

# **MINDS + MACHINES GROUP LIMITED**

Annual Report and Accounts for the year ended  
31 December 2014

## **Minds + Machines Group Limited**

Minds + Machines Group Limited (“MMX” or the “Company”) is a BVI incorporated company, which is traded on the AIM Market operated by the London Stock Exchange (“AIM”). The Company and its subsidiaries’ (the “Group”) is a major participant in the generic top level domain (“gTLD”) application programme and participates in and provides services for many other facets of the domain name industry, from registry ownership and operations to consumer sales and provides a complete suite of registry service provider (“RSP”) solutions for gTLD applicants.

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# Executives Statements

## CHAIRMAN'S LETTER

Today, I am resigning as Executive Chairman of Minds + Machines.

I started this company in 2009, with my partner Antony Van Couvering, with the idea of acquiring one or two top-level domains and building a business as a registry service provider.

Today we have acquired over two dozen - with the absolute best names of all: .law, .wedding, .fashion, .london, .yoga and many others. Because of the auction format for these names, we're also sitting on very substantial amounts of cash - over \$48 million dollars.

The next phase of this business is increasingly operational. Nuts and bolts: grow the company, contain costs, hire and fire the right people, scale the business as it makes sense. This is something I absolutely could do - but it's not something that you need two CEOs to do - or a CEO and an operational executive chair to do.

So this is an appropriate time for me to separate from Minds + Machines. The last 17 months has been nothing short of extraordinary. On 2<sup>nd</sup> February 2014, ntldstats.com began publishing the number of domains registered in new generic top-level domains (gTLDs) on a daily basis. By the 31<sup>st</sup> December 3,686,637 had been registered. In the last five months, that figure has grown to nearly 6 million - a growth rate of over 55%. By contrast, since December 31, 2013, approximately 6 million names were registered in .com - a growth rate of about 2.2%. New gTLDs are competing on an even footing with .com - and succeeding. And all of this against a backdrop of little consumer awareness. The industry is growing fast.

At Minds + Machines, as in any company, though, tough decisions will always have to be made, and ultimately that means one person must make those choices and take responsibility. The decision - initiated by the board - to let Antony be that person, is not just about Minds + Machines, however, it's also about Mozart, the website building, hosting and management service I founded.

For the last year, while we were primarily focused on auctions and acquiring new names, I have found myself drawn to a completely different question: how do you make these names useful? This question has become a complete obsession for me, and to be honest, I don't have the bandwidth to do both companies. On this I agree with the board. The decision to move on was unexpected - for me at least - but I am OK with it, indeed supportive of it.

This is not the place to talk at length on the subject, but at the end of the day there is really only one fundamental reason to buy a name - to create a website and other services for that name.

The current experience of website building is so bad that on the entire planet, there are only single-digit millions of people who have actually figured it out, and most of those don't actively manage their web presence.

And even if you do build a site, who will ever go back to it? Unlike Facebook, websites don't automatically deliver their content to your inbox. They are just static things, built mainly by professional web designers at high cost, to get people to find out about your small business when they search for keywords on Google.

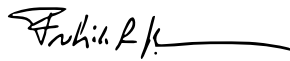
I believe that I can change this. I believe that I can deliver a tool that can provide amazing dynamic websites, that you can update effortlessly and that look as good as anything on the web today. That can do that at zero marginal cost, that can simplify the creation process to minutes, that can be private as well as public, and that can feed content back to a central inbox, just like Facebook.

That tool is Mozart. I plan to give Mozart my full attention. I'm pleased to say that it is integrated into Minds + Machines. It's launching at the end of this week for all customers who buy a name at mindsandmachines.com, and at <http://mozart.co> - I encourage you to check it out.

Mozart is backed by a largely different set of investors than Minds + Machines. It's a small, private startup, with a different culture, and a different purpose in life. The commercial agreements and friendships between Minds + Machines and Mozart will remain intact.

Minds + Machines investors will want to know, and I am happy to confirm, that my goal is to keep the vast majority of my shares. I'm a long-term believer. I don't see a lot of short-term risks in the business.

Keith Teare, whom I have known for many years and in whom I have complete trust, has kindly agreed to serve as non-executive Group Chairman for the immediate future.

A handwritten signature in black ink, appearing to read 'Fred Krueger', followed by a long horizontal flourish.

Fred Krueger  
Executive Chairman  
24 May 2015

## CHIEF EXECUTIVE OFFICER'S BUSINESS REVIEW

I would first like to thank Fred Krueger for his dedication, passion, energy, and friendship in the six years since we founded Minds + Machines, and to wish him great fortune in his endeavors with Mozart. We are lucky to have Keith Teare as non-executive Chairman for the immediate future. As the owner and operator of a substantial portfolio of valuable TLDs, with an enviable cash position, the future for the Company is bright, but I take seriously the necessity of containing costs even as we grow. Therefore, as CEO, I set out below a number of Key Performance Indicators (KPIs) that we will use to measure our progress. Even as we look forward to the numerous challenges and opportunities that our nascent and burgeoning industry presents, I am pleased to review the substantial progress the Company made during 2014.

During the year under review the Group successfully transitioned from an investment company into a fully operating business, re-listing on the London Stock Exchange's AIM market under the Minds + Machines banner in March 2014.

Today we have three distinct business lines:

1. The Registry, which wholly- or majority-owns top-level domains, and which wholesales domain names to registrars;
2. The Registry Service Provider, which provides the infrastructure services for the Company's and its clients' top level domains; and
3. The Registrar, which sells names to the public and, importantly, allows the Company to enable and provision affiliates and resellers that reach key vertical markets.

In addition, we have the evolving Premium Names product line which sits across the registry and registrar and which we anticipate being a major contributor to overall revenues over the coming 18 months.

### Domain Portfolio

Our portfolio of top-level domains can be viewed from two perspectives – by ownership and by type.

In terms of ownership, currently we:

- wholly-own, or majority own, 20 uncontested generic top-level domains of which 14 have been launched to date;
- own and/or operate 5 geo-domains where we share revenues with the relevant government, 3 of which have been launched to date;
- partner on a further 4 uncontested top-level domains of which 1 has so far been launched; and
- is the back end registry service provider for a further 5 clients, of which 2 have launched to date.

In addition, the Company has interests in 11 contested applications, 8 of which it either wholly or majority owns.

When viewed by type, our portfolio breaks down as follows: geographical top-level domains (e.g., .london); those targeted at open vertical markets (e.g., .fashion); those targeted at restricted vertical markets (e.g., .law); and generic gTLDs, which are less specific and are suited to a broader audience (e.g., .work).

### Operational Progress

During the year under review, the Company was primarily engaged in:

1. building out our portfolio of gTLDs that we own or in which we have a commercial interest – a process which continues into the current financial year;
2. launching our first major batch of gTLDs in September 2014;
3. analysing the first phase of activity and subsequent ongoing launch program in the current year; and
4. implementing required adjustments to how the registry sells into the market to best commercialise the assets it owns.

This launch activity has led us to conclude that, as a registry-led business, our primary focus should initially be on:

- high revenue gTLDs – in particular, geographic gTLDs and those targeting specific high-value verticals – establishing the presence and correct distribution channels into those markets;
- Premium domain name sales through our sales and marketing teams – activity that spans our registry and registrar operations. The rationale for Premium names is straightforward: having noted that previously-owned .com domains have fetched one-off re-sale prices above US\$10M, the Company has reserved a large number of names within our gTLD portfolio, set them at significantly higher annual prices to our standard name prices so that Premium names can be sold accordingly. Post period end our newly appointed and growing Premium name sales team are seeing promising results, with sales for a single name reaching US\$10,000 or more for year one with commensurate annual renewal rates applying.

### KPIs

Turning to the managing of our business operations, in order to measure and report on our business, the management team has implemented a series of internal key performance indicators ("KPIs") and KPI targets by

which the drive towards profitable operational growth can be measured. Michael Salazar will go into greater details on the targets for each of the KPIs listed below.

1. Domains under management – an industry-wide, publicly-available measure by which to initially track growth;
2. Premium names annual sales growth – to measure the efforts of our sales team;
3. Standard names annual sales growth – to understand the underlying popularity of our gTLDs;
4. Average life per domain registration – to understand the lifetime value of a customer and hence the cost-effectiveness of our sales & marketing; and
5. Operating Expenditures – to determine the costs of managing the business through evaluating overall expenditures.

These KPI's will also help the Board assess when we might introduce a progressive dividend policy or consider in due course any one-off dividend or share buy-back.

#### **Investment into operations**

As consumers begin to realize that there are other, more descriptive names available to them we are beginning to see significant growth in the new gTLD space. As Fred highlights, top-level domain names are growing at a 55% rate year to date in 2015 and are beginning to outpace .com. And with that growth come the opportunities for the top-level domains that we own which represent vertical markets - such as the law, wedding, fashion, and fitness industries - and more narrowly defined geographic regions such as in London and Bayern.

In terms of monetizing our domains, our view has been consistent. To significantly penetrate each of the vertical industries and geographic regions we need to have the right top level domains, the right services, infrastructure and teams as well as the right distribution and partner networks in place. 2014, and going into 2015, has been about investment and growth. As investors will see in our financials, we have made significant investments in our gTLD portfolio, engineering and sales & marketing teams to enable us to take advantage of opportunities and grow our business.

Over the past several months those investments have allowed us to start aligning our top-level domains with recognized brand names such as Quiksilver for .surf, The Arnold Sports Festival, which is associated with Arnold Schwarzenegger, for .fit, Bauer Media for .fishing, and so on. We have also been able to position teams to work with well-known operators such as Lou Andreozzi and his team on .law. Our registrar infrastructure and partnership with Lou has successfully led Minds + Machines to get in front of major players within the law industry such as the Legal Marketing Association which reaches the US and 15 other countries and has members representing more than 80% of the largest 250 US law firms. And more opportunities such as the above are in the pipeline across a number of our top-level domains.

As part of this, we firmly believe that our investment to build our registry and registrar capabilities has and will continue to provide an excellent return on investment for our shareholders and us. However, that being said, we also are continually looking at ways to be more efficient in operations and manage costs. For example, the market insights being provided via our registrar are allowing the group to drive down customer acquisition costs, mobilise our premium pricing strategy, and put into operation affiliate programs that allow us to make deals in vertical markets such as with .law. Further, we have created this registrar not to replicate or compete with the primary distribution channel - the mainstream registrars – which is a low margin and typically expensive business, but rather to have the tools to open up new distribution channels through selected affiliates and resellers.

Our primary focus therefore continues to be as a leading registry-focused business and where necessary using our reserves to increase the size of our gTLD portfolio – whether through the private auction process or through the consolidation activity that is starting to occur in the sector – and to make available products and services to grow our Company.

On this point I am also pleased to report that the integration of the Mozart web design tool into our registrar operations has now been completed with a soft launch scheduled for 29 May.

Once again, we've transitioned from an investment to an operating company, built our technical infrastructure, and launched many of our TLDs. 2014 was a very good year and I look forward to keeping Minds + Machines at the forefront of this exciting industry.



Antony Van Couvering  
Chief Executive Officer

24 May 2015

## CHIEF FINANCIAL OFFICER'S FINANCIAL REVIEW

2014 has been a year of investment and growth for the Company. We successfully launched 10 Top Level Domains (TLDs) during the year including blue-chip TLDs such as .london and .bayern. To date we have over 177,000 registrations and based on our calculations, we are confident in saying that .london was one of the most successful launches from a gross revenue perspective.

We have also been able to effectively grow our gTLD portfolio via the private auction process. In doing so we have secured some highly valued TLDs such as .yoga and .fashion while making a handsome profit and being well placed with cash reserves for potential future investment opportunities including those via the auction process.

We have invested in each of our services this year:

- the registry business by adding new gTLDs to our portfolio as well as developing our Premium name product - which we view as a core component of future revenue;
- the registry service provider business by improving our back end platform and adding other services with a view towards building this revenue stream by securing the back end services for other registries; and
- the registrar, which helps us to reach certain consumers directly, sell premium names, manage our affiliate program, and build overall awareness of our TLDs via our growing list of well known pioneers.

### 2014 Financial Highlights

	FY 2014 <sup>(2)</sup>	FY 2013 <sup>(3)</sup>	Percentage change
	\$'000	\$'000	
Cash revenue <sup>(1)</sup>	5,028	56	8,879%
Of which accounted for as revenue <sup>(4)</sup>	1,922	56	3,332%
Administrative expenses-fixed and variable	(13,477)	(5,189)	160%
Royalties and Guaranteed Revenue Payments <sup>(6)</sup>	(3,574)	-	N/a
Total profit <sup>(4)</sup>	22,059	1,214	1,717%
Intangible assets <sup>(4)</sup>	40,597	2,560	1,486%
Other Long Term Assets <sup>(4)</sup>	5,982	14,350	(58%)
Cash & Cash Equivalents <sup>(4)</sup>	45,796	14,884	208%
Net Assets <sup>(4)</sup>	94,685	39,294	141%
Basic earnings per share <sup>(4)</sup>	2.73 cents	0.21 cents	1,200%
Diluted earnings per share <sup>(4)</sup>	2.67 cents	0.20 cents	1,235%

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

(2) Year ended 31 December 2014

(3) Year ended 31 December 2013

(4) As stated in the financial statements

(5) The Company's reporting currency has been changed to USD and 2013 results have been restated accordingly

(6) Includes \$3,297 prepaid in a prior period and previously reflected as current assets

In 2014 we have a total profit of \$22.1 million, which is a significant improvement over the preceding year where total profit was \$1.2 million. The total profit was primarily a result from participating in private auctions, which resulted in gross receipts of \$37.5 million. As a result of adding new top-level domains to our portfolio intangible assets increased in 2014 to \$40.6 million.

Cash revenues from operations (i.e., the sale of domain names) increased to \$5 million in 2014 from \$56k in 2013. Cash revenues from operations were primarily driven from the registry and RSP sales, which began in September 2014.

Reflecting the transition to an operating business - including the launch of 10 top-level domains and investment in our service lines in total - administrative expenses increased to \$13.5 million in 2014 (2013: \$5.2 million). The majority of this increase is related to increased staffing and marketing expenses. Operating costs and marketing are constantly being evaluated and managed so as to evaluate our return on investment with a view to breaking even on a month-to-month basis in 2016. We also incurred royalty and guaranteed payments of \$3.6 million as a result of contractual obligations with certain geographic TLDs. \$3.3 million was paid in a prior period and was reflected as a current asset.

Cash reserves increased to \$45.8 million in 2014, up from \$14.9 million in 2013. Net cash outflow from operating activities amounted to \$11.5 million (2013: \$2.9 million). The change in cash reserves and cash fluctuations throughout the year primarily relates to private auction participation and an equity raise (\$34.8 million) in January 2014. In 2015 our cash reserves have increased to \$48 million as at 30 April 2015 as a result of a private auction proceeds and collections of registry billings. Our current cash reserves allow us to participate in upcoming auctions

as well providing us with the opportunity to evaluate future potential acquisitions as the domain industry begins to consolidate, which we have already seen begin this year.

#### **Key Performance Indicators**

As Antony has pointed out, we track several Key Performance Indicators (KPI) against set KPI targets to help the Board and management evaluate the performance of our overall business and each business line.

#### **Domains Under Management:**

This is widely-available public information and is one component that helps us measure the success of our portfolio of top-level domains. We have set a target rate of 3% to 5% of total new gTLD registration over the next 2 years (i.e., 2015 and 2016).

At the end of 2014 our Domains Under Management was 108,000. This figure is net of registrar domains as many of these reflect registrations in the Company's domains and would therefore be double-counted. Since Q1 2014 5.7 million domains have been registered in new gTLDs. Since September 2014, MMX's portfolio has 177,000 registrations, which accounts for 3% of the total market.

#### **Premium Name Sales Growth:**

We have invested in the building of our premium name portfolio and are investing in building a dedicated sales team to sell those premium names. Beginning this year we will evaluate two key components to determine the success of our Premium names with KPI targets set for 2015 and 2016:

- Total Premium Names sold each year – we anticipate a 1.75 to 2.5 times target growth rate in 2015 and 2016. (2014: 6k).
- Average Revenue Per Premium Name – the target KPI range for premium annual revenues per name has been set at \$200 to \$225. (2014 average: \$184).

#### **Standard Name Sales Growth:**

This measures the underlying popularity of each individual top-level domain and the success of our registrar channel sales team. We evaluate two key components with KPI targets set for each covering the next 2 years (i.e., 2015 and 2016):

- Total Standard Names sold each year – we anticipate a 1.5 to 2 times target growth rate each year for the next 2 years. (2014: 102k).
- Average Revenue Per Year Per Standard Name – we anticipate an average range of \$15 to \$22 per standard name registration. (2014: \$28).

#### **Average Life per Domain Name:**

This establishes the lifetime value of a registration and hence the effectiveness of our operational costs including sales & marketing spend. As we have not yet entered a renewal period for our 2014 registrations we do not have a number to report at this time. However, based on industry renewal rates a KPI target range for average registration life of 2.25 years to 4 years per domain name has been set.

#### **Operating Expenditures:**

We continually evaluate our overall investment which includes our operating expenditures by ensuring we have the appropriate mix of personnel, systems, and processes in place to support our business lines. 2014 numbers reflect a full year of operations as we readied for the launch of our top-level domains. In 2014 operating expenditures amounted to \$13.5M. Our target is to cover operating expenditures from cash sales on a monthly basis beginning in 2016 while looking to keep them broadly in line with 2014 numbers in 2015.

#### **Looking Ahead**

We still have several new top-level domains to launch such as .law, .abogado, .miami and others and are excited about the potential revenues these domains will bring later this year. Accordingly, we expect to see our revenues to continue to have positive growth and we expect a majority of our 2015 revenue to come in the second half of 2015 as we: launch those TLDs; we begin to see renewal registrations from our top-level domains launched late in 2014; and our sales teams ramp up and begin selling premium names. We also expect to see additional revenue from one-off private auctions and the equivalent, which will help to maintain the Group's overall cash position for 2015.

The results of these activities will also provide the Board some of the information necessary to assess our long-term cash needs with a view of potentially introducing a progressive dividend policy or consider in due course any one-off dividend or share buy-back. We will of course balance this view with potential opportunities to build our gTLD portfolio and rollout revenue producing products in an efficient and effective manner.



The Company's progress in 2014 and so far in 2015 has placed the Group in a financial highly secure position going forward.

A handwritten signature in black ink, appearing to read 'MS', with a long horizontal line extending to the right.

Michael Salazar  
Chief Financial Officer  
24 May 2015

# Summary Information

## About Us

MMX is a publicly traded company on the AIM market of the London Stock Exchange (ticker: MMX).

MMX is a major owner of generic top-level domains ("gTLDs") and continues to be involved in the gTLD application process.

The Group participates in and provides services for many other facets of the domain name industry, from registry ownerships and operations to consumer sales and provides a complete suite of registry service provider ("RSP") services for gTLD registries.

## Strategic Report

### To the members of Minds + Machines Group Limited

#### Cautionary statement

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

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

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

## Review of the Group's Business

### The Business Model

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

The Group currently has an interest in 34 uncontested generic top-level domains (gTLDs) and has interest in applications for a further 11 contested gTLDs (of which 8 are wholly- or majority-owned). Of the 34 uncontested generic top-level domains the Group:

- Wholly-owns, or majority owns, 20 uncontested gTLDs of which 14 have been launched to date;
- Owns and/or operates 5 geographic gTLDs from which it shares revenues with the relevant government, 3 of which have been launched to date;
- Is partnering on a further 4 uncontested gTLDs of which 1 has so far been launched; and
- Is the back-end registry service provider for a further 5 clients, of which 2 have launched to date.

In total, 20 of the 34 uncontested domains in which the Group has a commercial interest have entered General Availability and have received over 177,000 registrations.

#### *Registry Business*

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

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

The Company expects that the average wholesale price of a second-level domain name in the gTLDs in which it has an interest will typically range between US\$15 to US\$22 for standard domain names and a much higher range for premium names. Renewal fees are typically equal to initial registration fees, depending on market conditions.

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

All premium names are priced in one of eight tiers, which range from Tier 1 at \$50 to Tier 8, which is "call us". These tiers reflect annual registration rates so that if a name is sold in Tier 1 (\$50) it will renew at the same rate. The registry will typically take 80% of Tier price with the registrar taking the remaining 20% plus their respective mark up.

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

#### *Registry Services Provider*

Registry service providers ("RSP(s)") provide the technological infrastructure (e.g., software, equipment and bandwidth) and services required to operate a TLD at the performance and security levels required by ICANN. Many new gTLD applicants have chosen to outsource the technological operations of their gTLD to RSPs, either because they do not have the technological know-how, do not want to incur the costs of building and operating their own registry, believe that outsourcing is more cost-effective, or for a combination of the foregoing reasons. RSPs typically receive a yearly per-domain-name fee for each domain name sold or renewed by a client Registry, with the yearly per-name fee often being scaled to the number of domain names the client Registry sells.

The Minds + Machines Group provides RSP services to its external new gTLD clients as well as for its own new gTLDs. Minds + Machines Group's RSP third-party clients typically pay the greater of a minimum annual fee and/or a per domain name fee for standard registrations, an additional fee for premium names, as well as other services. The average per-domain name fee for RSP services varies according to volume but typically will be between \$.75 per name to \$5 per name.

#### *Registrar Business*

A gTLD Registrar, which sells domain names to consumers, must be accredited by ICANN and enter into a contract with a Registry to be able to add (i.e., sell), delete, or update a domain name in a Registry's database. A Registrar pays a Registry a wholesale priced annual fee, set by the Registry, for each domain name sold by that Registrar, as well as a yearly per domain name administration fee to ICANN. Registrars typically compete on the basis of price and additional value-added services, such as email, website design, e-commerce tools and web hosting.

The largest Registrars (e.g. GoDaddy.com, 1&1, and HostEurope) typically sell domain names and services to a wide range of consumers.

The Group's own Registrar provides a complementary additional distribution channel that is designed primarily to support the Group's own gTLD portfolio through a range of targeted initiatives, rather than replicate the sales channel provided by existing Registrars. In particular, Minds + Machines' Registrar is currently:

- Securing pioneers and key partners able to generate awareness and enable penetration into key vertical markets that relate to Minds + Machines' portfolio of gTLDs;
- Providing online affiliate programmes for dedicated marketing partners that operate in given sectors, 20 of which have now been signed;
- Selling premium domain names to targeted audiences; and
- Providing additional consumer services that facilitate consumer adoption and usage of new domain addresses bought within Minds + Machines' portfolio of domains.

The Registrar also provides the Group with a direct billing relationship with consumers, which enables it to understand consumer buying patterns, test and refine marketing programs, and determine additional services to promote the adoption and renewal of domain addresses within Minds + Machines' portfolio across all its registrar distribution channels.

The Company is also currently undertaking final testing of a website building tool as well as other consumer services for integration into its Registrar operations – including email and privacy tools.

The Group's registrar will primarily drive revenue for its own gTLD portfolio and will have average mark up of 5% to 25% of the wholesale price from its registry.

## Future developments, strategy and objectives

Please see the Executive Statements

## Key performance indicators

The performance of the business is assessed against KPIs that are aligned to the strategic and operational goals of the business. These KPIs are monitored on a continuous basis and allow us to prioritise operational objectives and measure progress against the business's strategy. Please refer to the Chief Financial Officers Statement for an assessment of the Group's KPIs.

## Principal risks and uncertainties

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

### **The new gTLD launch is vulnerable to delays or amendment**

The regulation of the Internet and therefore the timing and conditions attached to the delegation and launch of the new gTLDs is delegated to the Internet Corporation for Assigned Names and Numbers, 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. ICANN's decision making is determined in a consensual manner which provides different commercial and technical interest groups, as well as government representatives through the Government Advisory Council, the opportunity to seek to amend or delay the roll-out of new gTLDs. There can be no guarantee therefore that unforeseen objections raised by one or more interest groups will not result in delaying the delegation and commercial launch by gTLD applicants of the new gTLDs. In such circumstances the commercial interests of the Group may be adversely affected and some or all gTLD applications or supporting technical services by registry operators may be either uneconomic or impractical. Furthermore the launch of new gTLDs may be delayed for an indeterminate time until the ICANN community resolves any such disputes in a way than enables the gTLD programme to be implemented. Any such delay is likely to adversely affect the timing of the Company's revenues.

The Group spends considerable time participating in ICANN's process and in other groups that influence and shape the gTLD program to help ensure its continued progression towards rolling out new gTLDs.

### **Requirement to finalise documentation in respect of gTLDs prior to formal launch**

The Group has executed binding agreements with a number of clients and partners, including for example the relevant Government counter-party for each of .London, .NRW and .Bayern, setting out the terms of the registry services to be provided by the Company, and the revenue share entitlements of the respective parties as appropriate. The Group has entered into a number of further agreements, heads of terms or other memoranda of understanding with a number of partners and or clients which may necessitate further formal documentation prior to formal launch of the relevant gTLD and delegation into the Root Zone. If for any reason the parties cannot conclude any such further binding agreements required in due course, the Group's proposed launch of these further gTLDs could be adversely affected.

The Group spends considerable resources in ensuring the satisfactory conclusion of such matters.

### **The market for gTLDs is uncertain and the Group may fail to attract sufficient new customers**

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

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

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

As a registry, the Group is dependent on the performance of its Espresso software registry system and underlying databases, together with its back-up systems and disaster recovery plans, to ensure that critical registry functions are available to end users, registrars and other parties that must have access to those functions in the event any circumstance arises that materially impacts the operation of the primary registry system. The integrity, reliability and operational performance of the Group's IT systems are therefore critical to the Group's operations. The Group's IT systems may be damaged or interrupted by increases in usage, human error, unauthorised access, natural hazards or disasters or similarly disruptive events. Furthermore, Group's current systems may be unable to support a significant increase in online traffic or increased customer numbers, whether as a result of organic or inorganic growth of the business. Any failure of the Group's IT infrastructure or the telecommunications and/or other third party infrastructure on which such infrastructure relies could lead to significant costs and disruptions

that could reduce revenue, harm the Company's business reputation and have a material adverse effect on the operations, financial performance and prospects of the Group. The Group has in place business continuity procedures, disaster recovery systems and security measures to protect against network or IT failure or disruption. However, those procedures and measures may not be effective to ensure that the Group is able to carry on its business in the ordinary course if they fail or are disrupted, and they may not ensure the Group can anticipate, prevent or mitigate a material adverse effect on the Group's operations, financial performance and prospects resulting from such failure or disruption. In addition, the Group's controls may not be effective in detecting any intrusion or other security breaches, or safeguarding against sabotage, hackers, viruses and cybercrime.

The Group has spent and continues to spend in ensuring that its technology and advanced information systems are performing as expected and can support growth of the business.

#### **Dependence on key personnel**

The Group has a small management team and the loss of any key individual or the inability to attract appropriate personnel could adversely impact upon the Group's future performance.

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

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

The Group relies on hardware purchased or leased from third parties suppliers in order to provide its registry, registrar and RSP services which, if faulty and thereby causes errors or a service failure, could adversely affect the Group's operating results or harm its reputation. Furthermore, the Group has key contractual relationships with a number of third parties including suppliers, partners, banks and payment processors. In particular, the Group relies on key suppliers in order to carry on its operations including, but not limited to, DNS services, co-location facilities, DDoS migration services, security vulnerability assessment services, site and data escrow. The failure of one or more of these third parties may have an adverse impact on the financial and operational performance of the Group. Similarly, the failure of one or more of these third parties to fulfill its obligations to the Group for any other reason may also cause significant disruption and have a material adverse effect on its operations, financial performance and prospects.

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

### **Going concern basis**

The Group's forecasts and projections, taking account of the gTLD program being managed by ICANN (see Chairman's statement), show that the Group should be able to operate within the level of its current funding. At the year-end, the Group had \$45.8 million held as cash and cash equivalents (excluding letters of credits required by ICANN).

The Group will use these resources to both fund operations and to secure additional gTLD assets.

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

### **Approval**

This report was approved by the board of directors on 24 May 2015 and signed on its behalf by:



Antony Van Couvering  
Chief Executive Officer

Date: 24 May 2015

## Directors' Report

The directors present their annual report on the affairs of the group, together with the financial statements and auditor's report, for the year ended 31 December 2014. The Corporate Governance Statement set out on pages 16 to 18 forms part of this report.

Details of significant events since the balance sheet date are contained in note 30 to the financial statements. An indication of likely future developments in the business of the company and details of research and development activities are included in the Strategic Report.

Information about the use of financial instruments by the company and its subsidiaries is given in note 25 to the financial statements.

## Dividends

The Directors do not recommend payment of a dividend (2013: nil).

## Capital Structure

Details of the issued share capital, together with details of the movement in the company's issued share capital during the year are shown in note 23. The company has one class of ordinary shares, which carry no right to fixed income. Each share carries the right to one vote at general meetings of the company.

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

Details of employee share schemes are set out in note 24.

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

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

## Directors

The Directors who served during the period are set out below:

Director	Date of Appointment	Date of Resignation
<b>Executive Directors</b>		
Frederick Krueger (Chairman)		
Antony Van Couvering (CEO)		
Michael Salazar (CFO)		
Caspar Veltheim		
<b>Non-Executive Directors</b>		
Guy Elliot		4 March 2014
Keith Teare		
Elliot Noss	4 March 2014	

## Directors' Remuneration

The Company remunerates the Directors at a level commensurate with the size of the Company and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue. Details of the Director emoluments and payments made for professional services rendered are set out in Note 8 to the financial statements.

## Directors' Interests

The total beneficial interests of the serving Directors in the shares and options of the Company during the period to 31 December 2014 were as follows:

Director	31 December 2014		31 December 2013	
	Shares	Options*	Shares	Options*
Frederick Krueger	128,481,604	5,000,000	128,331,604	10,000,000
Antony Van Couvering	898,674	12,500,000	160,375	22,126,347
Michael Salazar	1,210,375	1,250,000	910,375	1,250,000
Caspar Veltheim	854,613	312,500	504,613	662,500
Guy Elliott	N/A	N/A	35,186,350	3,000,000
Keith Teare	-	-	-	300,000
Elliott Noss	-	-	-	-

\* The option details have been fully disclosed in Note 24 to the financial statements.

## Directors' Indemnities

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

## Corporate Governance

A statement on Corporate Governance is set out on pages 16 to 18.

## Environmental Responsibility

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

## Employment Policies

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

## Health and Safety

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

## Annual General Meeting ("AGM")

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

## Statement of disclosure of information to auditor

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

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

## Auditor

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

## Statement of Directors' Responsibilities

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

The directors are required to prepare financial statements for each financial year. The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the group and company and of the profit or loss of the group and company for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether IFRS has been followed, subject to any material departures disclosed and explained in the financial statements;
- provide additional disclosures when compliance with specific requirements in IFRS is insufficient to enable users to understand the impact of particular transactions, and other events and conditions on the Group and Company's financial position and financial performance; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business

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

## Electronic communication

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

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

By order of Board:



**Antony Van Couvering**  
Chief Executive Officer  
Date: 24 May 2015



# Corporate Governance Statement

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

## Board of Directors

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

## Board Meetings

The Board meets regularly throughout the year. For the year ended 31 December 2014 the Board met nine times in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

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

## Board Committees

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

### Audit Committee

The Audit Committee considers the Group's financial reporting (including accounting policies) and internal financial controls. The Audit Committee comprises one Executive Director and one Non-Executive Director, Frederick Krueger (Chairman of the Audit Committee) and Keith Teare. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

### Remuneration Committee

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

## Internal controls

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

## Risk Management

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

## Risks and uncertainties

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

### Business risk

- The new gTLD launches are vulnerable to delays or amendment;
- The market for gTLDs is uncertain and the Group may fail to attract significant new customers;
- The Group depends on technology and advanced information systems, which may fail or be subject to disruption;
- Dependence on key personnel; and
- The Group depends on a number of third parties for the operation of its business.

### General and economic risks

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

### Funding risk

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

### Content risk

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

### Intellectual property

- Monitoring and defending the Company's intellectual rights can entail substantial costs with no certainty of outcome. The Company relies on its rights in intellectual property and other rights such as confidentiality, and there is a risk of their infringement, which may have a material adverse effect on the Company's business, operation and/or financial condition. The Company's ability to ensure adequate protection for its intellectual property rights may be limited and it is possible that the Company's competitors may independently develop similar technology, which could encroach upon the Company's operations.
- The Company may also become subject to claims from third parties for infringement of their intellectual property rights. Such claims (meritorious or otherwise) may be costly and time consuming, and if any action against the Company is successful it may result in the Company being required to cease certain activities, alter its technology, or enter into royalty or licensing agreements, which may or may not be available on terms acceptable to the Company.

### Market risk

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

### Key personnel

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

## Treasury Policy

The Group finances its operations through equity and holds its cash as a liquid resource to fund the obligations of the Group. The Board approves decisions regarding the management of these assets. Refer Note 25.

## **Securities Trading**

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

## **Relations with Shareholders**

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

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

We have audited the financial statements of Minds + Machines Group Limited for the year ended 31 December 2014 which comprise the Group and Company Statements of Comprehensive Income, Group and Company Statements of Financial Position, Group and Company Cash Flow Statements, the Group and Company Statements of Changes in Equity and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

### **Respective responsibilities of directors and auditor**

As explained more fully in the Directors' Responsibilities Statement set out on page 15, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors. This report is made solely to the company's members, as a body. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body for our audit work, for this report, or for the opinions we have formed.

### **Scope of the audit of the financial statements**

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

### **Opinion on the financial statements**

In our opinion:

- the financial statements give a true and fair view of the state of the group's and of the parent company's affairs as at 31 December 2014 and of the group's and the parent company's profit for the year then ended; and
- the financial statements have been properly prepared in accordance with IFRSs.

*Mazars LLP*

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

Date: *25 May 2015*

## Group Statement of Comprehensive Income for the year ended 31 December 2014

		Year Ended 31 December 2014 \$ 000's	(Restated) Year Ended 31 December 2013 \$ 000's
	Notes		
Revenue	2	1,922	56
Cost of sales	3	(4,659)	-
<b>Gross (loss) / profit</b>		<b>(2,737)</b>	<b>56</b>
Depreciation and amortisation charge	16	(496)	(31)
Fixed administrative expenses	4a	(8,584)	(2,684)
Variable administrative expenses	4b	(5,170)	(2,505)
Foreign exchange (loss) / gain	6	(1,427)	333
Profit on disposal of intangible assets	15	7,048	-
Profit on gTLD auctions	19	33,721	6,440
Loss on withdrawal of gTLD applications	19	(296)	(395)
<b>Group operating profit</b>	2	<b>22,059</b>	<b>1,214</b>
Finance revenue	9	62	19
Finance costs	10	(76)	(23)
Profit on disposal of subsidiaries		21	-
Share of results of joint venture	18	(9)	(69)
<b>Profit before taxation</b>		<b>22,057</b>	<b>1,141</b>
Income tax expense	11	-	-
<b>Retained profit for the period</b>		<b>22,057</b>	<b>1,141</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences		543	81
<b>Other comprehensive income for the period net of taxation</b>		<b>543</b>	<b>81</b>
<b>Total comprehensive income for the period</b>		<b>22,600</b>	<b>1,222</b>
<b>Retained profit for the period attributable to:</b>			
Equity holders of the parent		22,287	1,249
Non-controlling interests		(230)	(108)
		<b>22,057</b>	<b>1,141</b>
<b>Total comprehensive income for the period attributable to:</b>			
Equity holders of the parent		22,795	1,337
Non-controlling interests		(195)	(115)
		<b>22,600</b>	<b>1,222</b>
<b>Earnings per share (cents)</b>			
<b>Basic</b>	13	<b>2.73</b>	<b>0.21</b>
<b>Diluted</b>	13	<b>2.67</b>	<b>0.20</b>

All operations are considered to be continuing.

The notes set out on pages 28 to 70 form an integral part of these financial statements.

## Company Statement of Comprehensive Income for the year ended 31 December 2014

		Year Ended 31 December 2014 \$ 000's	(Restated) Year Ended 31 December 2013 \$ 000's
	Notes		
Revenue		114	-
Cost of sales		(916)	-
<b>Gross loss</b>		<b>(802)</b>	<b>-</b>
Depreciation charge	16	(9)	-
Fixed administrative expenses	4a	(1,837)	(190)
Variable administrative expenses	4b	(1,854)	(1,301)
Foreign exchange (loss) / gain	6	(2,838)	179
Profit on disposal of intangible assets	15	7,048	-
Profit on gTLD auctions	19	33,721	6,440
Loss on withdrawal of gTLD applications	19	(296)	(395)
<b>Company operating profit</b>		<b>33,133</b>	<b>4,733</b>
Finance revenue	9	57	19
Loss on disposal of subsidiaries	17	(16)	-
<b>Profit before taxation</b>		<b>33,174</b>	<b>4,752</b>
Income tax expense	11	-	-
<b>Retained profit for the period</b>		<b>33,174</b>	<b>4,752</b>
<b>Other comprehensive income</b>			
<b>Items that may be reclassified subsequently to profit or loss:</b>			
Currency translation differences		-	-
<b>Other comprehensive income for the period net of taxation</b>		<b>-</b>	<b>-</b>
<b>Total comprehensive income for the period</b>		<b>33,174</b>	<b>4,752</b>

All operations are considered to be continuing.

The notes set out on pages 28 to 70 form an integral part of these financial statements.

## Group Statement of Financial Position as at 31 December 2014

	Note	31 December 2014 \$ 000's	(Restated) 31 December 2013 \$ 000's	(Restated) 31 December 2012 \$ 000's
<b>ASSETS</b>				
<b>Non-current assets</b>				
Goodwill	14	2,828	2,983	2,943
Intangible assets	15	40,597	2,560	184
Fixtures & equipment	16	871	831	55
Interest in joint ventures	18	833	842	700
Other-long term assets	19	5,982	14,350	16,774
<b>Total non-current assets</b>		<b>51,111</b>	<b>21,566</b>	<b>20,656</b>
<b>Current assets</b>				
Trade and other receivables	20	4,434	4,104	3,909
Cash and cash equivalents		45,796	14,884	3,751
<b>Total current assets</b>		<b>50,230</b>	<b>18,988</b>	<b>7,660</b>
<b>TOTAL ASSETS</b>		<b>101,341</b>	<b>40,554</b>	<b>28,316</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	21	(6,314)	(685)	(450)
Obligations under finance lease	22	(342)	(328)	-
<b>Total current liabilities</b>		<b>(6,656)</b>	<b>(1,013)</b>	<b>(450)</b>
<b>Non-current liabilities</b>				
Obligations under finance lease	22	-	(247)	-
<b>Total non-current liabilities</b>		<b>-</b>	<b>(247)</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>(6,656)</b>	<b>(1,260)</b>	<b>(450)</b>
<b>NET ASSETS</b>		<b>94,685</b>	<b>39,294</b>	<b>27,866</b>
<b>EQUITY</b>				
Share capital		-	-	-
Share premium	23	82,866	49,481	37,790
Shares to be issued		-	-	2,177
Foreign exchange reserve		707	199	111
Retained earnings		11,461	(10,232)	(12,173)
		95,034	39,448	27,905
Non-controlling interests		(349)	(154)	(39)
<b>TOTAL EQUITY</b>		<b>94,685</b>	<b>39,294</b>	<b>27,866</b>

The notes set out on pages 28 to 70 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 May 2015 and signed on its behalf by:

  
Antony Van Couvering  
Director

  
Michael Salazar  
Director

## Company Statement of Financial Position as at 31 December 2014

	Note	31 December 2014 \$ 000's	(Restated) 31 December 2013 \$ 000's	(Restated) 31 December 2012 \$ 000's
<b>ASSETS</b>				
<b>Non-current assets</b>				
Intangible assets	15	38,835	2,317	128
Investment in subsidiaries	17	3,548	3,550	3,547
Interest in joint ventures	18	911	911	702
Other-long term assets	19	5,982	14,350	16,774
Trade and other receivables		-	-	4,855
<b>Total non-current assets</b>		<b>49,276</b>	<b>21,128</b>	<b>26,006</b>
<b>Current assets</b>				
Trade and other receivables	20	39,384	14,195	3,373
Cash and cash equivalents		26,952	12,285	3,525
<b>Total current assets</b>		<b>66,336</b>	<b>26,480</b>	<b>6,898</b>
<b>TOTAL ASSETS</b>		<b>115,612</b>	<b>47,608</b>	<b>32,904</b>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	21	(2,201)	(162)	(416)
<b>TOTAL LIABILITIES</b>		<b>(2,201)</b>	<b>(162)</b>	<b>(416)</b>
<b>NET ASSETS</b>		<b>113,411</b>	<b>47,446</b>	<b>32,488</b>
<b>EQUITY</b>				
Share capital		-	-	-
Share premium		82,866	49,481	37,790
Shares to be issued		-	-	2,177
Retained earnings		30,545	(2,035)	(7,479)
<b>TOTAL EQUITY</b>		<b>113,411</b>	<b>47,446</b>	<b>32,488</b>

The notes set out on pages 28 to 70 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 24 May 2015 and signed on its behalf by:



Antony Van Couvering  
Director



Michael Salazar  
Director



## Group Cash Flow Statement for the year ended 31 December 2014

	Note	Year ended 31 December 2014	(Restated) Year ended 31 December 2013
		\$ 000's	\$ 000's
<b>Cash flows from operating activities</b>			
Operating profit		22,059	1,214
Decrease in trade and other receivables including long term receivables		1,383	1,816
Increase in trade and other payables		5,631	234
Depreciation & amortisation charge	5	496	31
Profit on the sale of intangible assets		(7,048)	-
Profit on gTLD auctions		(33,721)	(6,440)
Loss on withdrawal of gTLD applications		296	395
Share options expensed	23	612	692
Foreign exchange gain		(1,163)	(794)
<b>Net cash flow used in operating activities</b>		<b>(11,455)</b>	<b>(2,852)</b>
<b>Cash flows from investing activities</b>			
Interest received	9	62	19
Interest paid		(76)	-
Amounts transferred from restricted cash		411	259
Payments to acquire intangible assets		(45,975)	(2,277)
Receipts from the disposal of intangible assets		16,944	-
Payments to acquire fixtures & equipment		(398)	(89)
Amounts received in gTLD auctions		37,493	6,919
Investment in interest in joint ventures		-	(210)
<b>Net cash flow from investing activities</b>		<b>8,461</b>	<b>4,621</b>
<b>Cash flows from financing activities</b>			
Repayments of obligations under finance lease		(363)	(157)
Issue of ordinary shares	23	35,678	10,112
Share issue costs	23	(2,293)	(598)
<b>Net cash flow from financing activities</b>		<b>33,022</b>	<b>9,357</b>
<b>Net increase in cash and cash equivalents</b>		<b>30,028</b>	<b>11,126</b>
Cash and cash equivalents at beginning of period		14,884	3,751
Exchange gain on cash and cash equivalents		884	7
<b>Cash and cash equivalents at end of period</b>		<b>45,796</b>	<b>14,884</b>

The notes set out on pages 28 to 70 form an integral part of these financial statements.

## Company Cash Flow Statement for the year ended 31 December 2014

	Note	Year ended 31 December 2014	(Restated) Year ended 31 December 2013
		\$ 000's	\$ 000's
<b>Cash flows from operating activities</b>			
Operating profit		33,133	4,733
Increase in trade and other receivables including long term receivables		(26,949)	(3,877)
Increase / (decrease) in trade and other payables		2,041	(254)
Depreciation charge	5	9	-
Profit on the sale of intangible assets		(7,048)	-
Profit on gTLD auctions		(33,721)	(6,440)
Loss on withdrawal of gTLD applications		296	395
Share options expensed	23	612	692
Foreign exchange gain / (loss)		2,330	(805)
<b>Net cash flow used in operating activities</b>		<b>(29,297)</b>	<b>(5,556)</b>
<b>Cash flows from investing activities</b>			
Interest received	9	57	19
Amounts transferred from restricted cash		411	259
Payments to acquire intangible assets		(44,326)	(2,188)
Receipts from the disposal of intangible assets		16,944	-
Amounts received in gTLD auctions		37,493	6,919
Acquisition of investment in joint venture		-	(210)
<b>Net cash flow from investing activities</b>		<b>10,579</b>	<b>4,799</b>
<b>Cash flows from financing activities</b>			
Issue of ordinary shares	23	35,678	10,112
Share issue costs	23	(2,293)	(598)
<b>Net cash flow from financing activities</b>		<b>33,385</b>	<b>9,514</b>
<b>Net increase in cash and cash equivalents</b>		<b>14,667</b>	<b>8,757</b>
Cash and cash equivalents at beginning of period		12,285	3,525
Exchange gain on cash and cash equivalents		-	3
<b>Cash and cash equivalents at end of period</b>		<b>26,952</b>	<b>12,285</b>

The notes set out on pages 28 to 70 form an integral part of these financial statements.

## Group Statement of Changes in Equity for the year ended 31 December 2014

Group	Share capital	Share premium reserve	Shares to be issued	Foreign currency translation reserve	Retained earnings	Total	Non-controlling interest	Restated Total equity
	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<b>As at 1 January 2013</b>	-	37,790	2,177	111	(12,173)	27,905	(39)	27,866
Profit for the period	-	-	-	-	1,249	1,249	(108)	1,141
Currency translation differences	-	-	-	88	-	88	(7)	81
<b>Total comprehensive income</b>	-	-	-	88	1,249	1,337	(115)	1,222
Share capital to be issued	-	2,177	(2,177)	-	-	-	-	-
Share capital issued	-	10,000	-	-	-	10,000	-	10,000
Share options & warrants exercised	-	112	-	-	-	112	-	112
Cost of share issue	-	(598)	-	-	-	(598)	-	(598)
Share-based payments	-	-	-	-	692	692	-	692
<b>As at 31 December 2013 (Restated)</b>	-	49,481	-	199	(10,232)	39,448	(154)	39,294
Profit for the year	-	-	-	-	22,287	22,287	(230)	22,057
Currency translation differences	-	-	-	508	-	508	35	543
<b>Total comprehensive income</b>	-	-	-	508	22,287	22,795	(195)	22,600
Share capital issued	-	34,801	-	-	-	34,801	-	34,801
Share options & warrants exercised	-	877	-	-	-	877	-	877
Cost of share issue	-	(2,293)	-	-	-	(2,293)	-	(2,293)
Share based payments expense	-	-	-	-	114	114	-	114
Share-based payments (repurchase of vested equity instruments)	-	-	-	-	(708)	(708)	-	(708)
<b>As at 31 December 2014</b>	-	82,866	-	707	11,461	95,034	(349)	94,685

The notes set out on pages 28 to 70 form an integral part of these financial statements.

## Company Statement of Changes in Equity for the year ended 31 December 2014

	Share capital	Share premium reserve	Shares to be issued	Retained earnings	Total
Company	\$ 000's	\$ 000's	\$ 000's	\$ 000's	\$ 000's
<b>As at 1 January 2013</b>	-	37,790	2,177	(7,479)	32,488
Profit for the period	-	-	-	4,752	4,752
<b>Total comprehensive income</b>	-	-	-	4,752	4,752
Share capital to be issued	-	2,177	(2,177)	-	-
Share capital issued	-	10,000	-	-	10,000
Share options & warrants exercised	-	112	-	-	112
Cost of share issue	-	(598)	-	-	(598)
Share-based payments	-	-	-	692	692
<b>As at 31 December 2013 (Restated)</b>	-	49,481	-	(2,035)	47,446
Profit for the year	-	-	-	33,174	33,174
<b>Total comprehensive income</b>	-	-	-	-	-
Share capital issued	-	34,801	-	-	34,801
Share options & warrants exercised	-	877	-	-	877
Cost of share issue	-	(2,293)	-	-	(2,293)
Share-based payments expense	-	-	-	114	114
Share based payments (repurchase of vested equity instruments)	-	-	-	(708)	(708)
<b>As at 31 December 2014</b>	-	82,866	-	30,545	113,411

The notes set out on pages 28 to 70 form an integral part of these financial statements.

# Notes to Financial Statements for the year ended 31 December 2014

## 1 Summary of Significant Accounting Policies

### (a) General information

Minds + Machines Group Limited is a company is registered in the British Virgin Islands under the BVI Business Companies Act 2004 with registered number 1412814. The Company's ordinary shares are traded on the AIM market operated by the London Stock Exchange. The nature of the group's operations and its principal activities are set out in note 2 and in the Strategic Report on page 9.

These financial statements are presented in US Dollars and represent a change from the previous reporting period presented in Pounds Sterling (note 1k).

Foreign operations are included in accordance with the policies set out in note 1k.

### (b) Statement of compliance with IFRS

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

#### Adoption of new and revised standards

In the current year, the following new and revised Standards and Interpretations have been adopted.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities	The Group has applied the amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities for the first time in the current year. The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.
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To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

As the company is not an investment entity (assessed based on the criteria set out in IFRS 10 as at 1 January 2014), the application of the amendments has had no impact on the disclosures or the amounts recognised in the Group's consolidated financial statements.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities	The Group has applied the amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities for the first time in the current year. The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneously realisation and settlement'.
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The amendments have been applied retrospectively. As the Group does not have any financial assets and financial liabilities that qualify for offset, the application of the amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

## Notes to Financial Statements for the year ended 31 December 2014

**Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets** The Group has applied the amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets for the first time in the current year. The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-generating unit (CGU) to which goodwill or other intangible assets indefinite useful lives had been allocated where there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less cost of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurement.

The application of these amendments has had no material impact on the disclosures in the Group's consolidated financial statements.

**Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting** The Group has applied the amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting for the first time in the current year. The amendments to IAS 39 provide relief from the requirements to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

The amendments have been applied retrospectively. As the Group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

**IFRIC 21** The Group has applied IFRIC 21 Levies for the first time in the current year. IFRIC 21 addresses the issue as to when to recognise a liability to pay a levy imposed by a government. The interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The interpretation provides guidance on how different arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period.

IFRIC 21 has been applied retrospectively. The application of this Interpretation has had no material impact on the disclosures or on the amounts recognised in the Group's consolidated financial statements.

### Future changes in accounting policies

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

IFRS 9	Financial Instruments (effective for period beginning 1 January 2018)
IFRS 15	Revenue from Contracts with Customers (effective for periods beginning 1 January 2017)
Amendments to IFRS 11	Accounting for Acquisitions of Interests in Joint Operations (effective for periods beginning 1 January 2016)
Amendments to IAS 16 and IAS 38	Clarification of Acceptable Methods of Depreciation and Amortisation (effective for periods beginning 1 January 2016)
Amendments to IAS 16 and IAS 41	Agriculture: Bearer Plants (effective for periods beginning 1 January 2016)
Amendments to IAS 19	Defined Benefit Plans: Employee Contributions (effective for periods beginning 1 July 2014)
Amendments to IAS 27	Separate Financial Statements: Reinstating the equity method as an accounting option for investments in subsidiaries, joint ventures and associates in an entity's separate financial statements (effective for periods beginning 1 January 2016)
Amendments to IFRSs	Annual Improvements to IFRSs 2010 – 2012 Cycle (effective periods beginning 1 July 2014)
Amendments to IFRSs	Annual Improvements to IFRSs 2011 – 2013 Cycle (effective periods beginning 1 July 2014)
Amendments to IFRSs	Annual Improvements to IFRSs 2012 – 2014 Cycle (effective period beginning 1 January 2016)

## Notes to Financial Statements for the year ended 31 December 2014

The directors do not expect that the adoption of the Standards and Interpretations listed above will have a material impact on the financial statements of the Group in future periods, except that IFRS 9 will impact both the measurement and disclosure of Financial Instruments.

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

### (c) Basis of accounting

The consolidated financial statements have been prepared on the historical cost basis, except for the revaluation of certain financial instruments that are measured at re-valued amounts or fair value at the end of each reporting period, as explained in the accounting policies.

### (d) Basis of consolidation

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

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

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

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

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

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

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

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

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

## Notes to Financial Statements for the year ended 31 December 2014

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

### (e) **Going concern**

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on page 9.

### (f) **Business combinations**

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

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

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

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

### (g) **Joint Ventures**

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

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

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

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



## Notes to Financial Statements for the year ended 31 December 2014

### (h) Goodwill

Goodwill is initially recognised and measured as set out above.

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

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

### (i) Leases (the group as a lessee)

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

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

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

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

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

### (j) Revenue Recognition

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

#### *Registry revenue*

Registry revenues primarily arise from fixed fees charged to registrars for the initial registration or renewal of domain names. Revenues from the initial registration or renewal are deferred and recognised over the registration term (generally one year and up to ten years). Fees for renewals (including early renewals) are deferred until the new incremental period commences. These fees are then recognised over the renewal term.

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

Revenue is generated by providing RSP and consultancy services over a period of time. Fees for these services are deferred and/or accrued and recognised as performance occurs.

#### *Registrar revenue*

Registrar revenue primarily arises from fixed fees charged to registrants (end-users) for the initial registration or renewal of domain names and other web services. Revenue from the initial registration or renewal and other web services are deferred and recognised over the registration term (generally one year and up to ten years). Fees for renewals (including early renewals) are deferred until the new incremental period commences. These fees are then recognised over the renewal term.

# Notes to Financial Statements for the year ended 31 December 2014

## (k) Foreign Currencies

### *Change in accounting policy*

These financial statements are presented in US Dollars and represent a change from the previous reporting period presented in Pounds Sterling. The group is now generating revenue through its operations. The results of these operations are globally reported and compared in US Dollars necessitating the change.

The change in presentation currency represents a change in accounting policy, which has been applied retrospectively. As such, a 'third' balance sheet is presented showing the opening position of the 31 December 2013 period. As the change in presentation currency is purely applying a translation method, there is no change to the underlying functional currency of the company and its subsidiaries.

All assets and liabilities are translated from their functional currency into the new presentation currency at the beginning of the comparative period using the opening exchange rate and re-translated at the closing rate. Retained earnings and other reserves are expressed in US Dollars as if US Dollars had always been the presentation currency.

The exchange rates used for this conversation are:

	2013	2012
Pound Sterling : US Dollar average rate	1.5630	1.5693
Pound Sterling : US Dollar year end rate	1.6389	1.6168

The impact on Earnings per share is that Earnings per share is disclosed in US Dollar.

### Earnings per share

	2013 As reported in these financial statements (cents)	2013 As previously reported (pence)
Basic	0.21	0.14
Diluted	0.20	0.13

### *Functional and presentation currency*

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

### *Transactions and balances*

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

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

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

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

## Notes to Financial Statements for the year ended 31 December 2014

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

### (l) Intangible assets

#### *Intangible assets acquired separately*

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

#### *Internally generated intangible assets –research and development expenditure*

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

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

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

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

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

#### *Useful life and amortisation Intangible assets*

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

- Generic Top Level Domains – indefinite life (not amortised)
- Contracts – over the life of the contract (currently 7 years)
- Software and development costs – over 3 years

### (m) Derecognition of intangible assets

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

### (n) Fixtures & equipment

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

- Fixtures & equipment – over 3 to 7 years

## Notes to Financial Statements for the year ended 31 December 2014

### (o) Impairment of Fixtures & equipment and intangible assets excluding goodwill

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

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

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

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

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

### (p) Critical accounting judgements and key sources of estimation uncertainty

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

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

#### *Critical judgements in applying the Group's accounting policies*

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

#### *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

#### *(i) Impairment of goodwill and intangible assets*

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

Details of goodwill and intangible assets are set out in note 14 and 15 respectively.

## Notes to Financial Statements for the year ended 31 December 2014

### (q) Finance costs/revenue

Interest expenses are recognised on an effective yield basis.

Finance revenue is recognised as interest accrued using the effective interest method.

### (r) Financial instruments

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

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

#### *Financial assets*

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

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

#### *Effective interest method*

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

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

#### *Loans and other receivables*

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

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

#### *Impairment of financial asset*

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

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

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

## Notes to Financial Statements for the year ended 31 December 2014

For Financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective rate.

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

With the exception of available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

### *De-recognition of financial assets*

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

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

### *Financial liabilities and equity*

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

#### *(I) Equity instruments*

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

#### *Financial liabilities*

Financial liabilities are classified as other financial liabilities.

#### *(II) Other financial liabilities*

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

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

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

### *De-recognition of financial liabilities*

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

## Notes to Financial Statements for the year ended 31 December 2014

### (s) Taxation

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

#### *Current tax*

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

#### *Deferred tax*

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

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

#### *Current and deferred tax for the year*

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

### (t) Provisions

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

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

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

### (u) Share-based payment transactions

Equity-settled share-based payments to employees are measured at the fair value of the equity instrument at the grant date. The fair value excludes the effect of non market-based vesting conditions. The fair value is determined by using the Black-Scholes model. Details regarding the determination of the fair value of equity-settled share-based transactions are set out in Note 24.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 13).

## Notes to Financial Statements for the year ended 31 December 2014

### (v) Investment in subsidiary undertakings

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

### 2 Operating segments – Group

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

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

#### Segment revenues and results

2014	Registry \$ 000's	RSP \$ 000's	Registrar \$ 000's	Elimination \$ 000's	Total \$ 000's
Revenue					
External sales	298	1,388	236	-	1,922
Total Revenue	298	3,728	236	(2,340)	1,922
Operating profit / (loss)	31,973*	(9,606)**	(418)	110	22,059
Finance revenue					62
Finance costs					(76)
Profit on disposal of subsidiaries					21
Share of loss of joint venture					(9)
Profit before tax					22,057
Tax					-
Profit after tax					22,057

\*Included within Operating profit is Profit on disposal of intangible assets of \$7,048k and Profit on gTLD auctions of \$33,721k allocated to the Registry segment.

\*\*Marketing expenses and Cost of Sales for certain geographical gTLDs are included within the operating loss allocated to the RSP segment.

Inter-segment sales are charged at prevailing market prices.



## Notes to Financial Statements for the year ended 31 December 2014

### 2 Operating segments – Group (continued)

2013	Registry \$ 000's	RSP \$ 000's	Registrar \$ 000's	Elimination \$ 000's	Total \$ 000's
Revenue					
External sales	-	56	-	-	56
Total Revenue	-	56	-	-	56
Operating profit	4,661	(3,382)	(5)	(60)	1,214
Finance revenue					19
Finance costs					(23)
Share of loss of joint venture					(69)
Loss before tax					1,141
Tax					-
Profit after tax					1,141

Included within Operating profit is Profit on disposal of intangible assets of \$6,440k allocated to the Registry segment.

The accounting policies of the reportable segments are the same as the group accounting policies described in Note 1. Segment results represent results earned by each segment without allocation of centralised costs and income tax expenses. This is the measure reported to the Group's Chief Executive Officer for the purpose of resource allocation and assessment of segment performance.

#### Other segment information

	Segment assets		Depreciation	
	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's
Registry	75,939	32,383	9	-
RSP*	21,553	6,901	279	31
Registrar	3,016	426	208	-
Other	833	844	-	-
Total	101,341	40,554	496	31

For the purpose of monitoring segment performance and allocating resources between segments, the Group's Chief Executive Officer monitors the tangible, intangible and financial assets attributable to each segment. All assets are allocated to reportable segments with the exception of interest in joint ventures. Goodwill has been allocated to reportable segments as described in note 14.

\*RSP assets include \$14,897k cash balances held on behalf of the Registry.

## Notes to Financial Statements for the year ended 31 December 2014

### 2 Operating segments – Group (continued)

#### Geographical information

The Group's information about its segment assets (non-current assets excluding financial instruments) by geographic location are detailed below.

	Revenue from external customers		Non-current assets	
	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's
British Virgin Islands	104	-	45,651	6,384
Ireland	373	-	1,800	521
United Kingdom	1,136	-	359	272
Germany	194	-	370	-
USA	115	57	2,931	39
Total	1,922	57	51,111	7,216

Included in revenues arising from the RSP segment are revenues of \$800k (2013: nil), which arose from sales to the Group's largest customer. No other single customer contributed 10% or more to the Group's revenue in either 2014 or 2013.

### 3 Cost of sales

	Group		Company	
	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's
Domain name registration fees	266	-	-	-
ICANN registry and service fees	932	-	916	-
Minimum revenue guarantee fee*	3,297	-	-	-
Other	164	-	-	-
	4,659	-	916	-

\*The Minimum Revenue Guarantee was prepaid in a prior period and was previously reflected as a current asset. The guarantee is related to certain TLDs.

## Notes to Financial Statements for the year ended 31 December 2014

### 4 Administrative expenses

The Directors' consider administrative expenses to be either fixed or variable in nature and consider separating these costs to reflect underlying business costs.

#### a) Fixed administrative expense

	Group		Company	
	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's
Directors emoluments – excluding bonuses	1,128	725	91	70
Employee wages and salaries	3,121	1,342	1,432	-
Advertising & marketing	3,320	74	-	-
Operating lease rentals	349	279	-	16
Insurance	117	113	34	26
Professional services	250	78	201	78
Utilities	165	52	-	-
Other	134	21	79	-
	8,584	2,684	1,837	190

#### b) Variable administrative expense

	Group		Company	
	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's
Directors' bonuses	163	-	-	-
Employee bonuses	287	69	-	-
Share based payment expenses	611	693	611	693
Advertising & marketing	1,012	176	328	175
Professional services*	1,481	534	909	344
Royalties**	277	-	-	-
Utilities	251	106	6	4
Other	1,088	927	-	85
	5,170	2,505	1,854	1,301

\* Professional fees includes \$451k of re-listing costs incurred in 2014 as the company re-listed on the AIM market of the London Stock Exchange from an investing company to an operating company.

\*\* Royalties relate to certain geographic TLDs.

## Notes to Financial Statements for the year ended 31 December 2014

### 5 Operating profit

Operating profit is arrived at after charging:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$ 000's</b>	\$ 000's	<b>\$ 000's</b>	\$ 000's
Auditors' remuneration – current year auditors				
Audit of these financial statements	74	64	74	64
Audit of the financial statements of subsidiaries	36	22	-	-
Audit of prior period financial statements	-	25	-	25
Fees in relation to re-listing	51	16	51	16
Tax compliance	20	-	-	-
Other services	41	-	38	-
Directors' emoluments – fees and salaries	1,291	725	91	71
Directors' share based payments	567	606	567	606
Shared based payments (excluding Directors' share based payments)	45	87	46	87
Depreciation & amortisation	496	31	9	-
Operating lease rentals	467	-	-	-
Foreign exchange (loss) / gain	(1,427)	333	(2,838)	179

### 6 Foreign exchange (loss) / gain

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$ 000's</b>	\$ 000's	<b>\$ 000's</b>	\$ 000's
Foreign exchange gain / (loss) on trading activities	1,188	261	(183)	126
Foreign exchange (loss) / gain on inter company balances	(2,615)	72	(2,655)	53
Total	(1,427)	333	(2,838)	179

## Notes to Financial Statements for the year ended 31 December 2014

### 7 Employee information (Excluding Directors)

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$ 000's</b>	\$ 000's	<b>\$ 000's</b>	\$ 000's
<b>Staff costs comprised</b>				
Wages and salaries	3,408	1,339	-	-
<b>Average number of employees</b>				
Administration	10	2	-	-
Finance	3	1	-	-
Sales & Marketing	6	-	-	-
Engineering	17	6	-	-
Total	36	9	-	-

### 8 Directors' emoluments

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	2013	<b>2014</b>	2013
	<b>\$ 000's</b>	\$ 000's	<b>\$ 000's</b>	\$ 000's
Directors' remuneration	1,857	1,331	658	676

	<b>Group</b>				
<b>2014</b>	<b>Salaries &amp; Fees</b>	<b>Bonus</b>	<b>Benefits</b>	<b>Share-based Payments</b>	<b>Total</b>
	<b>\$ 000's</b>	<b>\$ 000's</b>	<b>\$ 000's</b>	<b>\$ 000's</b>	<b>\$ 000's</b>
<b>Executive Directors</b>					
Frederick Krueger	300	50	-	241	591
Antony Van Couvering	300	50	-	309	659
Michael Salazar	260	18	38	13	329
Caspar Veltheim	138	45	-	1	184
<b>Non-Executive Directors</b>					
Guy Elliott (#)	3	-	-	-	3
Keith Teare	52	-	-	3	55
Elliot Noss (#)	36	-	-	-	36
	1,089	163	38	567	1,857

(#): These Directors were not employed during the full 2014 financial period.

No pension benefits are provided for any Director.

Details of Directors share options exercised have been disclosed in note 24 to the accounts.

# Notes to Financial Statements for the year ended 31 December 2014

## 8 Directors' emoluments (continued)

2014	Company				
	Salaries & Fees \$ 000's	Bonus \$ 000's	Benefits \$ 000's	Share-based Payments \$ 000's	Total \$ 000's
<b>Executive Directors</b>					
Frederick Krueger	-	-	-	241	241
Antony Van Couvering	-	-	-	309	309
Michael Salazar	-	-	-	13	13
Caspar Veltheim	-	-	-	1	1
<b>Non-Executive Directors</b>					
Guy Elliott (#)	3	-	-	-	3
Keith Teare	52	-	-	3	55
Elliot Noss (#)	36	-	-	-	36
	91	-	-	567	658

2013	Group				
	Salaries & Fees \$ 000's	Bonus \$ 000's	Benefits \$ 000's	Share-based Payments \$ 000's	Total \$ 000's
<b>Executive Directors</b>					
Frederick Krueger	175	-	-	135	310
Antony Van Couvering	175	-	-	412	587
Michael Salazar	169	-	25	33	227
Caspar Veltheim	111	-	-	6	117
Peter Dengate Thrush	19	-	-	14	33
<b>Non-Executive Directors</b>					
Guy Elliott (#)	28	-	-	-	28
Keith Teare	14	-	-	6	20
Michael Mendelson	9	-	-	-	9
	700	-	25	606	1,331

## Notes to Financial Statements for the year ended 31 December 2014

### 8 Directors' emoluments (continued)

2013	Company				
	Salaries & Fees \$ 000's	Bonus \$ 000's	Benefits \$ 000's	Share-based Payments \$ 000's	Total \$ 000's
<b>Executive Directors</b>					
Frederick Krueger	-	-	-	135	135
Antony Van Couvering	-	-	-	412	412
Michael Salazar	-	-	-	33	33
Caspar Veltheim	-	-	-	6	6
Peter Dengate Thrush	19	-	-	14	33
<b>Non-Executive Directors</b>					
Guy Elliott (#)	28	-	-	-	28
Keith Teare	14	-	-	6	20
Michael Mendelson	10	-	-	-	9
	70	-	-	606	676

(\*): Peter Dengate Thrush resigned as a director in 2012. Amounts paid to Peter Dengate Thrush in 2013 are in relation to services provided in the 2012 financial period

No pension benefits are provided for any Director.

Details of Directors' share options exercised have been disclosed in note 24 to the accounts.

### 9 Finance revenue

	Group		Company	
	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's
Bank Interest	57	19	57	19
Other interest received	5	-	-	-
Total	62	19	57	19

Finance revenues relate to assets classified as loans and receivables.

### 10 Finance costs

	Group		Company	
	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's
Interest on obligations under finance lease	76	23	-	-

## Notes to Financial Statements for the year ended 31 December 2014

<b>11</b>	<b>Income tax expense - Group</b>	<b>2014 \$ 000's</b>	<b>2013 \$ 000's</b>
	Current tax	-	-
	Deferred tax	-	-
		<hr/>	<hr/>
		-	-
		<hr/>	<hr/>

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

	<b>2014 \$ 000's</b>	<b>2013 \$ 000's</b>
Profit before tax on continuing operations	25,196	1,141
Tax at the BVI tax rate of 0%	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

	<b>2014 \$ 000's</b>	<b>2013 \$ 000's</b>
<b>Income tax expense - Company</b>		
Current tax	-	-
Deferred tax	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

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

	<b>2014 \$ 000's</b>	<b>2013 \$ 000's</b>
Profit before tax on continuing operations	33,176	4,752
Tax at the BVI tax rate of 0%	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

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

No deferred tax asset has been recognised because there is insufficient evidence of the timing of suitable future profits against which they can be recovered. Tax losses carried forward, which may be utilised indefinitely against future taxable profits amount to \$5,314k (2013: \$3,420k) in the USA, \$1,852k (2013: \$849k) in Germany, \$3,169 (2013: 1,677k) in Ireland and \$6,331k (2013: \$311k) in the United Kingdom.

## **12 Dividends**

No dividends were paid or proposed by the Directors (2013 \$Nil).



## Notes to Financial Statements for the year ended 31 December 2014

### 13 Earnings per share

<b>Earnings</b>	<b>2014 \$ 000's</b>	<b>2013 \$ 000's</b>
Earnings for the purpose of basic earnings per share being net profit attributable to owners of the Company	<b>22,287</b>	1,249
<b>Number of shares</b>	<b>2014 million</b>	<b>2013 million</b>
Weighted average number of ordinary shares for the purpose of basic earnings per share	<b>815.01</b>	591.71
Effect of dilutive potential ordinary shares:		
Share options and warrants	<b>19.07</b>	22.56
Weighted average number of ordinary shares for the purpose of diluted earnings per share	<b>834.08</b>	614.27
<b>Earnings per share</b>	<b>2014 cent</b>	<b>2013 cent</b>
Basic	<b>2.73</b>	0.21
Diluted	<b>2.67</b>	0.20

## Notes to Financial Statements for the year ended 31 December 2014

### 14 Goodwill

<b>Cost</b>	<b>Group \$ 000's</b>
At 1 January 2013	2,943
Exchange differences	40
As at 31 December 2013	2,983
Exchange differences	(155)
<b>As at 31 December 2014</b>	<b>2,828</b>

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

#### Impairment review

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

At 31 December 2014, the Directors have carried out an impairment review and have concluded that no impairment is required.

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

The Group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next three years and extrapolates cash flows into perpetuity based on an estimated growth rate of 3% (2013: 3%). The rate used to discount the forecast cash flows is 9% (2013: 9%).

# Notes to Financial Statements for the year ended 31 December 2014

## 15 Intangible assets

### Group

	generic Top Level Domains \$ 000's	Software & development costs \$ 000's	Development costs (Assets under construction) \$ 000's	Other \$ 000's	Total \$ 000's
<b>Cost</b>					
At 1 January 2013	-	-	-	184	184
Additions	2,093	175	-	9	2,277
Exchange differences	93	6	-	-	99
At 31 December 2013	2,186	181	-	193	2,560
Additions	42,889	1,552	148	43	44,632
Transfer from other long terms assets	3,885	-	-	-	3,885
Disposals	(9,897)	-	-	(74)	(9,971)
Exchange differences	-	(310)	-	-	(310)
<b>At 31 December 2014</b>	<b>39,063</b>	<b>1,423</b>	<b>148</b>	<b>162</b>	<b>40,796</b>
<b>Accumulated amortization</b>					
At 1 January 2013	-	-	-	-	-
Charge for the year	-	-	-	-	-
At 31 December 2013	-	-	-	-	-
Charge for the year	-	(199)	-	-	(199)
<b>At 31 December 2014</b>	<b>-</b>	<b>(199)</b>	<b>-</b>	<b>-</b>	<b>(199)</b>
<b>Carrying amount</b>					
<b>At 31 December 2014</b>	<b>39,063</b>	<b>1,224</b>	<b>148</b>	<b>162</b>	<b>40,597</b>
At 31 December 2013	2,186	181	-	193	2,560

# Notes to Financial Statements for the year ended 31 December 2014

## 15 Intangible assets (continued)

### Company

	generic Top Level Domains \$ 000's	Software & development costs \$ 000's	Other \$ 000's	Total \$ 000's
<b>Cost and carrying amount</b>				
At 1 January 2013	-	-	128	128
Additions	2,187	-	2	2,189
Exchange differences	(1)	-	1	-
At 31 December 2013	2,186	-	131	2,317
Additions	42,889	51	43	42,983
Transfers from other long term assets	3,515	-	-	3,515
Disposals	(9,896)	-	(75)	(9,971)
<b>At 31 December 2014</b>	<b>38,694</b>	<b>51</b>	<b>99</b>	<b>38,844</b>
<b>Accumulated Amortization</b>				
At 1 January 2013	-	-	-	-
Charge for the year	-	-	-	-
At 31 December 2013	-	-	-	-
Charge for the year	-	(9)	-	(9)
<b>At 31 December 2014</b>	<b>-</b>	<b>(9)</b>	<b>-</b>	<b>(9)</b>
<b>Carrying amount</b>				
<b>At 31 December 2014</b>	<b>38,694</b>	<b>42</b>	<b>99</b>	<b>38,835</b>
At 31 December 2013	2,186	-	131	2,317

## Notes to Financial Statements for the year ended 31 December 2014

### 15 Intangible assets (continued)

#### **generic Top Level Domains**

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

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

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

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

#### **Impairment review of intangible assets**

At 31 December 2014, the Directors have carried out an impairment review and have concluded that no impairment is required. The recoverable amounts of the individual generic Top Level Domains, software, contracts and other intangible assets are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to the selling process and direct costs. Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the asset.

The group prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next five years and extrapolates cash flows into perpetuity based on an estimated growth rate of 3%. The rate used to discount the forecast cash flow is 9%.

## Notes to Financial Statements for the year ended 31 December 2014

### 16 Fixtures & equipment

#### Group

#### Fixtures & equipment \$ 000's

#### Cost

At 1 January 2013	91
Additions	777
Exchange differences	30
At 31 December 2013	898
Additions	398
Exchange differences	(100)
<b>At 31 December 2014</b>	<b>1,196</b>

#### Depreciation

At 1 January 2013	(36)
Depreciation charge for the period	(31)
At 31 December 2013	(67)
Depreciation charge for the period	(279)
Exchange differences	21
<b>At 31 December 2014</b>	<b>(325)</b>

#### Carrying amount

<b>At 31 December 2014</b>	<b>871</b>
At 31 December 2013	831

The Group's obligations under finance leases (see note 22) are secured by the lessors' title to the leased assets, which have a carrying amount of \$267k (2013: \$674k).

## Notes to Financial Statements for the year ended 31 December 2014

### 17 Investment in subsidiaries

	<b>Company</b>	
	<b>2014</b>	2013
	<b>\$ 000's</b>	\$ 000's
<b>Shares in group undertakings</b>		
<b>Company</b>		
<b>Cost</b>		
At the beginning of the period	<b>3,550</b>	3,547
Disposals	<b>(2)</b>	-
Exchange differences	-	3
At 31 December	<b>3,548</b>	3,550

Details of the company's subsidiaries are as follows:

<b>Name</b>	<b>Place of Incorporation (or registration and operation)</b>	<b>Principal activity</b>	<b>Proportion of ownership interest (%)</b>	<b>Proportion of voting power (%)</b>
Minds + Machines US, Inc. (DE) (2)	US	Holding company	100	100
Minds + Machines LLC (CA)	US	Consultancy services	100	100
Minds + Machines LLC (FL) (2)	US	Registry	100	100
Bayern Connect GmbH	Germany	Registry	80	100
Minds and Machines GmbH	Germany	Registry	80	100
ADT (1)	US	Dormant / dissolved	100	100
AIC (1)	US	Dormant / dissolved	100	100
Minds + Machines Ltd (Ireland)	Ireland	Registry service provider	100	100
Minds and Machines Ltd (UK)	England & Wales	Registry service provider	100	100
Top Level Domains Registry Pte (1)	Singapore	Dormant / dissolved	100	100
Minds + Machines Registrar Ltd (Ireland)	Ireland	Registrar	100	100
Minds and Machines Registrar UK Ltd	England and Wales	Registrar	100	100
Emerald Names Limited (2)	Ireland	Holding company	100	100

(1) Subsidiaries dissolved in the year

(2) Subsidiaries incorporated in the year

Notes:

- Minds + Machines LLC (CA), Minds + Machines LLC (FL) and Dot Law, Inc. are direct subsidiaries of Minds + Machines US, Inc (DE)
- Minds + Machines Registrar Limited (Ireland) is a direct subsidiary of Minds + Machines Ltd (Ireland).

## Notes to Financial Statements for the year ended 31 December 2014

### 18 Interest in joint venture

The group has 50% interest in 4 joint ventures; Rugby Domains Ltd, Basketball Domains Ltd, Entertainment Names Inc and Dot Country LLC. These joint ventures were formed to sell second-level domain names to registrars. The following amounts represent the Group's 50% share of the assets and liabilities and results of the joint venture. Interest in joint ventures are accounted for using the equity method. They are included in the statement of financial position and income statement as follows:

	<b>Group</b>	
	<b>2014</b>	2013
<b>Share of interest in assets / liabilities</b>	<b>\$ 000's</b>	\$ 000's
Assets		
- Non-current	379	393
- Current	478	462
	<b>857</b>	855
Liabilities		
- Current	(24)	(13)
	<b>833</b>	842
- Expenses	9	69
<b>Loss after income tax</b>	<b>9</b>	69

There are no commitments arising in the joint ventures.

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

Each joint venture is individually immaterial.

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

#### Company

Interests in joint ventures are accounted for at cost of \$911k (2013: \$864k) in the Company financial statements.



## Notes to Financial Statements for the year ended 31 December 2014

### 19 Other long-term assets

	2014	2013
Group and Company	\$ 000's	\$ 000's
Restricted cash	2,837	3,250
Other long-term receivables	3,145	11,100
Total other long term assets	5,982	14,350

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

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

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

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

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

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

Of the applications withdrawn, 20 applications were withdrawn as a result of participation in private auction where the Group did not win the auction but received a portion of the auction proceeds. Such auction proceeds, less amounts not recovered from the Group's withdrawal of the application to ICANN are accounted for on the profit and loss account as Profit on participation in gTLD auctions and amounted to \$33,721k (2013: \$6,445k). 2 applications were withdrawn as a result of participation in ICANN auctions where the Group did not win the auction and did not receive a portion of the auction proceeds. Of the application fee, those amounts not received from ICANN as a result of such withdrawals are accounted for on the profit and loss account as Loss in withdrawal of gTLD applications and amounted to \$296k (2013: \$396k).

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

## Notes to Financial Statements for the year ended 31 December 2014

### 20 Trade and other receivables

	Group		Company	
	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's
<b>Current trade and other receivables</b>				
Trade receivables	3,388	3,384	-	-
Other receivables	669	401	108	209
Prepayments	328	210	28	-
Balances due from subsidiaries	-	-	39,199	13,877
Due from joint ventures	49	48	49	48
Due from related parties	-	61	-	61
<b>Total</b>	<b>4,434</b>	<b>4,104</b>	<b>39,384</b>	<b>14,195</b>

The loans due from subsidiaries are interest free and have no fixed repayment date. The loans have been classified to current receivables in the current year as the directors assess these balances to be recoverable in 2015. The difference between the carrying value and the fair value of the loan at the reporting date is deemed to be immaterial.

#### Trade receivables

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

#### Ageing of past due but not impaired receivables:

	2014 \$000	2013 \$000
1 – 30 days	-	10
31 – 60 days	28	21
61-90 days	5	-
91 days and over	103	-
<b>Total</b>	<b>136</b>	<b>31</b>

#### Movement in doubtful debts:

	2014 \$	2013 \$
Balance at the beginning of the period	53	56
Exchange differences	-	(3)
<b>Balance at the end of the period</b>	<b>53</b>	<b>53</b>

Included in the ageing of past due but not impaired receivables of 91 days and over is an amount of \$75k receivable from a single customer received after the year end.

## Notes to Financial Statements for the year ended 31 December 2014

### 21 Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	\$ 000's	\$ 000's	\$ 000's	\$ 000's
Trade payables	394	297	111	44
Due to joint ventures	101	123	96	118
Taxation liabilities	575	195	-	-
Other liabilities	1,534	30	1,492	-
Deferred revenue	3,159	-	406	-
Accruals	551	40	96	-
Total	6,314	685	2,201	162

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

### 22 Obligations under finance leases

#### Group

	Minimum lease payments	
	2014	2013
	\$ 000's	\$ 000's
<b>Amounts payable under finance lease</b>		
Within one year	363	392
In the second to fifth year inclusive	-	250
	363	642
Less: Future finance charges	(21)	(60)
Present value of lease obligation	342	575

## Notes to Financial Statements for the year ended 31 December 2014

### 22 Obligations under finance leases (continued)

	Present value of minimum lease payments	
	2014 \$ 000's	2013 \$ 000's
<b>Amounts payable under finance lease</b>		
Within one year	342	328
In the second to fifth year inclusive	-	247
Present value of lease obligation	342	575
<b>Analysed as:</b>		
Amounts due for settlement within 12 months	342	328
Amounts due for settlement after 12 months	-	247
	342	575

The average lease term is 2 years. For the year ended 31 December 2014, the effective borrowing rate was 13.76% (2013: 13.76%). Interest rates are fixed at the contract date. All leases are on a fixed repayments basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in Euros.

The fair value of the group's lease obligations is approximately equal to their carrying amount. The group's obligations under finance leases are secured by the lessor's rights over the leased assets disclosed in note 16.

## Notes to Financial Statements for the year ended 31 December 2014

### 23 Share capital and premium

Called up, allotted, issued and fully paid ordinary shares of no par value	Number of shares	Price per share (cents/pence)	Total \$ 000
As at 1 January 2013	520,758,246		37,790
Shares issued (shares to be issued)*			
25 February 2013 – shares to be issued	17,620,000	12.4/7.6	<u>2,177</u>
Shares issued:			
30 June 2013	110,375,276	9.1/6	<u>10,000</u>
Options and warrants exercised:			
13 June 2013 for payment of services	120,000	9.33/6	11
9 July 2013 for exercise of options	1,700,000	6/4	<u>101</u>
			<u>112</u>
Cost of share issue			(598)
As at 31 December 2013	<u>650,573,522</u>		<u>49,481</u>
Shares issued (shares to be issued)*			
30 January 2014 – cash on issue of shares	175,000,000	19.89/12	<u>34,801</u>
Options and warrants exercised:			
4 April 2014 for cash on exercise of options	3,000,000	6.7/4	201
13 July 2014 for cash on exercise of options	738,299	18.1/11	134
14 July 2014 for cash on exercise of options	350,000	15.4/9	54
25 July 2014 for cash on exercise of options	350,000	15.8/9	55
12 September 2014 for cash on exercise of options	350,000	15.4/9	54
22 October 2014 for cash on exercise of warrants	1,622,664	6.5/4	106
14 November 2014 for cash on exercise of options	4,000,000	6.8/4	<u>273</u>
			<u>877</u>
Cost of share issue			(2,293)
As at 31 December 2014	<u>835,984,485</u>		<u>82,866</u>

\* The shares to be issued were issued to the former shareholders of Minds and Machines LLC as part of the total consideration for the acquisition the company.

## Notes to Financial Statements for the year ended 31 December 2014

### 24 Share-based payment

	Group and Company	
	2014 \$ 000's	2013 \$ 000's
Share-based payment expense recognised		
Equity settled share based payments	114	692
Expense as a result of modification of equity settled share based payments	498	-
Total	612	692

The Company has a share option scheme for all employees of the Group. The share option scheme combined with the Company's long-term incentive plan represents up to 12.5% of the total outstanding shares of the Company as of 1 August 2014. Details of the share options are as follows:

	2014		2013	
	Number of share options	Weighted average exercise price (in cents/pence)	Group Number of share options	Weighted average exercise price (in cents/pence)
Outstanding at the beginning of the period	43,138,847	10.3/6.3	47,665,194	10.6/6.1
Granted during the period	-	-	21,750,000	10.6/6.7
Forfeited during the period	(400,000)	15.3/9.8	(23,426,347)	11.2/6.8
Exercised during the period	(18,676,347)*	9.6/6.2	(1,700,000)	6.6/4.7
Expired during the period	(350,000)	14/9	(1,150,000)	7.7/6.7
Outstanding at the end of the period	23,712,500	9.9/6.4	43,138,847	10.4/6.3
Exercisable at the end of the period	19,007,178	9.9/6.4	33,629,267	10.3/6.2

\*Included within the number of share options exercised during the period is 14,626,374 share options issued to Directors that were settled in cash. This change was treated as a modification of a share based payment from equity settled to cash settled. The amount payable under this settlement amounted to \$1,206k, of which \$708k had already been recognised as a share based expense in prior years and therefore reduced from equity in the current year as a repurchase of equity instrument. The balance of \$498k was expensed.

The weighted average contractual life of outstanding options at the end of the year is 8.09 years (2013: 5.33 years). There were no options granted in 2014. In 2013, 19,850,000 options were granted on 13 February 2013, 1,150,000 options were granted on 8 July 2013 and 750,000 options were granted on 15 October 2013. The aggregate of the estimated fair values of the options granted during 2013 was \$704k.

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

## Notes to Financial Statements for the year ended 31 December 2014

### 24 Share-based payment (continued)

	2014	2013
Weighted average share price (cents/pence)	N/A	11.9/7.2
Weighted average exercise price (£)	N/A	10.6/6.4
Expected volatility	N/A	35%
Expected life	N/A	10 years
Risk-free rate	N/A	5%
Expected dividend yield	N/A	Nil

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

The market price of the ordinary shares at 31 December 2014 was \$0.14 / £0.09 (2013: \$0.24 / £0.14) and the range during the year was \$0.12 / £0.07 to \$0.28 / £0.17 (2013: \$0.07 / £0.044 to \$0.29 / £0.19).

#### Directors' share options

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

	1 Jan 2014	Granted	Exercised	Expired	31 Dec 2014
Frederick Krueger (1)	10,000,000	-	(5,000,000)*	-	5,000,000
Antony Van Couvering (2)	22,126,347	-	(9,626,347)*	-	12,500,000
Michael Salazar (3)	1,250,000	-	-	-	1,250,000
Caspar Veltheim (4)	662,500	-	(350,000)	-	312,500
Guy Elliot	3,000,000	-	(3,000,000)	-	-
	37,038,847	-	(17,976,347)	-	19,062,500

\*Represents share options issued to Directors that were settled in cash. This change was treated as a modification of a share based payment from equity settled to cash settled. The amount payable under this settlement amounted to \$1,206k, of which \$708k had already been recognised as a share based expense in prior years and therefore reduced from equity in the current year as a repurchase of equity instrument. The balance of \$498k was expensed.

- (1) 5,000,000 options – exercise price – £0.04, exercisable from – 14 Nov 2007, expires on – 13 Nov 2014. 2,750,130 options – exercisable from 13 May 2013, expires on 13 February 2023 (quarterly vesting beginning 13 May 2013 of 1/12<sup>th</sup> of options). 2,249,780 options – exercisable from 13 February 2013, expires on 13 February 2023, expires on 13 February 2023
- (2) 2,626,347 options - exercise price – £0.04, exercisable from – 27 May 2009, expires on – 24 June 2014, 7,000,000 options exercise price - £0.09, exercisable from - 22 May 2010, expires on – 24 June 2014. 3,025,143 options – exercisable from 13 May 2013, expires on 13 February 2023 (quarterly vesting beginning 13 May 2013 of 1/12<sup>th</sup> of options). 9,474,857 options – exercisable from 13 February 2013, expires on 13 February 2023.
- (3) Exercise price – £0.062, exercisable from – 1 Jun 2013, expires on – 30 Nov 2022 (quarterly vesting beginning at 1 Jun 2013 of 1/12<sup>th</sup> of options)
- (4) 350,000 options - exercise price – £0.09, exercisable from – 22 Jul 2011, expires on – 22 Jul 2021. 312,500 options – exercise price – £0.07, exercisable from – 1 Aug 2012, expires on 31 Jul 2022 (quarterly vesting beginning at 1 Nov 2012 of 1/12<sup>th</sup> of options)
- (5) Exercise price – £0.04, exercisable from – 14 Nov 2007, expires on – 13 Nov 2014

## Notes to Financial Statements for the year ended 31 December 2014

### 24 Share-based payment (continued)

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

#### *Total warrants outstanding*

During the year ended 31 December 2014, the company granted no warrants to subscribe for ordinary shares (2013: nil). As at 31 December 2014 the outstanding unexercised warrants in issue were;

Exercise Price	Expiry Date	Number of warrants
10p	06 May 2019	8,000,000

During the year to 31 December 2014, 1,622,665 warrants were exercised at an exercise price of \$0.07 / £0.04. No warrants were exercised in 2013.

At 31 December 2013, the outstanding unexercised warrants outstanding were:

Exercise Price	Expiry Date	Number of warrants
4p	13 November 2014	1,622,665
10p	06 May 2019	8,000,000
<b>Total</b>		<b>9,662,665</b>

### 25 Financial instruments

#### **Capital risk management**

The Group and Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimization of the debt and equity balance. The Group and Company's overall strategy remains unchanged from 2013.

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

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

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

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

#### **Categories of financial instruments**

<b>Group</b>	<b>2014</b>	<b>2013</b>
<b>Financial assets</b>	<b>\$ 000's</b>	<b>\$ 000's</b>
Cash and bank balances	45,796	14,884
Loans and receivables (including long term receivables)	9,732	18,284
<b>Financial liabilities</b>		
Other financial liabilities at amortised cost	2,372	1,095



## Notes to Financial Statements for the year ended 31 December 2014

### 25 Financial instruments (continued)

#### Company

	2014	2013
Financial assets	\$ 000's	\$ 000's
Cash and bank balances	26,952	12,285
Loans and receivables (including long term receivables)	3,001	14,668
<b>Financial liabilities</b>		
Other financial liabilities at amortised cost	1,700	159

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

#### Financial risk management objectives

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

It is, and has been throughout 2014 and 2013, the policy of both the Group and the Company that no trading derivatives are contracted.

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

#### Market risk

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

#### Foreign currency risk

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

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

Group	Liabilities		Assets	
	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's
Sterling	268	98	5,738	3,267
USD	1,771	264	47,922	28,120
Euro	333	733	1,868	1,781
As at 31 December	2,372	1,095	55,528	33,168

## Notes to Financial Statements for the year ended 31 December 2014

### 25 Financial instruments (continued)

Company	Liabilities		Assets	
	2014 \$ 000's	2013 \$ 000's	2014 \$ 000's	2013 \$ 000's
Sterling	-	-	2,177	-
USD	1,700	159	27,769	26,953
Euro	-	-	7	-
As at 31 December	1,700	159	29,953	26,953

#### Foreign currency sensitivity analysis

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

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

Group	Pound Sterling impact		Euro impact	
	2014 \$ 000s	2013 \$ 000s	2014 \$ 000s	2013 \$ 000s
Profit or loss (i)	(550)	(328)	(154)	(95)
Other equity (ii)	-	-	-	-
	(550)	(328)	(154)	(95)

Company	Pound Sterling impact		Euro impact	
	2014 \$ 000s	2013 \$ 000s	2014 \$ 000s	2013 \$ 000s
Profit or loss (i)	(218)	-	(1)	-
Other equity	-	-	-	-
	(218)	-	(1)	-

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

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

#### Interest rate risk

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

## Notes to Financial Statements for the year ended 31 December 2014

### 25 Financial instruments (continued)

#### Interest rate sensitivity analysis

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

#### Credit risk management

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

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

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

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

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

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

#### Liquidity risk management

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

Cash forecasts are regularly produced to identify the liquidity requirement for the Group and Company. To date, the Group has relied on the issuance of stock warrants and shares finance its operations. The Group made use of limited borrowing facilities as at 31 December 2014.

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

		Group		Company	
31 December 2014	Weighted average effective interest rate	Within 1 year \$ 000s	1 – 5 years \$ 000s	Within 1 year \$ 000s	1 – 5 years \$ 000s
Non-interest bearing:					
Trade and other payables		2,605	-	1,700	-
Fixed interest rate instruments:					
Obligations under finance lease	13.76%	342	-	-	-
		2,947	-	1,700	-

## Notes to Financial Statements for the year ended 31 December 2014

### 25 Financial instruments (continued)

		Group		Company	
31 December 2013	Weighted average effective interest rate	Within 1 year \$ 000s	1 – 5 years \$ 000s	Within 1 year \$ 000s	1 – 5 years \$ 000s
Non-interest bearing:					
Trade and other payables		685	-	159	-
Fixed interest rate instruments:					
Obligations under finance lease	13.76%	328	247	-	-
		1 013	247	159	-

The Group and Company's non-derivate financial assets mature within one year.

The Group and Company had no derivative financial instruments as at 31 December 2014 and at 31 December 2013.

### 26 Material non-cash transactions

There are no material non-cash transactions.

### 27 Commitments

The group as a lessee	2014 \$ 000's	2013 \$ 000's
Lease payments recognised under operating leases recognised as an expense in the year	467	38

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

	2014 \$ 000's	2013 \$ 000's
Within one year	436	3
In the second to fifth years inclusive	657	-
After five years	-	-
	1,093	3

Operating lease payments represent rentals payable by the group for its office properties and rental space for its IT equipment. Leases are negotiated for an average period of three years with fixed rentals with only one lease having the option to extend for a further three years at a fixed rental.

As at 31 December 2014 and 31 December 2013, the Group has no capital commitments.

As at 31 December 2014 and 31 December 2013, the Company had no lease or capital commitments.

## Notes to Financial Statements for the year ended 31 December 2014

### 28 Related party transactions – Group

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. Transactions between the group and its associates are disclosed below. Transactions between the company and its subsidiary and associates are disclosed in note 29.

#### Joint ventures

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

	2014 \$ 000's	2013 \$ 000's
Due to Rugby Domains Ltd	(4)	(31)
Due to Basketball Domains Ltd	(34)	(62)
Due from Entertainment Names Inc	44	48
Due to Dot Country LLC	(58)	(25)

#### Other

At the balance sheet date, an amount of \$61k (2013: \$61k) was due from Frederick Krueger in relation to shares previously issued.

During the year, \$1,326k (2013: \$180k) was paid to Needly Inc. for services provided to the Group for development of the registrar platform. Needly Inc is related by virtue of common directors. There was no balance due to Needly Inc at the balance sheet date (2013: nil).

The company entered into an agreement with Tucows, Inc. to partner in anticipated auctions for .store, .tech and .group top-level domains. MMX had no previous interest in .group while Tucows has no previous interest in .tech and .store. As part of the agreement MMX would acquire an initial majority interest in .group and Tucows would acquire an initial minority interest in .tech and .store, if it were successful in securing the uncontested rights to the gTLD in auction. The final percentages of ownership in each domain would be determined by the amounts contributed by each party at auctions. In the year, .group was lost to third party participants under private auction and .tech was settled via ICANN auction. .store remains unresolved. Tucows, Inc. is related by virtue of common directors.

The Group also sells second level domain names to Tucows, Inc. and receives certain registrar back end services from Tucows, Inc. In the year, the Group invoiced \$24k to Tucows, Inc. and was invoiced \$84k by Tucows, Inc. The net balance receivable from Tucows, Inc at the year end is \$50k.

#### Remuneration of Key Management Personnel

The remuneration of the executive directors, who are the key management personal of the group, is set out in note 8.

## Notes to Financial Statements for the year ended 31 December 2014

### 29 Related party transactions – Company

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

#### Subsidiaries

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

<b>Recharged costs from</b>	<b>2014 \$ 000's</b>	<b>2013 \$ 000's</b>
Minds and Machines LLC	1,024	-
Minds + Machines Limited (IE)	325	-
Minds and Machines Limited (UK)	111	-
<b>Services received from</b>	<b>2014 \$ 000's</b>	<b>2013 \$ 000's</b>
Minds + Machines Limited (IE)	625	-

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

<b>Company</b>	<b>2014 \$ 000's</b>	<b>2013 \$ 000's</b>
Minds and Machines LLC	6,984	5,992
Bayern Connect GmbH	1,141	505
Minds and Machines GmbH	741	374
ADT (1)	n/a	744
AIC (1)	n/a	1,595
Minds + Machines Limited (IE)	21,332	3,586
Minds + Machines Registrar Limited (IE)	2,002	180
Minds and Machines Limited (UK)	6,997	3,283
Minds and Machines Registrar UK Limited	1	2

(1) This balance has been impaired in prior years and these subsidiaries were dissolved in the current year.

#### Joint ventures

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

	<b>2014 \$ 000's</b>	<b>2013 \$ 000's</b>
Due to Rugby Domains Ltd	(4)	(31)
Due to Basketball Domains Ltd	(34)	(62)
Due from Entertainment Names Inc	44	48
Due to Dot Country LLC	(58)	(25)

## Notes to Financial Statements for the year ended 31 December 2014

### 29 Related party transactions – Company (continued)

#### Other

At the balance sheet date, an amount of \$61k (2013: \$61k) was due from Frederick Krueger in relation to shares previously issued.

The company entered into an agreement with Tucows, Inc. to partner in anticipated auctions for .store, .tech and .group top-level domains. MMX had no previous interest in .group while Tucows has no previous interest in .tech and .store. As part of the agreement MMX would acquire an initial majority interest in .group and Tucows would acquire an initial minority interest in .tech and .store, if it were successful in securing the uncontested rights to the gTLD in auction. The final percentages of ownership in each domain would be determined by the amounts contributed by each party at auctions. In the year, .group was lost to third party participants under private auction and .tech was settled via ICANN auction. .store remains unresolved. Tucows, Inc. is related by virtue of common directors.

The Company also sells second level domain names to Tucows, Inc. In the year, the Company invoiced \$9k to Tucows, Inc. The net balance receivable from Tucows, Inc at the year end is \$2k.

#### Remuneration of Key Management Personnel

The remuneration of the executive directors, who are the key management personal of the group, is set out in note 7.

### 30 Post Balance Sheet Events

On 13 February 2015, the company announced that it had issued 16,500,000 restricted stock units (RSU) to employees under the terms of the Company's long-term incentive plan. The vesting of the RSUs granted to the employees is quarterly over a three-year period. On vesting, each RSU will entitle the RSU holder to receive at a nil exercise price one new MMX ordinary share. The Company's long-term incentive plan, combined with its Amended 2012 Stock Plan, represents no more than 12.5% of the Company's outstanding shares as of 1 August 2014.

On 13 February 2015, the company announced that private auctions for .dds, .blog and .store were concluded. The company secured the uncontested application rights for .dds.

On 5 March 2015, the company announced that private and ICANN auctions for .app, .soccer and .beauty were concluded. The company did not secure the uncontested application rights to any of these gTLDs.

On 24 March 2015, the company announced that it had issued 31,950,000 share options to Directors and Officers of the company. The option grants are issued under the Company's Amended 2012 Stock Plan and have an exercise price of 8.49 pence. The Company's long-term incentive plan, combined with its Amended 2012 Stock Plan, represents no more than 12.5% of the Company's outstanding shares as of 1 August 2014.

## Corporate Information

Registered number	1412814 registered in British Virgin Islands
Directors	Frederick R. Krueger – Executive Chairman Antony Van Couvering - Chief Executive Officer Michael Salazar – Chief Finance Officer Caspar Veltheim – Executive Director Keith Teare – Non Executive Director Elliot Noss – Non Executive Director
Registered Office	Craigmuir Chambers Road Town, Tortola British Virgin Islands VG 1110
Website	Website: <a href="http://www.mindsandmachines.com/about">www.mindsandmachines.com/about</a>
Auditor	Mazars LLP Tower Bridge House St. Katharine's Way London E1W 1DD United Kingdom
Solicitors	Kerman & Co LLP 7 Savoy Court Strand, London WC2R 0ER United Kingdom
Nominated Advisor	Beaumont Cornish Limited 2nd Floor Bowman House 29 Wilson Street London EC2M 2SJ United Kingdom
Broker	N+1 Singer One Bartholomew Lane London EC2N 2AX United Kingdom
Registrars	Computershare Investor Services (Channel Islands) Ltd PO Box 83 Ordnance House, 31 Pier Road St Helier JE4 8PW Channel Islands
Principal Bankers	Bank of Ireland 40 Mespil Road Dublin 4 Ireland