	—	—	387
Balance at 31 December 2019	236	74,840	5,297	6,020	3,087	5,777	95,257
Loss for the year	—	—	—	—	—	(285)	(285)
Other comprehensive income							
Translation of foreign operation	—	—	—	(152)	436	—	284
Transactions with owners							
Capital reduction	—	(74,840)	—	—	—	74,840	—
Issue of share capital	62	43,674	—	—	—	—	43,736
Share issue costs	—	(3,829)	—	—	—	—	(3,829)
Share-based payments	—	—	—	4,451	—	—	4,451
Share-based payments – exercised and lapsed	—	—	—	(33)	—	33	—
Share-based payments – deferred tax assets	—	—	—	43	—	—	43
Balance at 31 December 2020	298	39,845	5,297	10,329	3,523	80,365	139,657

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

The notes on pages 85 to 90 form an integral part of these financial statements.

Notes to the Company financial statements

for the year ended 31 December 2020

1. General information

Nature of operations

CentralNic Group Plc (the 'Company') is the UK holding company of a group of companies which are engaged in the provision of global domain name services. The Company is registered in England and Wales. Its registered office and principal place of business is 4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR.

2. Basis of preparation

For the financial year ended 31 December 2020, the Company elected to prepare the financial statements in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework. The purpose of this was to more closely align the Company's accounting policies with the Group's policies. This transition is not considered to have had a material effect on the financial statements.

The financial statements have been prepared under the historical cost convention and in accordance with Financial Reporting Standard 101 Reduced Disclosure Framework, the Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland and the Companies Act 2006.

The preparation of financial statements in compliance with Financial Reporting Standard 101 Reduced Disclosure Framework requires the use of certain critical accounting estimates. It also requires management to exercise judgement in applying the Company's accounting policies (see note 3 in the Group financial statements).

All accounting policies that are not unique to the Company are listed on pages 48 to 57. All additional accounting policies have been applied as detailed in note 3 below.

In the prior year the financial statements were prepared in accordance with Financial Reporting Standard 102. However, there was an accounting error relating to the accounting for leases in accordance with Financial Reporting Standard 102, Section 20. The nature and quantum of this error is described in further detail in note 12.

3. Significant accounting policies

(a) Going concern

As at 31 December 2020, the Company had net current assets of USD 185,767,000 (2019: USD 112,837,000) with the main current asset being amounts owed from its subsidiaries amounting to USD 199,733,000 (2019: USD 121,788,000). The Company has assessed its ongoing costs with cash generated by its subsidiaries to ensure that it can continue to settle its debts as they fall due.

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

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

(b) Investments

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

(c) Taxation

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

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

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

Deferred tax is not recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

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

Notes to the Company financial statements **continued**

for the year ended 31 December 2020

3. Significant accounting policies **continued**

(d) Financial instruments

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

The Company's financial assets and liabilities are initially measured at fair value plus any directly attributable transaction costs.

The carrying value of the Company's financial assets, primarily cash and bank balances, and liabilities, primarily the Company's payables and other accrued expenses, approximate their fair values.

(i) Financial assets

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

Trade and other receivables

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

(ii) Financial liabilities and equity instruments

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

Financial liabilities

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

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

Equity instruments

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

(e) Debtors

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

(f) Creditors

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

(g) Parent Company disclosure exemptions

In preparing the separate financial statements of the Parent Company, advantage has been taken of the following disclosure exemptions available in FRS 101:

- disclosures in respect of the Parent Company's financial instruments and share-based payment arrangements have not been presented as equivalent disclosures have been provided for the Group as a whole;
- no disclosure has been given for the aggregate remuneration of the key management personnel of the Parent Company as their remuneration is included in the totals for the Group as a whole;
- no cash flow statement has been presented for the Parent Company;
- related party transactions with wholly owned fellow Group companies have not been disclosed; and
- the effect of future accounting standards not yet adopted has not been disclosed.

4. Critical accounting judgements and key sources of estimation uncertainty

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

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

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

Share-based payments

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

Recognition of deferred tax assets

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

5. Profit for the financial period

The Company has taken advantage of section 408 of the Companies Act 2006 and, consequently, a profit and loss account for the Company alone has not been presented. The Company's loss for the financial period was USD 1,000 (2019: profit USD 12,061,000) which included a net gain on foreign currency translation of USD 284,000 (2019: gain of USD 2,551,000). The Company's loss for the financial year has been arrived at after charging auditor's remuneration payable to Crowe U.K. LLP for audit services to the Company of USD 260,000 (2019: USD 199,000).

6. Employees and Directors' remuneration

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

	2020 USD'000	2019 USD'000
Wages and salaries	1,867	1,319
Social security	157	66
Pension	26	19
Share-based payment expenses	3,845	1,620
Directors' consultancy fees	325	589
	6,220	3,613

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

	2020 Number	2019 Number
Directors under employment contracts only	4	4
Directors under service contracts only	2	3
Directors under a combination of employment and service contracts	2	1
	8	8

The Group made contributions to defined contribution personal pension schemes for three Directors in the period (2019: three). Included in the above tables, the highest paid Director had wages and salaries, including pensions, of USD 587,000 (2019: USD 330,000), a special bonus of USD 531,000 (2019: USD 393,000), and share-based payment expenses of USD 1,568,000 (2019: 877,000) totalling USD 2,686,000 (2019: USD 1,600,000).

Notes to the Company financial statements *continued* for the year ended 31 December 2020

7. Investments

	USD'000
At 1 January 2019	66,615
Additions – Investment in CentralNic Holding	32
Additions – SK-NIC loan	9,900
Share options issued on behalf of subsidiaries	889
Exchange differences	2,102
At 31 December 2019	79,538
Novation agreement with CentralNic Luxembourg (share premium reimbursement)	(19,800)
Share options issued on behalf of subsidiaries	530
Exchange differences	(1,516)
At 31 December 2020	58,752

8. Deferred tax

	Share-based payments USD'000
Deferred tax assets	
At 1 January 2019	483
Credit to income	777
At 31 December 2019	1,260
Credit to income	1,070
At 31 December 2020	2,330

9. Debtors

	2020 USD'000	2019 USD'000
Amounts owed by Group undertakings	199,733	121,788
Other debtors	844	457
Taxation receivable	—	224
	200,577	122,469

10. Share capital and share premium

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

	Number	Share capital USD'000	Share premium USD'000	Merger relief reserve USD'000
Ordinary shares of 0.1 pence each				
At 31 December 2018	170,652,802	216	69,238	2,314
Proceeds from shares issued in connection with employee share option schemes	100,000	—	44	—
Shares issued to settle the deferred consideration in respect of KeyDrive acquisition	7,384,978	10	5,553	—
Options exercised in August 2019	3,655,698	5	5	—
Shares issued in respect of Team Internet acquisition	3,911,650	5	—	2,983
At 31 December 2019	185,705,128	236	74,840	5,297
New shares issued	3,138,356	4	—	—
Capital reduction	—	—	(74,840)	—
Shares issued to settle deferred consideration in respect of Hexonet acquisition	3,208,819	4	3,324	—
Shares issued in respect of Codewise acquisition	40,000,000	52	38,444	—
Shares issued to settle deferred consideration in respect of KeyDrive acquisition	1,685,723	2	1,906	—
Share issue costs	—	—	(3,829)	—
At 31 December 2020	233,738,026	298	39,845	5,297

On 10 March 2020, 3,138,356 ordinary shares were issued and allotted in connection with employee share option awards.

As resolved by the Annual General Meeting on 4 June 2020, a capital reduction has been completed subsequent to its approval by the High Court and its registration by the Companies House effective 14 August 2020. The capital reduction is effected by the cancellation of the Company's share premium, thereby increasing distributable reserves.

On 6 August 2020, 3,208,819 ordinary shares were issued for USD 3,328,000 in relation to settlement of deferred consideration in respect of the acquisition of Hexonet.

On 11 September 2020, 40,000,000 ordinary shares were issued for USD 38,496,000. These net proceeds were used to fund the acquisition of Codewise.

On 2 November 2020, 1,685,723 ordinary shares were issued for USD 1,908,000 in relation to settlement of deferred consideration in respect of the acquisition of KeyDrive.

The Company has an authorised share capital of GBP 62,900, thereof GBP 18,875 with suspended pre-emptive rights. The authorised capital expires at the earlier of the AGM held in 2021 and 20 September 2021.

11. Creditors: amounts falling due within one year

	2020 USD'000	2019 USD'000
Trade creditors	2,442	1,701
Amounts owed to Group undertakings	6,055	6,623
Accruals and deferred income	2,514	75
Accrued interest	32	1,850
Other liabilities	82	—
	11,125	10,249

Notes to the Company financial statements *continued*

for the year ended 31 December 2020

12. Prior year error

The financial statements for the year ended 31 December 2019 were prepared under Financial Reporting Standard 102. However, there was an accounting error relating to the accounting for leases in accordance with Financial Reporting Standard 102, Section 20, which led to the incorrect capitalisation of a right-of-use asset and a lease liability. The financial effects of the error on the balance sheet of the Company are shown in the table below.

	As reported 2019 USD'000	Correction of error 2019 USD'000	Adoption of FRS 101 2019 USD'000	As reported 2019 USD'000
ASSETS				
Fixed assets				
Property, plant and equipment	112	—	—	112
Right-of-use assets	2,123	(2,123)	2,123	2,123
Investments	79,538	—	—	79,538
Deferred tax asset	1,260	—	—	1,260
	83,033	(2,123)	2,123	83,033
Current assets				
Other debtors, deposits and prepayments	122,469	—	—	122,469
Cash and bank balances	2,151	—	—	2,151
	124,620	—	—	124,620
Total assets	207,653	(2,123)	2,123	207,653
LIABILITIES				
Current liabilities				
Creditors – amounts falling due within one year				
Trade and other payables and accruals	10,249	—	—	10,249
Lease liabilities	117	(117)	117	117
Borrowings	1,417	—	—	1,417
	11,783	(117)	117	11,783
Non-current liabilities				
Creditors – amounts falling due after one year				
Lease liabilities	1,945	(1,945)	1,945	1,945
Borrowings	98,668	—	—	98,668
	100,613	(1,945)	1,945	100,613
Total liabilities	112,396	(2,062)	2,062	112,396
Net assets	95,257	(61)	61	95,257
CAPITAL AND RESERVES				
Share capital	236	—	—	236
Share premium	74,840	—	—	74,840
Merger relief reserve	5,297	—	—	5,297
Share-based payment reserve	6,020	—	—	6,020
Foreign exchange translation reserve	3,087	—	—	3,087
Retained earnings	5,777	(61)	61	5,777
Shareholders' funds	95,257	(61)	61	95,257

Particulars of subsidiaries and associates

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

Parent Company	Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
CentralNic Limited	GB.com Limited	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	Whois Privacy Limited	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	CNIC Services Private Limited	India	Dormant	818, Indraprakash Building 21, Barakhamba Road New Delhi New Delhi DI 110001
CentralNic Limited	Domain Escrow Services Ltd	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	PremiumSale.com Ltd*	England and Wales	Sale of premium domains	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	Whoistrustee.com Ltd	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	Local Presence Services Ltd	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic Limited	Helium TLDs Limited*	England and Wales	Operator of generic TLDs	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Helium TLDs Limited	DotCFD Registry Ltd*	England and Wales	Registry operator of .cfd	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Helium TLDs Limited	DotForex Registry Ltd*	England and Wales	Registry operator of .forex	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Helium TLDs Limited	dotMarkets Registry Ltd*	England and Wales	Registry operator of .markets	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Helium TLDs Limited	dotBroker Registry Ltd*	England and Wales	Registry operator of .broker	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Helium TLDs Limited	DotSpreadbetting Ltd*	England and Wales	Registry operator of .spreadbetting	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Helium TLDs Limited	DotTrading Registry Ltd*	England and Wales	Registry operator of .trading	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
TLD Registrar Solutions Limited	Internet Domain Service BS Corp	Commonwealth of The Bahamas	Domain registrar services provider	PO Box SS-19084, Ocean Centre, Montagu Foreshore, East Bay Street, Nassau, New Providence, The Bahamas
TLD Registrar Solutions Limited	Whois Privacy Corp	Commonwealth of The Bahamas	Domain registrar services provider	PO Box SS-19084, Ocean Centre, Montagu Foreshore, East Bay Street, Nassau, New Providence, The Bahamas
Instra Holdings (UK) Limited	Domain Directors (Europe) Limited*	England and Wales	Domain registrar services provider	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Instra Holdings (UK) Limited	Europe Registry Limited	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Instra Holdings (UK) Limited	Instra Corporation (Europe) Limited	England and Wales	Dormant	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Instra Holdings (UK) Limited	White Label Domains SDN BHD B12	Malaysia	Domain registrar services provider for .MY	No/ 36B, 2nd Floor, Jalan Tun Mohd Fuad 2. Taman Tun Dr Ismail, Kuala Lumpur, 60000, Malaysia
CentralNic EU SE	Sublime Technologies (France) Sarl	France	Domain registrar services provider for .FR	2, Rue Robert Geffré Bat n°11-17000 La Rochelle – France
Instra Holdings (UK) Limited	Tunglim International Pty Limited	Hong Kong	Domain registrar services provider for .CN	2003., 20/F Towers China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong
Instra Holdings (UK) Limited	Sublime Technology Limited	Hong Kong	Domain registrar services provider for .HK	2003., 20/F Towers China Hong Kong City, Tsim Sha Tsui, Kowloon, Hong Kong
Instra Holdings (Aus) Pty Ltd	Domain Directors Pty Ltd	Australia	Domain registrar services provider	Level 2, 222 Beach Road, Mordialloc, VIC 3195, Australia
Instra Holdings (Aus) Pty Ltd	Ozenum Pty Ltd	Australia	Dormant	Level 2, 222 Beach Road, Mordialloc, VIC 3195, Australia

Particulars of subsidiaries and associates *continued*

Parent Company	Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
Instra Holdings (Aus) Pty Ltd	Instra Corporation Pty Limited	Australia	Domain registrar services provider	Level 2, 222 Beach Road, Mordialloc, VIC 3195, Australia
Instra Corporation Pty Limited	Instra Domain Directors B.V.	The Netherlands	Domain registrar services provider for .NL	Beechavenue 54-62, 1119PW, Schiphol-Rijk, The Netherlands
Instra Corporation Pty Limited	Instra Corporation PTE Ltd	Singapore	Domain registrar services provider for .SG	c/o Asiabiz Services PTE Ltd, 30 Cecil Street, #19-08, Prudential Tower, Singapore 049712
Instra Corporation Pty Limited	Instra-Internet Services One-person LLC	Greece	Domain registrar services provider for .GR	1 Dimokraatias Square, Thessaloniki, 54629, Greece
Instra Holdings (NZ) Limited	Instra Corporation Limited	New Zealand	Domain registrar services provider	C/o Grant Thornton New Zealand, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
Instra Holdings (NZ) Limited	Only Domains Limited	New Zealand	Domain registrar services provider	C/o Grant Thornton New Zealand, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
Instra Holdings (NZ) Limited	Private Ranger Limited	New Zealand	Domain registrar services provider	C/o Grant Thornton New Zealand, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
Instra Holdings (NZ) Limited	Ideegeo Group Ltd	New Zealand	Domain registrar services provider	C/o Grant Thornton New Zealand, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
CentralNic EU SE	CentralNic Finance & IP Sarl	Luxembourg	Domain registrar services provider	1-3, Boulevard de la Foire, L-1528 Luxembourg
CentralNic EU SE	CentralNic Poland SP Zoo	Poland	Monetisation of internet traffic	ul. Lubicz 17 G31-503 Kraków, Poland
CentralNic EU SE	SK.Nic A.S.	The Slovak Republic	Registry operator for .SK	Námestie SNP 14 Bratislava – mestská časť Staré Mesto 811 06
CentralNic EU SE	CentralNic Germany GmbH	Germany	Holding company	Im Oberen Werk 1, 66386 St. Ingbert
CentralNic EU SE	CentralNic Holding GmbH	Germany	Holding company	Im Oberen Werk 1, 66386 St. Ingbert
CentralNic Germany GmbH	Key-Systems GmbH	Germany	Domain registrar services provider	Im Oberen Werk 1, 66386 St. Ingbert, Germany
Key-SystemsHexonet GmbH	1API GmbH	Germany	Domain registrar services provider	Im Oberen Werk 1, 66386 St. Ingbert, Germany
Key-Systems GmbH	PTS GmbH	Germany	Domain registrar services provider	Neunkircher Straße 43, 66299 Friedrichsthal
Key-Systems GmbH/ Brandshelter Inc (50% split in ownership)	KS Internet Solutions S DE RL DE CV	Mexico	Domain registrar services provider	San Pedro Garza García, N.L., Mexico
Key-Systems GmbH	Dot Saarland GmbH	Germany	Registry operator for saarland	Im Oberen Werk 1, 66386 St. Ingbert Germany
Key-Systems GmbH	RegistryGate GmbH	Germany	Domain registrar services provider	Wilhelm-Wagenfeld-Str. 16, 80807 Munich
CentralNic Holding GmbH	Team Internet AG	Germany	Monetisation of internet traffic	Liebherrstr. 22, 80538 München, Germany
CentralNic Holding GmbH	InterNexum GbmH	Germany	Domain registrar services provider	Blumenstraße 54, 02826 Görlitz, Germany
CentralNic Holding GmbH	Traffic.club IT GmbH	Germany	Domain registrar services provider	Im Oberen Werk 1, 66386 St. Ingbert Germany
CentralNic USA Ltd	Brandshelter Inc	USA	Domain registrar services provider	885 Harrison St. SE, Leesburg, VA 20175
CentralNic USA Ltd	Moniker.com Inc	USA	Domain registrar services provider	6301 NW 5th Way, Suite 4500, Ft Lauderdale, FL 33309. Mailing address: 13727 SW 152nd Street #513, Miami, FL 33177
Brandshelter Inc	Key-Systems LLC	USA	Domain registrar services provider	885 Harrison St. SE, Leesburg, VA 20175

Parent Company	Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
Moniker.com Inc	Moniker Online Services LLC	USA	Domain registrar services provider	6301 NW 5th Way, Suite 4500, Ft Lauderdale, FL 33309. Mailing address: 13727 SW 152nd Street #513, Miami, FL 33177
Moniker.com Inc	Moniker Privacy Services LLC	USA	Domain registrar services provider	6301 NW 5th Way, Suite 4500, Ft Lauderdale, FL 33309. Mailing address: 13727 SW 152nd Street #513, Miami, FL 33177

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

Subsidiary	Country of incorporation and principal operations	Principal activity	Registered office
CentralNic Limited*	England and Wales	Domain registry services provider	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
TLD Registrar Solutions Limited*	England and Wales	Domain registrar services provider	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Hoxton Domains Limited*	England and Wales	Aftermarket domain services	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
Instra Holdings (UK) Limited*	England and Wales	Holding company	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR
CentralNic EU SE	Luxembourg	Holding company	1-3, Boulevard de la Foire, L-1528 Luxembourg
Instra Holdings (Aus) Pty Ltd	Australia	Holding company	Level 2, 222-225 Beach Road, Mordialloc, Victoria, VIC3195
Instra Holdings (NZ) Limited	New Zealand	Holding company	C/o Grant Thornton New Zealand, LR, 152, Fanshawe Street, Auckland, 1010, New Zealand
CentralNic Canada Inc.	Canada, British Columbia	Holding company	Suite 2300, Bentall 5, 550 Burrard Street, Vancouver, BC V6C 2B5
CentralNic USA Ltd	US, California	Holding company	4th Floor, Saddlers House, 44 Gutter Lane, London EC2V 6BR

S479A Exemption from audit of subsidiary companies

Certain UK companies have elected to make use of the audit exemption, for non-dormant subsidiaries, under section 479A of the Companies Act 2006. In order to fulfil the conditions, set out in the regulations, the Company has given a statutory guarantee of all outstanding liabilities to which the subsidiaries are subject at the end of the financial year to 31 December 2020. The UK companies which have made use of the audit exemption are marked with an asterisk (*) in the tables above.

Shareholder information

Financial calendar

Annual General Meeting

Although the date is subject to change as the Directors reserve the right to resolve to convene the AGM later depending on government guidance in respect of COVID-19, the Annual General Meeting is due to take place on Thursday, 3 June 2021 at 10.00am.

Announcements

- Full-year unaudited results for the twelve-month period ended 31 December 2020 are expected in February 2021.
- Full-year audited results for the twelve-month period ended 31 December 2020 are expected in April 2021.
- Interim unaudited results for the three-month period ended 31 March 2021 are expected in May 2021.
- Interim unaudited results for the six-month period ended 30 June 2021 are expected in August 2021.
- Interim unaudited results for the nine-month period ended 30 September 2021 are expected in November 2021.
- Full-year unaudited results for the twelve-month period ended 31 December 2021 are expected in February 2022.
- Full-year audited results for the twelve-month period ended 31 December 2021 are expected in April 2022.

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

Directors

Iain McDonald (Chairman)
Benjamin Crawford (Chief Executive Officer)
Donald Baladasan (Group Managing Director)
Michael Riedl (Chief Financial Officer)
Thomas Rickert (Non-Executive Director)
Samuel Dayani (Non-Executive Director)
Thomas Pridmore (Non-Executive Director)

Registered office

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

Company Secretary

DWF LLP

Company website

www.centralnicgroup.com

Nominated Adviser and Broker

Zeus Capital Limited

82 King Street
Manchester M2 4WQ
41 Conduit Street
London W1S 2YQ
3 Brindleyplace
Birmingham B1 2JB

Joint Broker

Stifel Nicolaus Europe Limited (Stifel)

150 Cheapside
London EC2V 6ET

Auditor

Crowe U.K. LLP

55 Ludgate Hill
London EC4M 7JW

Solicitors to the Company

DWF LLP

20 Fenchurch Street
London EC3M 3AG

Solicitors to the Nominated Adviser and Broker

DAC Beachcroft LLP

100 Fetter Lane
London EC4A 1BN

Financial PR

Newgate Communications

Sky Light City Tower
50 Basinghall Street
London EC2V 5DE

Bankers

Silicon Valley Bank

Alphabeta
14-18 Finsbury Square
London EC2A 1BR

HSBC Bank plc

89 Buckingham Palace Road
London SW1W 0QL

Company registrars

Link Asset Services

The Registry
34 Beckenham Road
Beckenham
Kent BR3 4TU

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

Share portal

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

- view your holding and get an indicative valuation;
- change your address;
- arrange to have dividends paid into your bank account;
- request to receive Shareholder communications by email rather than post;
- view your dividend payment history;
- make dividend payment choices;
- buy and sell shares and access a wealth of stock market news and information;
- register your proxy voting instruction; and
- download a stock transfer form.

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

Customer support centre

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

By phone – UK – 0871 664 0300 (UK calls cost 12p per minute plus network extras). From overseas – +44 371 664 0300.

Lines are open 9.00am to 5.30pm, Monday to Friday, excluding public holidays.

By email – shareholderenquiries@linkgroup.co.uk

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

Sign up to electronic communications

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

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

Donate your shares to charity

If you have only a small number of shares which are uneconomical to sell you may wish to donate them to charity free of charge through ShareGift (Registered Charity 10528686). Find out more at www.sharegift.org.uk or by telephoning 020 7930 3737.

Share fraud warning

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

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

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

PROTECT YOURSELF

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

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

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

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

REPORT A SCAM

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

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

Identity theft

Tips for protecting your shares in the Company:

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

Glossary

Adtech

An umbrella term for advertising technology

Application Programming Interface or 'API'

A software intermediary that allows two applications to talk to each other

Cost Per Click or 'CPC'

The price paid for each click in pay-per-click (PPC) marketing campaigns

Cost Per Thousand or 'CPM'

A marketing term that refers to the cost that an advertiser pays per one thousand advertisement impressions on a web page

Country Code Top-Level Domain or 'ccTLD'

An internet Top-Level Domain generally used or reserved for a country, a sovereign state, or a dependent territory e.g., .uk, .jp

Demand-Side Platform or 'DSP'

A system that allows buyers of digital advertising inventory to manage multiple ad exchange and data exchange accounts through one interface

Domain Name Registrar

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

Domain Name System or 'DNS'

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

Enterprise Management Incentive or 'EMI'

A tax-advantaged share option scheme designed to retain employees (Note: CentralNic no longer qualifies to issue new EMIs and only historic issues have been noted in this report)

Internet Corporation for Assigned Names and Numbers or 'ICANN'

A non-profit private organisation that was created to oversee a number of internet-related tasks previously performed directly on behalf of the US Government

Long Term Incentive Plan or 'LTIP'

Executive share option plans that reward executives for reaching specific goals that lead to increased shareholder value

Registry Operator

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

Registry Service Provider

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

Revenue Per Thousand or 'RPM'

A marketing term that refers to the revenue generated per one thousand advertisement impressions on a web page

Search Engine Marketing or 'SEM'

A digital marketing strategy that involves the promotion of websites by increasing their visibility in search engine results pages primarily through paid advertising

Second-Level Domain or 'SLD'

A domain that is directly below a Top-Level Domain e.g. uk.com

Secure Sockets Layer or 'SSL'

SSL is a secure protocol developed for sending information securely over the internet

Share Option Plan or 'SOP'

An unapproved share option plan under which employees are given options to acquire shares at a future date at a price specified by the Company

Small Business or 'SMB'

An internal term used to describe small business customers

Top-Level Domain or 'TLD'

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

Verified Carbon Standard or 'VCS'

A standard for certifying carbon emissions reductions, VCS is administered by Verra, a not-for-profit organisation. The VCS Programme is the world's leading voluntary programme for the certification of GHG emission reduction projects



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Printed by L&S Printing Company Ltd., an FSC® and ISO 14001 accredited company, who is committed to all round excellence and improving environmental performance as an important part of this strategy.

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