uniting the domain world
with digital identifiers

annual report
2018

Minds + Machines Group Limited ("MMX" or the "Company" or the "Group") is a BVI incorporated company, which is traded on the AIM Market operated by the London Stock Exchange ("AIM"). MMX is the owner of a world class portfolio of 32 ICANN approved top-level domains (gTLDs). The Company generates revenues through the registration and annual renewal of names by organisations and individuals within each of its top-level domains, sales being processed through the Group's network of global registrar and distribution partners.

The MMX portfolio is currently focused around generic names (e.g. .work, .vip), consumer interest (e.g. .fashion, .wedding), lifestyle (e.g. .fit, .surf, .yoga), professional occupations (e.g. .law), and geographic domains (e.g. .london, .boston, .miami, .bayern). In 2018, the Company completed its first acquisition, the ICM portfolio, and recently launched its first innovation based project, .luxe, which combines the strengths of the World Wide Web's naming system with that of blockchain. For more information on MMX and its rapidly growing renewal base, please visit www.mmx.co.

contents

financial highlights

a year of growth

9.4m	**accounting renwals** + 97% (2017: 4.7m)
1.81m	**domains under management** + 37% (2017: 1.32m)
$5.5m	**operating expenses** + 4% (2017: $5.3m)
$15.1m	**group revenue** + 5% (2017: $14.3m)
23%	**cost of sales as a % of group revenue** (2017: 24%)
$3.6m	**operating EBITDA** (net of contested application revenue) + 13% (2017: $3.2m)

operational highlights

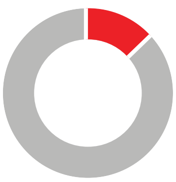
key regions

57%

United States
% of revenue (2017: 32%)

29%

China
% of revenue (2017: 53%)



14%

Europe
% of revenue (2017: 15%)

executive summary

Toby Hall
Chief Executive Officer

Michael Salazar
Chief Financial Officer

Overview

2018 has been a transformational year for our Company: the acquisition in June of ICM; the growth in our headline registrations that for the third consecutive year has outperformed the wider registry market; and, most importantly, the significant increase in the level of predictable recurring revenues that now underpin the business's forward momentum in place of the one-off revenues that previously had enabled management to take the business to maiden operating profits in the prior 24 months. In addition to driving profitable growth from our library of TLDs through traditional DNS based activity on the World Wide Web, 2018 also saw MMX launch its first R&D project, .luxe, the purpose of our Innovation based activity being to explore new avenues relating to broader Internet-based naming protocols that can potentially unlock meaningful new revenue opportunities for MMX. As disclosed in the Interims, the period was also used to address the underperformance of certain historic contracts, including those inherited by current management, which led to the one-off accounting losses indicated at the half-year and will enable a clearer picture of the Company's ongoing progress to be presented in future periods. The impact of the adjustments on the full-year are discussed in full in the financial review.

2018 Highlights

- Acquisition of ICM for $30.6m
- Domains under management up 37% to over 1.81m (2017: 1.32m)
- Group revenue up 5% to $15.1m (2017: $14.3m) net of the impact of reversing $586k of revenues recognized in prior periods
- Cash collections on normal operations (i.e. net of contested domain resolution revenue/other income) up 30% to $16.1m (2017: $12.3m)
- Renewal revenue up 97% to $9.4m (2017: $4.8m)
- Regional split of revenues significantly improved, revenues from the US sales teams increased to 57% (2017: 32%), China reduced to 29% (2017: 53%), with Europe remaining broadly flat at 14% (2017: 15%)
- .luxe launched to provide a common naming approach across multiple leading blockchains and the World Wide Web
- Provisions of $13.4m made including a bad debt provision of $2.1m, onerous contract provision of $7.2m and impairment of the underlying asset of $4.1m, leading to an overall accounting loss of $12.6m

Operational Review

As outlined in the 2017 Report and Accounts, management's strategy for delivering value to shareholders is based on three core principles:

1. driving profitable growth through organic business development and operational efficiencies in each of our key geographic regions: US, Europe and China;
2. accelerating scale and earnings through targeted acquisitions; and
3. innovation.

Organic Growth

The registry industry is rare in that a large amount of data is publicly available on the entire industry in terms of daily registration volumes, pricing, and promotional activities.

As such, it is an industry where both data mining and data analysis can provide genuine insight and competitive advantage across multiple areas of the business.

A key characteristic of MMX's development in 2018 has therefore been an increasing use of data-driven insights to better:

1. shape management's strategic priorities and associated product development;
2. set relevant targets for sales teams;
3. provide more relevant data-sets for sales teams to better leverage their discussions across the existing registrar channel, as well as identify relevant new distribution partners; and
4. improve internal operational efficiencies.

The success of this approach, combined with the ongoing streamlining of our sales teams to improve accountability, is best evidenced by analyzing the performance of the original MMX portfolio (ie. net of the ICM contribution) which again significantly exceeded the industry norm of 3 – 4% annual registration growth with registrations up 23% to 1.63m, renewal revenue up 19% to $5.7m, and an underlying improvement in cash collections with cash collected on brokered sales outside of the registrar channel improved by an impressive 243% to $2.3m. The improvement in collected cash on brokered sales followed the decision by the Company to withdraw the provision of extended payment programs that were introduced in H2 2017, in-line with industry practices at that time, and which were subsequently provisioned for at the half year in accordance with IFRS 9 and which is discussed in greater length in the Financial Review below.

"

2018 has been a transformational year for our Company: the acquisition in June of ICM; the growth in our headline registrations that for the third consecutive year has outperformed the wider registry market;

For the US sales team, data-driven insights directly influenced the introduction and structure of highly successful first year discount based initiatives for certain generic TLD's, notably .work in Japan and .vip outside of China, which led to year-on-year new registration growth of 262% and 109% respectively and renewal rates five times greater than typically seen for aggressive discount based promotions in the industry. Data based insights also led to the identification and introduction of a key distribution partner for the vertical sector property in the US, .wedding, and likewise the subsequent campaign structure which led to a near doubling of new registrations in the year for that domain. The US business development team is now looking to leverage this knowledge and apply it to other generic and vertical properties.

In China, the growth of channel related sales in the year has also benefited from the use of analytics to better structure relevant promotions with lead registrar partners. Separately, an important part of the ongoing development of the Chinese market has been the identification and selection of partners for new initiatives – notably .gouwu, .luxe and .law. Sales from .gouwu and .luxe in their early launch phases in 2018 exceeded $1m, with healthy billings achieved in Q1 2019 for .law.

In Europe, MMX's activities in 2018 were primarily focused on its geographic TLDs, our German properties firmly establishing themselves within the industry as the model by which geo based TLDs can succeed. Key components that have led to the steady year-on-year registration growth, and renewal rates exceeding 90%, included: an appropriate commercial structure with the municipality; the active support and promotion of the properties by the respective governing bodies coupled with the channel relationships; and guidance by MMX on those marketing initiatives that can return value. Meanwhile, .london sales declined in spite of significant marketing investment.

To support the increased emphasis on data analytics the Company has specifically targeted the recruitment of individuals with exceptionally strong skills in data analysis. These hires have come from both from within as well as from outside the industry and have directly contributed to helping the Company achieve a better balance of revenues across its main geographic markets. Within the MMX part of the portfolio (ie. excluding the ICM properties), revenues from China were reduced to 39%, and those from the US and Europe increased to 42% and 19% respectively. Post the ICM integration, this regional balance was further improved, sales generated by the US team at the year-end for the enlarged group accounting for 57% of total revenue (2017: 32%), China reducing to 29% (2017: 53%), and Europe remaining broadly flat at 14% (2017: 15%).

Accelerating scale

The key drivers for the ICM acquisition were:

1. to reduce the Group's overall exposure to China;
2. accelerate the growth of our renewal revenue base;
3. use the insights gained by the MMX team to re-invigorate new registrations within the mature ICM portfolio where overall registrations have declined year-on-year over the last three years; and
4. strengthening MMX's operational team.

I am pleased to report that across the board, the ICM acquisition has been an overwhelming success, its maiden contribution accelerating the Group's key metrics: domains under management increased 37% on a year-on-year basis to over 1.81m; cash collections on normal operations (i.e. net of contested domain resolution revenue/other income) up 30% to $16.1m (2017: $12.3m); and renewal revenue up by 97% to $9.4m, now representing 62% (2017: 34%) of the Group's total revenues. Importantly, one-off revenue from brokered sales was reduced to under 15% of total revenues (2017: 38%). As already indicated above, the acquisition has also accelerated the balancing of revenues across the three main regions of the business's activities.

The integration of the ICM team into MMX has likewise progressed well. The initiatives put in place in H2 to re-introduce growth into the ICM portfolio are proceeding better than expected with renewal rates in Q4 across the ICM portfolio at 90% and new registration growth now trending ahead of the same period last year.

The acquisition has also strengthened the Group's senior management, as well as enabled the business to further upgrade its staff by being able to attract a higher calibre of professionals without negatively impacting overall operating expenses ("OPEX"). In 2018, OPEX increased by less than 4% to $5.5m (2017: $5.3m), well within the $6m cap originally set by management in 2016 when restructuring the business, in spite of taking on certain overhead associated with the ICM acquisition and making further hires.

executive summary
continued

Product innovation

Separately, as part of the longer-term development plan for the business, the management team launched its first Innovation led R&D project, .luxe, in November 2018. The goal of the project is to establish a common naming approach across multiple leading blockchains and the World Wide Web. Currently blockchain addresses are typically long alphanumeric strings, useable only within the specific blockchain where they were generated, with no interoperability with other blockchains or the World Wide Web. The first blockchain to participate in the .luxe initiative was Ethereum, the project gathering significant interest from both the traditional DNS community as well as blockchain community, notably in China, where twelve distribution partners from the blockchain industry are now supporting the project.

Post year-end, the project gained further momentum, as the Company announced the appointment of its development partner for integrating .luxe into the Bitcoin ecosystem and has now selected its development partner for integrating into the EOS blockchain. Further updates on the progress of .luxe and Innovation based initiatives are provided in the Current trading and Outlook section.

2018 KPI's

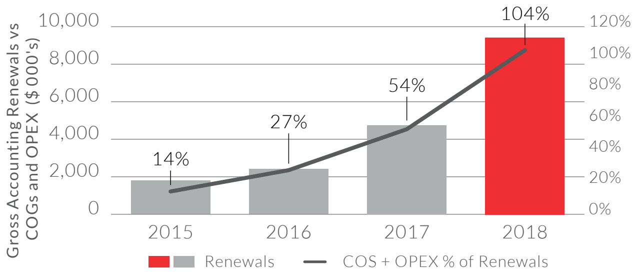
The 2018 KPI's very much reflect the operational priorities of the year:

- renewal revenue grown for a third year running to $9.4m (2017: $4.7m), helped by the acquisition of ICM – importantly, the Group was able to achieve a core milestone of renewal revenue surpassing Cost of Sales and Fixed Overheads for the first time in the year;
- domains under management increased 37% to 1.81m (2017: 1.32m) reflecting the increased internal focus on new standard sales activity and renewals plus the inclusion of ICM registrations;
- fixed overheads only slightly increased by less than 4% to $5.5m from $5.3m on a like-for-like basis, in spite of the added operational costs from operating ICM for 6.5 months;
- Cost of Sales reduced from 24% to 23% of gross revenue reflecting the containment of Cost of Sales at $3.5m (2017: $3.4m) in spite of the broadened portfolio, and increased revenues.

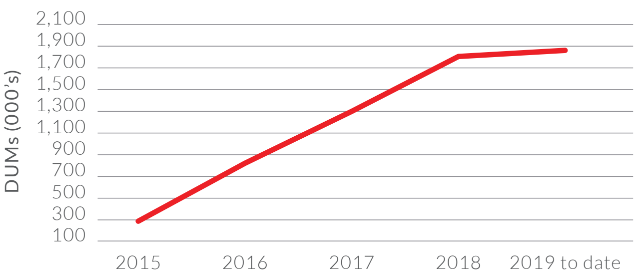
However, gross revenue and Operating EBITDA, net of contested application revenue, only reflect 5% and 12.5% improvements respectively following the reversing $586k of revenues recognized in prior periods.

KPI	2018	2017	% Change
Accounting Renewals - $ 000's	9,400	4,700	97%
Domains under management - #	1,810,000	1,320,000	37%
Operating expenses - $ 000's	5,500	5,300	4%
Group revenue - $ 000's	15,100	14,300	5%
Cost of Sales - $ 000's	3,500	3,400	3%
Cost of Sales as a % of Group revenue - %	23%	24%	N/A
Operating EBITDA - $ 000's (net of contested application revenue)	3,600	3,200	13%

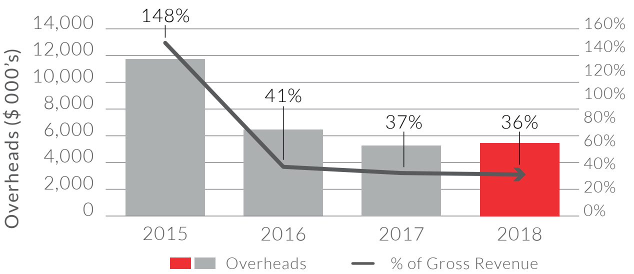
Accounting Renewals



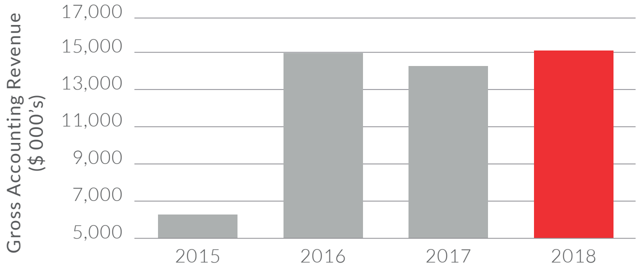
Domains under management



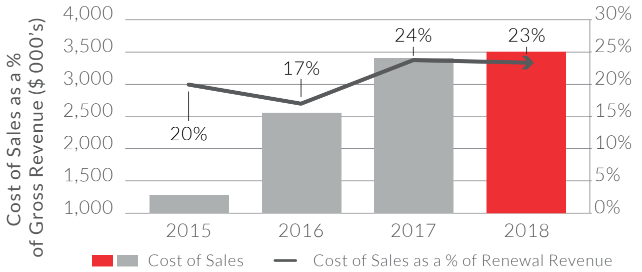
Overheads (on a like for like basis)



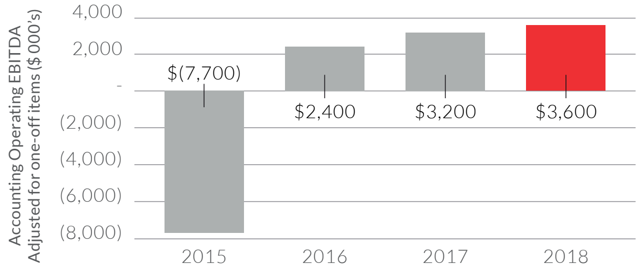
Gross Accounting Revenue



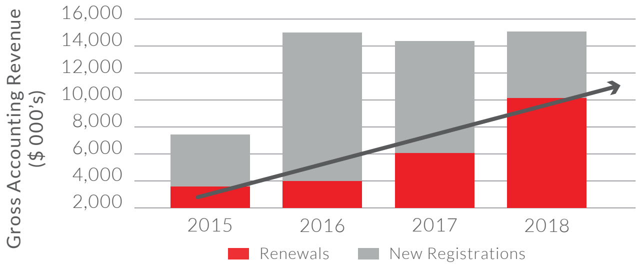
Cost of Sales



Accounting Operating EBITDA (net of one off costs)



Revenue Split



Management likewise addressed certain difficult legacy contracts in the period which is discussed in full in the One-off items of the Financial Review below.

Financial Review

Profit & Loss

Top-line revenue continues to trend positively. Group revenue, net of the impact of reversing $586k of revenues recognized in prior periods, grew overall by 5% to $15.1m (2017: $14.3m) with a significant growth in renewal revenue, up 97% to $9.4m resulting in renewals accounting for 62% of total revenue in the calendar year. Renewal revenue now covers the combined Cost of Sales ($3.5m) and Operating Expenditures ($5.5m), which is ahead of Management's target of achieving this milestone by year end 2019.

Meanwhile Cost of Sales remained relatively flat at $3.5m (2017: $3.4 million) despite the Group onboarding four established top-level domains from the ICM acquisition. Management continues to review its overall Cost of Sales and in 2018 made managing marketing expenditures a specific focus to ensure efficient and effective spend as it is clear that marketing expenses can balloon quickly with little return on investment if proper controls are not maintained.

To that end, marketing expenditures in 2018 were managed down to $1.3m compared to $1.5m in 2017 in spite of taking on four new properties, and launching two in China, while other costs (such as registry service provider and ICANN fees) increased to $2.2m in FY 2018 (FY 2017: $1.9m) reflecting the underlying growth of the business. Management believes there is a clear need for marketing and will continue to be opportunistic as it looks for ways to support sales within its top-level domains. Management will also seek to streamline other Costs of Sale as the ICM portfolio is fully integrated.

In the year under review, overall Cost of Sales were reduced down to 23% of Group revenue and 22% of cash collections in 2018 (2017: 24% of gross revenue and 28% of cash collections). However, while exceeding the Management KPI goal of 20% gross revenue, Cost of Sales are trending in the right direction and will benefit from the negotiation post year-end of certain underlying contracts in future periods.

As a result of efficient marketing and Cost of Sales spend in the year under review, the Group saw its Gross Profit percentage increase to 72% (2017: 71%).

Operating expenditures have increased marginally to $5.5m in 2018 (2017: $5.3m) however they remain below the $6m target set in 2016. The net change from 2017 is a result of Management's continued review of the existing cost base while onboarding senior resources from the acquisition of ICM, as well as bringing onboard experienced, senior resources to drive the growth of the business further. Consolidation of certain activities will continue as the ICM integration nears completion.

executive summary

continued

Management believes that overall operating expenditure will remain within the $6m target for the foreseeable future.

One-off items

As highlighted in the 2018 interims, certain one-off costs were accounted for during the year. These related to:

- a change in accounting policies as a result of new International Financial Reporting Standards (IFRS);
- a revenue adjustment identified during the Company's review of IFRS 15;
- the provision for an onerous contract inherited by management; and
- one-off costs from the Strategic review completed in April 2018.

Change in Accounting Policies

In accordance with new accounting standards, the Company has reviewed both its provisions for the possibility of not collecting the full amounts due to the Company on long term arrangements (under IFRS 9) as well as accounting practices on revenue recognition (under IFRS 15). Under IFRS 9 there is a requirement to review for the provision of bad debt in the event that management believes that there is a possibility of not collecting full amounts due based on facts and circumstances. The Company has never had any bad debts since it began generating operational revenue in 2014 and its long-term debtors have historically been diligent in fulfilling their obligations to date. Nevertheless, following the extension of payment time-frames on certain contracts, the Company believes that it is prudent to provision $2.1m against the possibility of bad debt based on fluctuations in market conditions and possible changes in circumstances related to certain existing partners in the US and China. It should be noted that the Company continues to work with its partners and underlying counterparties to collect on monies due with receipts of over $510k currently in process on long-term outstanding receivables from China reflecting an underlying improvement in that region beginning Q1 2019.

Revenue adjustment

As highlighted in the interims, during the IFRS 15 adoption review we identified the need for an adjustment of $586,000 against a contract signed in 2016 to properly reflect revenue. On grounds of lack of materiality, the adjustment is being made to current year 2018 revenue instead of a prior period adjustment to 2016 as indicated in the Interims. As previously disclosed, the contract had a variable component that was recognized as 2016 revenue.

Onerous Contract Provision

In 2016, Management successfully renegotiated certain aspects of a partnership agreement to reduce the then marketing obligations of $10.8m to nearly half this amount under the condition that those marketing funds be provided directly to the commercial partner to manage. In addition, Management negotiated that the runway on its 2017 minimum guaranteed commitment be extended from 12 months to 17 months to allow the revised marketing strategy to come into effect. Unfortunately, to date, a significant portion of that marketing budget has been spent with minimal impact on registrations and revenues in the current year and no expectation of any material uplift in future periods. Accordingly, given recent performance, and expected future performance, the Company has, as indicated at the time of the Interims, impaired the intangible asset ($4.1m) and has provided for a one-time Onerous Contract Provision in the amount of $7.2m, subject to foreign exchange rate gains/losses. The Provision is based on Management's assessment of future earnings against future obligations (i.e., projected annual revenue less minimum annual revenue guarantees), which covers the period from 2018 through August 2021 when the contract ends. $1.1m of the provision has been utilized in FY 2018, leaving a balance of $5.8m. The Company is currently seeking to renegotiate a more equitable settlement given the losses incurred on this asset, which now stand at c. $13.7m since the start of the contract.

Strategic Review

Costs for the Strategic Review totalled nearly $1.4m which consisted of amounts paid to restructure certain existing contracts and professional fees paid to advisers in relation to the acquisition of ICM.

Balance sheet

As a result of corporate activity and the onerous contract provision, intangible assets have increased from $46.2m at the end of FY 2017 to $81.5m at the end of 2018. The change reflects the acquisition of ICM at $39.6m which is based on consideration of $30.6m ($10m cash and 225million in MMX shares), the value of deferred revenue ($9.5m and net assets taken on board of $0.5m less the impairment of intangible assets ($4.1m) as a result of the onerous contract, and amortization of $0.2m.

Trade receivables (before taking into account bad debt provisions) decreased to $6.7m at the end of FY 2018 from $7.3m at the end of FY 2017 due to the revenue adjustment highlighted above.

Cash and cash equivalents have reduced from $15.9m at the end of FY 2017 to $10.4m at the end of FY 2018. The primary reason for the reduction in cash is the $10m paid to acquire ICM. During the period the Company has moved restricted cash of $2.2million from Other Long-Term Assets to Cash and Cash Equivalents. Current liabilities increased from $12.7m at the end of FY 2017 to $27.3m at end of FY 2018. The increase in 2018 primarily relates to an increase in deferred revenue due to the acquisition of ICM ($8.3m), registrar deposits ($1.4m), onerous contract provision ($2.9m) and drawing down on the working capital facility ($3m) which has subsequently been repaid in Q1 2019, and paying down of trade and other payables ($1m). Importantly, during the period, the Company paid down liabilities, including taxes, in the amount of $1.1m. However, overall liabilities have increased primarily due to an increase in registrar deposits of $1.4m, the inclusion of deferred revenue from ICM, the onerous contract provision, which currently stands at $5.8m of which $2.9m is current, and a $3m working capital facility to support future innovation and acquisition orientated activity by the Company.

Cash-flow

Overall, cash and cash equivalents decreased by $5.5m to $10.4m at the end of FY 2018. Cash inflows comprise of cash from operations of $3.2m, net of one-off costs, $3.0m in funds received from a working capital facility and cash acquired as a result of the acquisition of $0.9m. Major cash outflows comprise the acquisition of ICM of $10m, one-off costs paid of $1.4m, paying down of 2016 restructured liabilities of $0.8m, acquisition of FF&E and intangibles of $0.1m and interest expense of $0.2m.

Restricted cash of $2.2m previously classed as a long-term asset is now reclassified to cash and cash equivalents.

Post year-end the London & Capital facility of $3m has been repaid in full. This has been made possible by a strong renewal season on ICM's lead property, healthy ongoing sales, and resolution of two contested TLD applications, .cpa and .gay.

Current trading & Outlook

2019 has started well with domain registrations up to 1.87m from 1.81m at the year-end. Importantly, billings are up 246% for Q1 due to a combination of the first time ICM contribution and a significant increase in billings from China, up more than three-fold for the first quarter, greatly helped by .law registrations where sales of approximately $500k were recorded in March, in addition to healthy ongoing .vip sales. Meanwhile, MMX's US and German portfolios continue to grow, 7% up over the same period last year.

We are also watching .luxe developments in China with much interest as limited testing programmes for activating existing Ethereum users by our partners are now being undertaken which has already resulted in some 2000 new activations in recent weeks. Separately, a direct outreach programme to introduce .luxe to SME's is also being piloted in the Beijing area. Importantly, the Company has additionally identified its development partner for the integration of .luxe into its third crypto blockchain, EOS, and expects this integration, along with the Bitcoin integration announced last month, to occur in H2. These roll-outs will be initially focused on the Asia market.

Meanwhile, in the US and Europe our next Innovation initiative is a high-value defensive registration product for corporate registrars to offer to their corporate customers. This is expected to launch Q3.

We are also pleased to announce today the appointment of an independent non-executive director, Bryan Disher, to the Board. Bryan Disher trained as a Chartered Accountant in Canada and enjoyed a successful career spanning over 37 years at PricewaterhouseCoopers (PwC), which he joined in 1978 and where he was appointed as a Partner in 1991. He held a number of senior positions in PwC Canada where he was Chair of the Partnership Board, and Chair of each of the Finance Committee, Governance Committee and Admissions Committee of the Board. He was also Managing Partner of PwC's Ottawa office (2001 – 2008) and Ottawa Audit and Assurance Leader (1995 – 2001). His final role at PwC was Managing Partner of its Ukrainian practice between 2012 and 2015. He will chair the Audit Committee moving forward. Further details of his appointment can be found in today's announcement.

Looking ahead into H2 and 2020, management also looks forward to the benefits derived from the renegotiation of certain key underlying contracts impacting the Company's performance.

In summary, the strong underlying performance of the business and cash collections was tempered by the provisions and restructuring costs affecting the reported profitability. Notwithstanding this, we have a robust operating platform and methodology which will enable us to continue to monetize our portfolio. We believe the business is now well positioned for future growth.

Toby Hall
Chief Executive Officer
2 April 2019

Michael Salazar
Chief Financial Officer
2 April 2019

strategic report

to the members of Minds + Machines Group Limited

Cautionary statement

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

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

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

Review of the Group's Business

The Business Model

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

In 2018 the group completed its first acquisition as noted in the executive summary, through this acquisition the Groups portfolio grew by a further four gTLDs.

In total, 30 of the 32 uncontested domains in which the Group has a commercial interest have entered General Availability, resulting in the Group having over 1,810,000 domains under management at the year end.

The Group currently has an interest in 3 contested generic top-level domains (gTLDs). The Group:

- Wholly-owns, or majority owns, 2 contested gTLDs; and
- Is in partnership for 1 gTLD.

Registry Business

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

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

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

The Group shares wholesale revenues from certain gTLDs (including its geographic gTLDs) and retains all the wholesale revenue for its other wholly-owned gTLDs.

Registry Service Provider

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

Reseller Registrar Business

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

Future developments, strategy and objectives

Please see the Executive Summary.

Key performance indicators

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

Principal risks and uncertainties

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

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

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

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 has entities that are based in jurisdictions that may be subject to additional compliance requirements

The British Virgin Islands recently passed legislation regarding economic substance requirements where certain entities that are conducting relevant activities must establish that they perform adequate substantive activities in that jurisdiction.

The Company anticipates having to comply with the requirements and is working towards implementing those activities within the timeframe established by the BVI.

The new legislation takes effect 30 June 2019 with detailed guidance anticipated to be published by late April 2019.

Such new regulatory requirements may require the Group to incur additional operational changes and expenses.

The Group derives revenue from regions that are subject to additional compliance requirements

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

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

The Group has acquired additional assets in 2018 that may be subject to certain regulatory requirements that could impact the Group's operations.

The Group and / or its customers may fail to meet certain contractual obligations

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

In 2017 the industry adopted a new approach on the sale of certain high value 'premium' names by extending credit terms. The group followed such industry practices and extended credit terms to certain customers in 2017. In any extension of credit there is an inherent risk that payments may not be collected. The Group recognizes the risk of extended payment plans and under the requirements of IFRS 9 Financial Instruments has accounted for a bad debt provision.

The Group determines the credit worthiness of certain customers prior to extending credit and continually monitors outstanding balances due.

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

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

strategic report

to the members of Minds + Machines Group Limited

(continued)

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

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

Dependence on key personnel

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

The Group offers competitive compensation packages including share options to retain and attract key personnel.

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

The Group relies on cloud-based services from third party suppliers in order to provide its registry and RSP services which, if faulty and thereby causes errors or a service failure, could adversely affect the Group's operating results or harm its reputation. Furthermore, the Group has key contractual relationships with a number of third parties including suppliers, partners, banks and payment processors. In particular, the Group relies on key suppliers in order to carry on its operations including, but not limited to, Domain Name System (DNS) services, co-location facilities, Distributed Denial of Services (DDoS) mitigation 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 show that the Group should be able to operate within the level of its current funding. At the year end, the Group had net current liabilities of $7.8m which includes $14.8m of deferred revenue. Excluding deferred revenue, the Group had net current assets of $7m including $10.4 million held as cash and cash equivalents. The Group will use these resources to both fund operations, to secure additional gTLD assets and where appropriate return cash to shareholders.

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

Approval

This report was approved by the Board of Directors on 2 April 2019 and signed on its behalf by:

Michael Salazar
Chief Financial Officer
2 April 2019

directors' report

The Directors present their annual report on the affairs of the Group, including the financial statements and auditor's report, for the year ended 31 December 2018. The Corporate Governance Statement set out on pages 14 to 17 forms part of this report.

Details of significant events since the balance sheet date are contained in note 33 to the financial statements. An indication of likely future developments in the business are included in the Strategic Report.

Information about the use of financial instruments by the company and its subsidiaries is given in note 30 to the financial statements.

Dividend

The Directors do not recommend payment of a dividend as a result of the financial performance for the year ended 2018 (2017: Nil).

Capital Structure

Details of the issued share capital is shown in note 28. 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 29.

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

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

Directors

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

Executive Directors
Toby Hall
Michael Salazar

Non-Executive Directors
Guy Elliott
Henry Turcan

Directors' Remuneration

Directors' emoluments

	Fees / Basic Salary $ 000's	Benefits in kind $ 000's	Bonus $ 000's	2018 Total $ 000's	2017 Total $ 000's
Executive Directors					
Toby Hall	300	12	150	462	355
Michael Salazar	300	32	75	407	349
Non-Executive Directors					
Guy Elliott	100	-	-	100	100
Henry Turcan	58	-	-	58	58
Total	758	44	225	1,027	862

Directors' share options

Aggregate emoluments disclosed above do not include any amounts for the value of options to acquire ordinary shares in the company granted to or held by the directors. Details of directors' options are as follows:

	1 Jan 2018 000's	Granted 000's	Forfeited 000's	Exercised 000's	Expired 000's	31 Dec 2018 000's
Michael Salazar (1)	10,500	5,000	-	-	-	15,500
Toby Hall (2)	10,500	5,000	-	-	-	15,500
Total	21,000	10,000	-	-	-	31,000

1. At the beginning of the year 10,500,000 options - Exercise price – Nil, of which 7,500,000 are exercisable on the publication of the 2018 financial statements (will vest on a straight line basis, from a base share price of 8p up to full vesting of 16p) and 3,000,000 exercisable on the publication of the 2019 financial statements (will vest on a straight line basis, from a base share price of 9.375p up to full vesting of 18.75p). During the year, a further grant of 5,000,000 options were awarded – Nil exercise price – exercisable on the publication of the 2020 financial statements (will vest on a straight-line basis, from a base share price of 7p up to full vesting of 14p).
2. At the beginning of the year 10,500,000 options - Exercise price – Nil, of which 7,500,000 are exercisable on the publication of the 2018 financial statements (will vest on a straight line basis, from a base share price of 8p up to full vesting of 16p) and 3,000,000 exercisable on the publication of the 2019 financial statements (will vest on a straight line basis, from a base share price of 9.375p up to full vesting of 18.75p). During the year, a further grant of 5,000,000 options were awarded – Nil exercise price – exercisable on the publication of the 2020 financial statements (will vest on a straight-line basis, from a base share price of 7p up to full vesting of 14p).

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

directors' report

(continued)

The Group remunerates non-executive Directors to attract the highest calibre of talent beneficial to the Group and its shareholders.

Directors' Interests

The total beneficial interests of the serving Directors at the year end in the shares and options of the Company during the period to 31 December 2018 were as follows:

Director	31 December 2018 Shares	Options*	31 December 2017 Shares	Options*
Toby Hall	500,000	15,500,000	500,000	10,500,000
Michael Salazar	1,975,050	15,500,000	1,925,050	10,500,000
Guy Elliott	20,750,000	-	23,300,000	-
Henry Turcan	-	-	-	-

* Terms of the options have been disclosed in Directors' remuneration report.

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 14 to 17.

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-caliber 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, color, 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 is aware of that information.

Auditor

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

Statement of Directors' Responsibilities

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

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

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

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

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

Electronic communication

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

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

On behalf of the board:

Michael Salazar
Chief Financial Officer
2 April 2019

corporate governance

As Chairman of the Board of Directors of Minds and Machines Group Limited (MMX), it is my responsibility to ensure that MMX has both sound corporate governance and an effective Board. As Chairman of the Company, my responsibilities include leading the Board effectively, overseeing the Company's corporate governance model, communicating with shareholders, and ensuring that good information flows freely between the Executive and Non-Executives Directors in a timely manner.

It is the Board's job to ensure that MMX is managed for the long-term benefit of all shareholders, with effective and efficient decision-making. Corporate governance is an important part of that role, reducing risk and adding value to our business.

The Directors of MMX recognize the value of good corporate governance in every part of its business. MMX is required to adopt a recognized corporate governance code and disclose how it complies with that code, and to the extent the Company departs from the corporate governance provisions outlined by that code, it must explain its reasons for doing so. The Directors have resolved to adopt the Quoted Companies Alliance Corporate Governance Code (QCA Code), which we believe is the most appropriate for a company the size and stage of development of MMX.

The Board will provide annual updates on our compliance with the QCA Code and note that there have been no changes to the Company's key corporate governance arrangements over the past year. An explanatory report of how we have applied the QCA Code guidance, and disclosures of any areas of non-compliance, can be found on our website at: www.mmx.com.

The Board considers that the Group complies with the QCA Code so far as it is practicable having regard to the size, nature and current stage of development of the Company. The Board understands that the application of the QCA Code supports the Group's medium to long-term success whilst simultaneously managing risks and provides an underlying framework of commitment and transparent communications with stakeholders.

Strategy and Business Model

The Board believes that long-term value can be delivered to its shareholders through a process that has three key tenets:

- To continue to drive profitable growth through operational efficiencies and organic business development initiatives within the current TLD portfolio;
- To accelerate scale and earnings through strategic acquisitions; and
- Innovation.

A detailed description of the Company's business model and strategy can be found on page 8. Further challenges to MMX's strategy and long-term goals are highlighted in Principal Risks and Uncertainties on page 8.

Risk Management

The Board recognizes the need for an effective and well-defined risk management process, and it oversees and regularly reviews the current risk management and internal control mechanisms. 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.

The Board has overall responsibility for identifying, monitoring and reviewing the Company's risks, and assessing the systems of external control for effectiveness. The Executive Directors report on any new or changed risks, and any changes in risk management/control to the Board. The Board discusses all business matters having regard to the risks for the Group, and to the extent that risks inherent in a particular activity are considered significant, appropriate action is taken and steps taken to mitigate the issue.

The Board considers that in light of the control environment described above, an internal audit function is not considered necessary or practical due to the size of the Company and the day to day control exercised by the Executive Directors. However, the Board will monitor the need for an internal audit function. The Board has established appropriate reporting and control mechanisms to ensure the effectiveness of its control systems. The Board regularly reviews the mechanisms of internal control it has implemented, assessing for effectiveness.

The Company's key risks are highlighted under Principal Risks and Uncertainties on page 8.

The Board

The Board, as a whole, is responsible for the overall management of the Group and for its strategic direction, including approval of the Group's strategy, its annual business plans and budgets, the interim and full year financial statements and reports, any dividend proposals, the accounting policies, major capital projects, any investments or disposals, its succession plans and the monitoring of financial performance against budget and forecast and the formulation of the Group's risk appetite including the identification, assessment and monitoring of MMX's principal risks.

At the date of this Report, the Board has four members, whose biographies are set out on page 21 and whose roles are set out below:

Director' Name	Position(s)
Toby Hall	Executive Director Group Chief Executive Officer
Michael Salazar	Executive Director Chief Financial Officer
Guy Elliott	Non-Executive Chairman member and chair of the Remuneration Committee
Henry Turcan	Non-Executive Director member and chair of the Audit Committee

The Board meets regularly throughout the year and a calendar of meetings and principal matters to be discussed is agreed at the beginning of each year. In order to be efficient, the Directors meet formally and informally both in person and by telephone. Board document authors are made aware of proposed deadlines, allowing board papers to be collated, compiled into a Board Pack, and circulated with sufficient time prior to each meeting, thus allowing time for full consideration and necessary clarifications before the meeting. Management supply the Board with appropriate and timely information and the Directors are free to seek any further information they consider necessary.

In 2018 there were 3 official Board meetings, all of which were attended by all Directors in addition to other periodic meetings to update the Board on managements' progress.

The Board comprises the CEO, Toby Hall, the CFO, Michael Salazar, and two Non-Independent Non-Executives, Guy Elliott and Henry Turcan. Guy Elliott is the Company's Chair. Guy Elliott and Henry Turcan, as significant shareholders and representatives respectively, are not considered to be independent. The letters of appointment of all Directors are available for inspection at the Company's registered office during normal business hours. The Non-Executive Directors are expected to dedicate 18 days per annum to the Company. The Executive Directors work full time for the Company.

The Board, given the lack of independent Non-Executives, recognizes that the Board does not have a balance as recommended by the QCA. There is also currently a lack of diversity on the Board. The Board will consider imbalances for future nominations, including Board independence and gender balance. The Board has moved forward with appointing an Independent Non-Executive Director, Bryan Disher, as highlighted in the Executive Summary. Bryan Disher will chair the Company's Audit Committee.

The Board recognizes the long-term need for an independent Non-Executive Chair and shall continue to review this as the scale and complexity of the Company grows in the future and in proportion to costs. The Board also notes that the QCA recommends a balance between Executive and Non-Executive Directors and recommends that there be two Independent Non-Executives. The Board will take this into account when considering future appointments. However, all Directors are encouraged to use their judgement and to challenge matters, whether strategic or operational, enabling the Board to discharge its duties and responsibilities effectively.

The Non-Executive Directors have both a breadth and depth of skills and experience to fulfil their roles. The Company believes that the current balance of skills in the Board as a whole reflects a very broad range of personal, commercial and professional skills, and notes the range of financial and managerial skills. The Non-Executive Directors meet without the presence of the Executive Directors during the year, and also maintain ongoing communications with Executives between formal Board meetings.

Meetings are open and constructive, with every Director participating fully. Senior management can also be invited to meetings, providing the Board with a thorough overview of the Company.

In addition to their general Board responsibilities, Non-Executive Directors are encouraged to be involved in specific workshops or meetings, in line with their individual areas of expertise. The Board is kept abreast of developments of governance and AIM regulations. ONE Advisory provides updates on governance issues, and the Company's NOMAD provides annual Board AIM Rules refresher training as well as the initial training as part of a new director's on-boarding.

The Board shall review annually the appropriateness and opportunity for continuing professional development, whether formal or informal.

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 two Non-Executive Directors, Henry Turcan (Chairman) and Guy Elliott. The Audit Committee is responsible for ensuring that the financial performance of the Group is properly monitored and reported on.

During 2018, the Committee met three times with both Directors present at all meetings.

corporate governance

(continued)

Remuneration Committee

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

During 2018, the Committee met once with both Directors present at the meeting.

Advisers

The Directors have access to the Company's NOMAD, lawyers and auditors as and when required and are able to obtain advice from other external bodies when necessary. All Directors have access to advice from the Company Secretary and independent professionals at the Company's expense. Further details of the Company' advisers can be found on page 75.

The Company has employed the services of Liam O'Donoghue of ONE Advisory Limited to act as the Company Secretary, who is responsible for ensuring that Board procedures are followed and that the Company complies with all applicable rules, regulations and obligations governing its operation, as well as helping the Chairman maintain excellent standards of corporate governance. If required, the Directors are entitled to take independent legal advice and if the Board is informed in advance, the cost of the advice will be reimbursed by the Company.

Board Evaluation

The Directors consider that the Company and Board are not yet of a sufficient size for a full Board evaluation to make commercial and practical sense. In the frequent Board meetings/calls, the Directors can discuss any areas where they feel a change would benefit the Company, and the Company Secretary remains on hand to provide impartial advice. As the Company grows, it expects to expand the Board and with the Board expansion, re-consider the need for Board evaluation.

Culture

The Board recognizes that its decisions regarding strategy and risk will impact the corporate culture of the Company as a whole and that this will impact the performance of the Company. The Board is aware that the tone and culture set by the Board will greatly impact all aspects of the Company as a whole and the way that employees behave. The corporate governance arrangements that the Board has adopted are designed to ensure that the Company delivers long term value to its shareholders, and that shareholders have the opportunity to express their views and expectations for the Company in a manner that encourages open dialogue with the Board.

A large part of the Company's activities are centered upon an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviors is crucial to the ability of the Company to successfully achieve its corporate objectives. The Board places great importance on this aspect of corporate life and seeks to ensure that this flows through all that the Company does. The Directors consider that the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge.

The Group operates a whistleblowing policy to facilitate the reporting by employees of suspected misconduct, illegal acts or failure to act within the Group. The aim of this Policy is to encourage employees and others who have serious concerns about any aspect of the Group's work to come forward and voice those concerns. The Group also promotes employee engagement and receives feedback from employees through employee commentary and reviews.

A large part of the Company's activities is centered upon an open and respectful dialogue with employees, clients and other stakeholders. Therefore, the importance of sound ethical values and behaviors is crucial to the ability of the Company to successfully achieve its corporate objectives. The Directors consider that the Company has an open culture facilitating comprehensive dialogue and feedback and enabling positive and constructive challenge. The Company has adopted a code for Directors' and employees' dealings in securities which is appropriate for a company whose securities are traded on AIM and is in accordance with the requirements of the Market Abuse Regulation which came into effect in 2016. The Directors seek to align their interests with shareholders.

Internal controls

The Board is responsible for ensuring that the Group maintains a system of internal financial controls including suitable monitoring procedures. The objective of the system is to safeguard Group assets, ensure proper accounting records are maintained and that the financial information used within the business and for publication is reliable.

Internal financial control monitoring procedures undertaken by the Board include the review of monthly financial reports and monitoring of performance, setting of annual budgets and monthly forecasts and the prior approval of all significant expenditure.

Going concern

After making appropriate enquiries, the Directors have a reasonable expectation that the Group and the Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group accounts.

Treasury Policy

The Group finances its operations through equity and in 2018 drew down $3million from its working capital facility. The Group holds its cash as a liquid resource to fund the obligations of the Group. The Board approves decisions regarding the management of these assets. Refer to Note 30 for further information.

Securities Trading

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

Relations with Shareholders

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

The Directors meet regularly with the Company's institutional and other major shareholders in order to communicate mutual understanding of objectives. The Company intends at its AGMs to communicate with private investors and encourage their participation.

Each year shareholders receive a full annual report and an interim report.

Guy Elliott
Chairman
2 April 2019

audit committee report

As the Chairman of MMX's Audit Committee, I present my first Audit Committee Report for the year ended 31 December 2018, which has been prepared by the Committee and approved by the Board.

The audit committee currently consists of Henry Turcan as Chairman and Guy Elliott. Henry Turcan has the recommended qualifications and experience to act as Chairman of the audit committee.

Roles and Responsibilities

The main role and responsibilities of the Audit Committee are to:

- monitor the integrity of the Financial Statements and any formal announcements relating to financial performance;
- review the internal financial controls and the Company's internal control and risk management systems;
- make recommendations to the Board in relation to the appointment, reappointment or removal of the external auditor and approve remuneration and terms of engagement of the auditor;
- review the External Auditor's independence and objectivity; and
- develop and implement the non-audit services policy.

Achieve of its Roles and Responsibilities

The audit committee met formally three times this year to consider half-year Interim Results, the Audit Plan for the Annual Audit and the Full Year Financial Statements. Additional meetings are held as necessary during the year to monitor progress of external audits and reviews, together with any unexpected corporate issues.

The meetings of the Audit Committee are designed to facilitate and encourage communication among the Audit Committee members, the Company's staff and the Company's External Independent Auditor, Mazars LLP.

Members of the Committee meet the Independent Auditor regularly throughout the year (with and without Management present) to discuss the results of their examinations, the overall quality of the Company's financial reporting, and discuss the Company's internal control environment (including internal control over financial reporting). In addition, the Audit Committee receives and reviews the Independent Auditor's annual 'Audit Completion Report'.

The Company does not have an Internal Audit function. This, the Committee believes, is consistent with the Company's stage of development. The need for the establishment of an Internal Audit function is monitored and discussed regularly and it will be established when it is believed to be appropriate.

The Audit Committee recognizes the importance of ensuring the independence of the Company's independent Auditor both in fact and appearance. Each year the Audit Committee reviews and assesses the quality and efficiency of the service provided.

This is the seventh year that Mazars have acted as Independent Auditor, having been appointed in 2012.

The Company has in place a whistle-blowing procedure to allow staff to raise, in confidence, any concerns about business practices. This procedure complements established internal reporting processes.

It is the Company's policy to conduct all of its business in an honest and ethical manner, and it has adopted a zero-tolerance approach to bribery and corruption. The Company is committed to acting professionally, fairly, and with integrity in business dealings and relationships. The Company's anti-bribery and corruption procedures incorporate appropriate provisions to meet its obligations under the UK Bribery Act 2010.

With regard to the Company's financial statements, the Audit Committee reviews:

- the quality and acceptability of accounting policies and practices;
- the clarity of the disclosures and compliance with financial reporting standards and relevant financial and governance reporting requirements;
- material areas in which significant judgements have been applied or there has been discussion with the external auditor, and
- whether the Annual Report and Financial Statements, taken as a whole, present a fair, balanced and understandable body of information that provides the data necessary for shareholders to assess the Company's performance, business model and strategy.

The Audit Committee, through the Board, receives financial updates at each Board Meeting as well as regular financial reports throughout the year. The Board also carries out a detailed budget planning and review before the start of each financial year. This is monitored in conjunction with each Board financial review.

2018 Financial Statements

During 2018, the Committee:

- met with the External Auditors to review and approve the annual audit plan and receive their findings and report on the annual audit;
- considered significant issues and areas of judgement with the potential to have a material impact on the financial statements;

- considered the integrity of the published financial information and whether the Annual Report and Accounts taken as a whole are fair, balanced and understandable and provide the information necessary to assess the Group's position and performance, business model and strategy; and
- reviewed and approved the interim and year end results and accounts.

Audit Committee Report

This is the first year the Group has presented an Audit Committee Report. Over the coming years, the content and detail of the Audit Committee Report will be expanded, and formal procedures will be put in place to assess the effectiveness of the Audit Committee's role.

Henry Turcan
Chairman of the Audit Committee
2 April 2019

remuneration committee report

Dear shareholder,

As the Chairman of MMX's Remuneration Committee, I present my first Remuneration Committee Report for the year ended 31 December 2018, which has been prepared by the Committee and approved by the Board.

Roles and Responsibilities

The Remuneration Committee is responsible for determining the remuneration policy for the Company's Executive Directors and for overseeing the Company's long-term incentive plans and to ensure that the company attracts and retains the necessary talent and rewards commensurate with the delivery of shareholder value.

The Board as a whole is responsible for determining Non-Executive Directors' remuneration.

The Committee will continue to monitor market trends and developments in order to assess those relevant for the Group's future remuneration policy.

Governance Process

The Committee meets at least once a year and such other times as the Chair or any member of the Committee requests.

Main Activities

- 2017 Executive Director Bonuses based upon achieved KPIs and targets.
- Long Term Incentive Plan vesting criteria and awards for 2018.
- CEO and CFO remuneration packages.

2019 Focus

- Assessment of achieved 2018 KPI's to determine 2019 bonus awards.
- Recommendation as to the 2019 KPI's.
- Determination of LTIP awards and performance criteria.
- Continued monitoring of effectiveness of the current plans in delivering shareholder value and adequate incentive for performance.

Guy Elliott
Chairman of the Remuneration Committee
2 April 2019

directors' biographies

Guy Elliott
Non-Executive Chairman

Guy Elliott is an independent investor, corporate finance advisor and entrepreneur specializing in natural resources and Internet technologies. From 1993 to 2001 Mr. Elliott was a co-founder of Croesus Capital Management, a multi-strategy hedge fund manager with $1billion under management. Since 2001, Mr. Elliott has been a co-founder of F3 Capital management, an alternative investments advisory that has specialized in early stage financings of resources and Internet technology companies. Mr. Elliott was a co-founder shareholder or Series A investor in many companies during the past 15 years including the following: Iwin, Tagworld, TLDH/Minds + Machines/MMX, Marathon PGM, Uramin, Royal Nickel, CDC/CRC, Polo Resources, Get Pager, Trax Retail and Collinear Networks.

Toby Hall
Chief Executive Officer

Toby Hall is a highly experienced marketeer who has supported a series of fast growth public and private businesses in the Internet and natural resources sector over the last twenty years. In this capacity, he has been a strategic adviser to Minds + Machines Group Limited (MMX) since its inception. Following the successful launches of .miami and .law, Toby formally took over the responsibilities of Chief Marketing Officer for the Group in January 2016. On 22 February 2016, Toby was appointed Chief Executive Officer and has led the Group as it restructured into a pure-play registry and successfully opened up the China market through the launch of .vip which received Chinese Government MIIT approval in December 2016. He divides his time between the US, UK, Europe and Asia.

Michael Salazar
Chief Financial Officer

Prior to joining MMX in December 2012, Michael was the gTLD Program Director at ICANN. He was responsible for developing the new department within ICANN to implement the gTLD operations programme and manage the execution of all operations. Prior to ICANN, Michael worked at KPMG for 16 years, where he was a partner in the Advisory Services Group, responsible for the overall quality and execution of internal audit and advisory engagements for a diverse group of clients across a number of industries, including technology, media and entertainment, consumer products and manufacturing. He co-managed KPMG's IT Advisory Services group within Los Angeles and Orange County. Prior to working in the Advisory Services Group, Michael spent considerable time working in KPMG's International Tax practice.

Henry Turcan
Non-Executive Director

Henry has worked in financial services since 1996, with a focus on equity capital markets. Having spent the majority of his career advising growth companies within investment banking, he switched to investment management when he joined Henderson Global Investors in 2015. In 2017, the funds managed by Volantis were transferred by Henderson to Lombard Odier Investment Management. Henry graduated with an MA (Hons) in Modern Languages from Edinburgh University and is a Member of the Securities Institute. Henry is a representative of the funds managed or sub-advised by Lombard Odier Investments Manager group entities, collectively one of the Company's largest shareholders.

independent auditor's report
to the members of Minds + Machines Group Limited

Opinion

We have audited the financial statements of Minds + Machines Group Limited (the 'parent company') and its subsidiaries (the 'group') for the year ended 31 December 2018 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 notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs).

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 2018 and of the group's and the parent company's loss for the year then ended; and
- have been properly prepared in accordance with IFRSs.

Basis for opinion

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

Conclusions relating to going concern

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

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

Key audit matters

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

- the overall audit strategy,
- the allocation of resources in the audit; and
- directing the efforts of the engagement team.

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

Revenue recognition

Key audit matter:
The group's accounting policy in respect of revenue recognition is set out in note 1(j) 'Revenue Recognition' on page 41.

There is a risk of fraud in revenue recognition due to the potential to inappropriately shift the timing and basis of revenue recognition as well as the potential to record fictitious revenues or fail to record actual revenues. For the group, we consider this significant risk to arise as follows:

- The group records revenue immediately for the initial premium arising on the sale of certain domain names, while recurring fees are recognized over the period covered by the fee. There is a risk that inappropriate allocation of fees between the initial premium and recurring leading to inappropriate revenue recognition;
- The group recognizes domain registry service revenue evenly over the relevant registration period. There is a risk that revenue relating to future periods is not appropriately deferred; and
- The group enters into complex contractual arrangements that include key terms including, for example, provisions for marketing support or for revenue sharing. There is a risk that revenue might not be appropriately recognized in accordance with the contractual terms of these arrangements.

Our response:
Our audit procedures included, but were not limited to:

- on a sample basis, testing the split of revenue between the initial premium arising on sale of the domain name and the ongoing registry service;
- on a sample basis, testing domain registry service revenue recognized in the period and revenue deferred at the year end by reference to the registration period covered by the contractual terms of service; and
- reviewing the terms of complex contractual arrangements and assessing the basis of accounting for revenue under those arrangements.

Our findings:
Based on the procedures performed, we did not identify evidence of misstatements in recognized revenue during the period.

Valuation of intangible assets

Key audit matter:
The group's accounting policies in respect of intangible assets are set out in note 1(h) 'Goodwill' on page 40, note 1(m) 'Intangible assets' on page 43 and note 1(n) 'De-recognition of intangible assets' on page 43 and note 1(p) Impairment of fixtures & equipment and intangible assets excluding goodwill' on page 44.

Non-current intangible assets include capitalized fees paid to the Internet Corporation for Assigned Names and Numbers (ICANN) for applications for top-level domain assets (gTLDs) and amounts paid at auction to acquire rights over gTLDs. Following the renegotiation of the Dot London partnering arrangements in 2016, an additional intangible asset has been recorded relating to the capitalization of the consideration payable on renegotiation. During the year, additional gTLD assets were acquired through the acquisition of ICM registry LLC which is summarized in note 16 'Business Combinations' on page 56.

The directors are required to perform an impairment review in respect of intangible assets on an annual basis. In performing their review, the directors are required to assess the fair value of the intangible assets, being the higher of their market value and their value in use, within each identified Cash Generating Unit (CGU). In the absence of a readily available indicator of market value, the directors have based their impairment review on calculations of the value in use of each CGU, based on projected future cash flows.

The significance of the judgements and estimates made in calculating the value in use of each CGU gives rise to a risk that the value in use is overstated, and that intangible assets may be impaired below their carrying value in the financial statements. The directors' commentary on the judgements and estimates involved in the value in use calculations is set out in note 2 on page 48. Key estimates in the value in use calculations include projected revenue growth and the discount rate used to calculate the present value of projected future cash flows. In addition to these estimates, a key judgement made by the directors is the determination of CGUs, being the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The group has determined that it is appropriate to include multiple gTLDs within certain CGUs.

Our response:
Our audit procedures included, but were not limited to:

- review and challenge management's basis for the inclusion of multiple gTLDs within CGUs;
- considering the appropriateness of the key estimates of revenue growth and discount rate used in the value in use calculations; and
- performing sensitivity analysis to assess the impact of reasonable variations in the estimates of projected revenue growth and the discount rate used.

Our findings:
The group's inclusion of multiple gTLDs into certain CGUs is considered appropriate based on the information and explanations provided by management.

We found that the estimates used in the value in use calculations are reasonable in the circumstances. Based on our audit procedures, directors' conclusion that there is no requirement for further impairment of intangible assets is reasonable.

independent auditor’s report

to the members of Minds + Machines Group Limited

(continued)

Our application of materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and on the financial statements as a whole. Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Group and parent company materiality	$1.3m
How we determined materiality The group’s strategy is to generate increasing revenues through exploitation of its asset base, which largely comprises intangible assets in the form of gTLDs. We therefore consider the group total asset value to be an appropriate basis for determining materiality.	
Rationale for benchmark applied Having considered factors such as the group’s AIM listing and the limited external debt, we determined materiality at 1.25% of the group total asset value.	
Performance materiality – group and parent company We performed our audit procedures using a lower level of materiality – termed ‘performance materiality’ – which is set to reduce to an appropriate level the probability that the aggregate of uncorrected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Having considered factors such as the group’s control environment, we set performance materiality at 65% or overall materiality.	$0.9m
Reporting threshold – group and parent company We agreed with the audit committee that we would report to that committee all identified corrected and uncorrected misstatements in excess of this level, together with differences below that level that, in our view, warranted reporting on qualitative grounds.	$0.04m

An overview of the scope of our audit

As part of designing our audit, we determined materiality and assessed the risk of material misstatement in the financial statements. In particular, we looked at where the directors made subjective judgements such as making assumptions on significant accounting estimates.

We gained an understanding of the legal and regulatory framework applicable to the group and parent company, the structure of the group and the parent company and the industry in which it operates. We considered the risk of acts by the company which were contrary to the applicable laws and regulations including fraud. We designed our audit procedures to respond to those identified risks, including non-compliance with laws and regulations (irregularities) that are material to the financial statements. We focused on laws and regulations that could give rise to a material misstatement in the financial statements.

We tailored the scope of our group audit to ensure that we performed sufficient work to be able to give an opinion on the financial statements as a whole. We used the outputs of a risk assessment, our understanding of the parent company’s and group’s accounting processes and controls and its environment and considered qualitative factors in order to ensure that we obtained sufficient coverage across all financial statement line items.

Our tests included, but were not limited to, 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 irregularities including fraud, review of minutes of directors’ meetings in the year and enquiries of management. As a result of our procedures, we did not identify any additional key audit matters relating specifically to irregularities, including fraud.

The risks of material misstatement that had the greatest effect on our audit, including the allocation of our resources and effort, are discussed under “Key audit matters” within this report.

Our group audit scope included an audit of the group and parent financial statements of Minds + Machines Group Limited. Based on our risk assessment, all entities within the group were subject to full scope audit performed by the group audit team. The group was considered to be a single component for the purposes of determining materiality, as all of the entities are engaged in the same business and use the same systems, processes and controls. All group entities, including the parent company, were therefore audited to the group materiality thresholds set out in “Our application of materiality” above. The group engagement team also tested the consolidation process.

Other information

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

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

We have nothing to report in this regard.

Responsibilities of directors

As explained more fully in the directors' responsibilities statement set out on page 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

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

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

Use of the audit report

This report is made solely to the company's members as a body in accordance with our engagement letter. 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.

Mazars LLP
Chartered Accountants

Tower Bridge House
St Katharine's Way
London
E1W 1DD

2 April 2019

group statement of comprehensive income

for the year ended 31 December 2018

	Notes	Year Ended 31 Dec 2018 $ 000's	Year Ended 31 Dec 2017 $ 000's
Revenue		15,094	14,315
Less: Partner payments	4	(2,520)	(2,364)
Revenue less partner payments		12,574	11,951
Cost of sales	5	(3,481)	(3,440)
Gross Profit		9,093	8,511
Gross Profit Margin %		72%	71%
Profit on contested gTLD applications	23	480	2,108
Operating expenses		(5,526)	(5,285)
Operating earnings before interest, taxation, depreciation and amortisation (Operating EBITDA)		4,047	5,334
Strategic review costs	6	(110)	(301)
Acquisition costs	7	(595)	-
Restructuring costs	8	(743)	-
Bad debt provision	25	(2,112)	-
Impairment loss on intangible assets	18	(4,145)	-
Onerous contract provision	27	(7,154)	-
Foreign exchange loss		(342)	(45)
(Loss) / profit on disposal of fixed assets		(12)	4
Share based payments	29	(1,153)	(1,002)
Share of results of joint ventures	22	4	9
(Loss) / earnings before interest, taxation, depreciation, and amortisation (EBITDA)	9	(12,315)	3,999
Depreciation and amortisation charge	18/19	(211)	(187)
Finance revenue	11	16	21
Finance costs	12	(180)	-
(Loss) / profit before taxation		(12,690)	3,833
Income tax	13	54	(19)
(Loss) / profit for the year		(12,636)	3,814

	Notes	Year Ended 31 Dec 2018 $ 000's	Year Ended 31 Dec 2017 $ 000's
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		387	455
Items that will not be reclassified to profit or loss:			
Loss on fair value through other comprehensive income financial assets		(443)	-
Other comprehensive income for the year net of taxation		(56)	455
Total comprehensive (loss) / income for the year		(12,692)	4,269
Retained (loss) / profit for the year attributable to:			
Equity holders of the parent		(12,652)	3,859
Non-controlling interests		16	(45)
		(12,636)	3,814
Total comprehensive income for the year attributable to:			
Equity holders of the parent		(12,708)	4,314
Non-controlling interests		16	(45)
		(12,692)	4,269
(Loss) / earnings per share (cents) From continuing operations			
Basic	15	(1.68)	0.55
Diluted	15	(1.68)	0.52

All operations are considered to be continuing.

The notes set out on pages 36 to 74 form an integral part of these financial statements.

company statement of comprehensive income

for the year ended 31 December 2018

	Notes	Year Ended 31 Dec 2018 $ 000's	Year Ended 31 Dec 2017 $ 000's
Revenue		8,395	11,689
Less: Partner payments	4	(1,013)	(1,154)
Revenue less partner payments		**7,382**	**10,535**
Cost of sales	5	(2,274)	(2,382)
Gross Profit		**5,108**	**8,153**
Gross Profit Margin %		**69%**	**77%**
Profit on contested gTLD applications	23	480	2,108
Operating expenses		(4,404)	(4,603)
Operating earnings before interest, taxation, depreciation and amortisation (Operating EBITDA)		**1,184**	**5,658**
Strategic review costs	6	(110)	(258)
Acquisition costs	7	(595)	-
Restructuring costs	8	(743)	-
Bad debt provision	25	(1,821)	-
Foreign exchange loss		(391)	223
Impairment of investment in subsidiaries	20	(25,883)	-
Share based payments	29	(1,090)	(1,000)
(Loss) / earnings before interest, taxation, depreciation, and amortisation (EBITDA)	9	**(29,449)**	**4,623**
Depreciation and amortisation charge	18/19	(17)	(17)
Finance revenue	11	16	21
Finance costs	12	(180)	-
(Loss) / profit before taxation		**(29,630)**	**4,627**
Income tax	13	-	-
(Loss) / profit for the year		**(29,630)**	**4,627**
Other comprehensive income			
Loss on fair value through other comprehensive income financial assets		(443)	-
Other comprehensive income for the year net of taxation		(443)	-
Total comprehensive (loss) / profit for the year		**(30,073)**	**4,627**

All operations are considered to be continuing.

The notes set out on pages 36 to 74 form an integral part of these financial statements.

group statement of financial position

as at 31 December 2018

	Notes	31 Dec 2018 $ 000's	31 Dec 2017 $ 000's
ASSETS			
Non-current assets			
Goodwill	17	2,828	2,828
Intangible assets	18	81,458	46,182
Fixtures & equipment	19	59	80
Investments	21	57	500
Interest in joint ventures	22	432	428
Other long-term assets	23	435	2,957
Total non-current assets		85,269	52,975
Current assets			
Trade and other receivables	25	9,129	9,419
Cash and cash equivalents	24	10,367	15,868
Total current assets		19,496	25,287
TOTAL ASSETS		104,765	78,262
LIABILITIES			
Current liabilities			
Trade and other payables	26	(9,629)	(6,236)
Deferred revenue	26	(14,761)	(6,472)
Onerous contract provision	27	(2,914)	-
Total current liabilities		(27,304)	(12,708)
Net current (liabilities) / assets		(7,808)	12,579
Non-current liabilities			
Onerous contract provision	27	(2,860)	-
Total non-current liabilities		(2,860)	-
Total liabilities		(30,164)	(12,708)
NET ASSETS		74,601	65,554

group statement of financial position

as at 31 December 2018

(continued)

	Notes	31 Dec 2018 $ 000's	31 Dec 2017 $ 000's
EQUITY			
Share capital	28	-	-
Share premium	28	68,912	60,060
Shares to be issued	28	11,745	-
Other reserves		(443)	-
Foreign exchange reserve		1,584	1,197
Retained earnings		(6,871)	4,367
		74,927	65,624
Non-controlling interests		(326)	(70)
TOTAL EQUITY		74,601	65,554

The notes set out on pages 36 to 74 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 2 April 2019 and signed on its behalf by:

Toby Hall
Chief Executive Officer

Michael Salazar
Chief Financial Officer

company statement of financial position

as at 31 December 2018

	Notes	31 Dec 2018 $ 000's	31 Dec 2017 $ 000's
ASSETS			
Non-current assets			
Intangible assets	18	39,407	39,424
Investment in subsidiaries	20	44,269	39,503
Investments	21	57	500
Interest in joint ventures	22	520	520
Other-long term assets	23	435	2,957
Total non-current assets		84,688	82,904
Current assets			
Trade and other receivables	25	11,892	13,550
Cash and cash equivalents	24	5,397	12,454
Total current assets		17,289	26,004
TOTAL ASSETS		101,977	108,908
LIABILITIES			
Current liabilities			
Trade and other payables	26	(12,730)	(11,253)
Deferred revenue	26	(4,222)	(4,296)
Total current liabilities		(16,952)	(15,549)
Net current assets		337	10,455
NET ASSETS		85,025	93,359
EQUITY			
Share capital	28	-	-
Share premium	28	68,912	60,060
Shares to be issued		11,745	-
Other reserves		(443)	-
Retained earnings		4,811	33,299
TOTAL EQUITY		85,025	93,359

The notes set out on pages 36 to 74 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 2 April 2019 and signed on its behalf by:

Toby Hall
Chief Executive Officer

Michael Salazar
Chief Financial Officer

group cash flow statement

for the year ended 31 December 2018

	Notes	Year Ended 31 Dec 2018 $ 000's	Year Ended 31 Dec 2017 $ 000's
Cash flows from operations			
Operating EBITDA		4,047	5,334
Adjustments for:			
Restructuring costs	8	(743)	-
Strategic review costs	6	(110)	(301)
Decrease / (increase) in trade and other receivables and reclassification of restricted cash from other long-term assets		97	(1,096)
(Decrease) / increase in trade and other payables		(1,241)	430
Withdrawal of gTLD applications		120	240
Foreign exchange loss		152	20
Net cash flow from operating activities		2,322	4,627
Cash flows from investing activities			
Interest received	11	16	21
Payments towards restructuring of contracts		(811)	(3,105)
Payments to acquire intangible assets	18	(99)	(235)
Payments to acquire fixtures & equipment	19	(20)	(31)
Receipts from the disposal of tangible assets		2	4
Acquisition of subsidiary, net of cash acquired	16	(9,136)	-
Acquisition costs	7	(595)	-
Increase in investment in a subsidiary	20	-	(155)
Payments to acquire investments	21	-	(500)
Net cash flow from investing activities		(10,643)	(4,001)
Cash flows from financing activities			
Interest paid	12	(180)	-
Proceeds from borrowings	26	3,000	-
Repurchase of vested equity instruments		-	(33)
Net cash flow from financing activities		2,820	(33)
Net (decrease) / increase in cash and cash equivalents		(5,501)	593
Cash and cash equivalents at beginning of period		15,868	15,275
Cash and cash equivalents at end of period	24	10,367	15,868

The notes set out on pages 36 to 74 form an integral part of these financial statements

company cash flow statement

for the year ended 31 December 2018

	Notes	Year Ended 31 Dec 2018 $ 000's	Year Ended 31 Dec 2017 $ 000's
Cash flows from operations			
Operating EBITDA		1,184	5,658
Adjustments for:			
Restructuring costs	8	(743)	-
Strategic review costs	6	(110)	(258)
Decrease / (increase) in trade and other receivables and reclassification of restricted cash from other long-term assets		1,341	(4,663)
(Decrease) / increase in trade and other payables		(1,105)	1,675
Withdrawal of gTLD applications		120	-
Foreign exchange loss		(75)	184
Net cash flow from operating activities		702	2,596
Interest received	11	16	21
Payments to acquire intangible assets	18	-	(52)
Acquisition of subsidiary	16	(10,000)	-
Acquisition Costs	7	(595)	-
Increase in investment in a subsidiary	20	-	(155)
Payments to acquire investments	21	-	(500)
Net cash flow from investing activities		(10,579)	(686)
Cash flows from financing activities			
Proceeds from borrowings	26	3,000	-
Interest paid	12	(180)	-
Net cash flow from financing activities		2,820	-
Net (decrease) / increase in cash and cash equivalents		(7,057)	1,910
Cash and cash equivalents at beginning of period		12,454	10,544
Cash and cash equivalents at end of period	24	5,397	12,454

The notes set out on pages 36 to 74 form an integral part of these financial statements

group statement of changes in equity

for the year ended 31 December 2018

	Share Capital \$ 000's	Share premium reserve \$ 000's	Shares to be issued \$ 000's	Other reserves \$ 000's	Foreign currency reserve \$ 000's	Retained earnings \$ 000's	Total \$ 000's	Non-controlling interest \$ 000's	Total equity \$ 000's
At 1 January 2017	-	60,060	-	-	742	4	60,806	(330)	60,476
Profit for the period	-	-	-	-	-	3,859	3,859	(45)	3,814
Other comprehensive income	-	-	-	-	455	-	455	-	455
Total comprehensive (loss) / income	-	-	-	-	455	3,859	4,314	(45)	4,269
Credit to equity for equity-settled share-based payments	-	-	-	-	-	997	997	-	997
Share based payments (repurchase of vested equity instruments)	-	-	-	-	-	(33)	(33)	-	(33)
Adjustments arising from change in non-controlling interest	-	-	-	-	-	(460)	(460)	305	(155)
As at 31 December 2017	-	60,060	-	-	1,197	4,367	65,624	(70)	65,554
Loss for the period	-	-	-	-	-	(12,652)	(12,652)	16	(12,636)
Other comprehensive income	-	-	-	(443)	387	-	(56)	-	(56)
Total comprehensive (loss) / income	-	-	-	(443)	387	(12,652)	(12,708)	16	(12,692)
Additions to share premium	-	8,852	-	-	-	-	8,852	-	8,852
Shares to be issued	-	-	11,745	-	-	-	11,745	-	11,745
Credit to equity for equity-settled share-based payments	-	-	-	-	-	1,150	1,150	-	1,150
Adjustments arising from change in non-controlling interest	-	-	-	-	-	264	264	(272)	(8)
As at 31 December 2018	-	68,912	11,745	(443)	1,584	(6,871)	74,927	(326)	74,601

- Share premium – This reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium
- Shares to be issued – This reserve represents shares to issued arising from the acquisition of ICM Registry, LLC.
- Other reserves – This reserve represents the gains and losses arising from assets held for sale designated at fair value through OCI.
- Foreign currency reserve – This reserve represents gains and losses arising on the translation of foreign operations into the Group's presentational currency.
- Retained earnings – This reserve represents the cumulative profits and losses of the Group.
- Non-controlling interests reserve – This reserve represents the share of the interest held by the non-controlling shareholders of the subsidiary undertakings.

The notes set out on pages 36 to 74 form an integral part of these financial statements.

company statement of changes in equity

for the year ended 31 December 2018

	Share capital $ 000's	Share premium reserve $ 000's	Shares to be issued $ 000's	Other reserves $ 000's	Retained earnings $ 000's	Total $ 000's
At 1 January 2017	-	60,060	-	-	27,708	87,768
Profit for the period	-	-	-	-	4,627	4,627
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	-	-	-	-	4,627	4,627
Credit to equity for equity-settled share-based payments	-	-	-	-	964	964
As at 31 December 2017	-	60,060	-	-	33,299	93,359
Loss for the period	-	-	-	-	(29,630)	(29,630)
Other comprehensive income	-	-	-	(443)	-	(443)
Total comprehensive (loss) / income	-	-	-	(443)	(29,630)	(30,073)
Additions to share premium	-	8,852	-	-	-	8,852
Shares to be issued	-	-	11,745	-	-	11,745
Credit to equity for equity-settled share based payments	-	-	-	-	1,142	1,142
As at 31 December 2018	-	68,912	11,745	(443)	4,811	85,025

- Share premium – This reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium
- Shares to be issued – This reserve represents shares to issued arising from the acquisition of ICM Registry, LLC.
- Other reserves – This reserve represents the gains and losses arising from assets held for sale designated at fair value through OCI.
- Retained earnings – This reserve represents the cumulative profits and losses of the Company.

The notes set out on pages 36 to 74 form an integral part of these financial statements.

notes to financial statements

for the year ended 31 December 2018

1 Summary of Significant Accounting Policies

(a) General information

Minds + Machines Group Limited is a company registered in the British Virgin Islands under the BVI Business Companies Act 2004 with registered number 1412814. The Company's ordinary shares are traded on the AIM market operated by the London Stock Exchange. The nature of the Group's operations and its principal activities are set out in note 3 and in the Strategic Report on pages 8 to 10.

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

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

(b) Statement of compliance with IFRS

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

Adoption of new standards

The Group's and Company's financial statements have been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2017 except for the implementation of a number of standards issued which applied for the first time in 2018:

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

The Group has applied IFRS 9 from the 1 January 2018. The Group elected not to restate comparatives on initial application of IFRS 9. The Group performed an assessment of the impact of adopting IFRS 9 based on the financial instruments and hedging relationships as at the date of initial application of IFRS 9 (1 January 2018).

Classification and measurement

With respect to the classification and measurement of financial assets, the number of categories of financial assets under IFRS 9 has been reduced compared to IAS 39. Under IFRS 9 the classification of financial assets is based both on the business model within which the asset is held and the contractual cash flow characteristics of the asset. There are three principal classification categories for financial assets that are debt instruments (i) amortized cost, (ii) fair value through other comprehensive income (FVTOCI) and (iii) fair value through profit or loss (FVTPL). Equity investments in scope of IFRS 9 are measured at fair value with gains and losses recognized in profit or loss unless an irrevocable election is made to recognize gains and losses in other comprehensive income. Under IFRS 9, derivatives embedded in financial assets are not bifurcated but instead the whole hybrid contract is assessed for classification.

Under IFRS 9, financial assets can be designated as FVTPL to mitigate an accounting mismatch.

In respect to classification and measurement of financial liabilities changes in the fair value of a financial liability designated as at FVTPL due to credit risk is presented in other comprehensive income unless such presentation would create or enlarge an accounting mismatch in profit or loss.

Based on the Group's assessment, there will be no impact on the classification and measurement of the following financial assets held by the Group: cash and bank balances, financial assets at amortized cost and investments in equity instruments designated as at FVTOCI as amounts that will not be subsequently reclassified to profit or loss. There is also no change in the accounting for any other financial liabilities. Please refer to note 30 for further details on financial instruments.

The impairment model under IFRS 9 reflects expected credit losses, as opposed to only incurred credit losses under IAS 39. Under the impairment approach in IFRS 9, it is not necessary for a credit event to have occurred before credit losses are recognized. Instead, an entity always accounts for expected credit losses and changes in those expected credit losses. The amount of expected credit losses should be updated at each reporting date.

The Group has applied the simplified approach to recognize lifetime expected credit losses for its trade receivables as required or permitted by IFRS 9. Please refer to note 25 on trade receivables for further details on the recognition of losses on trade receivable balances.

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

IFRS 15 establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 has superseded the prior revenue recognition guidance including IAS 18 Revenue and related interpretations when it became effective for accounting periods beginning on or after 1 January 2016. The group has adopted IFRS 15 beginning 1 January 2018 and has adopted the modified retrospective approach without the restatement of comparatives.

The core principal of IFRS 15 is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration of which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognize revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognizes revenue when (or as) a performance obligation is satisfied i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. The Directors of the company concluded that there is no material impact on the adoption of IFRS 15.

Adoption of revised standards

At the date of authorization of these financial statements, the following Standard was in effect but not mandatory until the 1 January 2019:

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

a) Recognize all lease assets and liabilities (including those currently classed as operating leases) on the balance sheet, initially measured at the present value of unavoidable lease payments;
b) Recognize amortization of lease assets and interest on lease liabilities in the income statement over the lease term; and
c) Separate the total amount of cash paid into a principal portion (presented within financial activities) and interest (which companies can choose to present within operating or financing activities consistent with presentation of any other interest paid) in the cash flow statement.

IFRS 16 introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance including the IAS 17 Leases and the related interpretations when it becomes effective for accounting periods beginning on or after 1 January 2019. The group currently expects to adopt IFRS 16 for the year ending 31 December 2019.

IFRS 16 distinguishes leases and service contracts on the basis of whether an identified asset is controlled by a customer. Distinctions of operating leases (off balance sheet) and finance leases (on balance sheet) are removed for lessee accounting, and is replaced by a model where a right-of-use asset and corresponding liability have to be recognized for all leases by lessees (i.e. all on balance sheet) except for short-term leases and leases of low value assets.

The right-of-use asset is initially measured at cost and subsequently measured at cost (subject to certain exceptions) less accumulated depreciation and impairment losses, adjusted for any remeasurement of the lease liability. The lease liability is initially measured at the present value of the lease payments that are not paid at that date. Subsequently, the lease liability is adjusted for interest and lease payments, as well as the impact of lease modifications, amongst others. Furthermore, the classification of cash flows will also be affected because the operating lease payments under IAS 17 are presented as operating cash flows; whereas under the IFRS 16 model, the lease payments will be split into a principal and an interest portion which will be presented as financing and operating cash flows respectively.

In contrast to lessee accounting, IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17, and continues to require a lessor to classify a lease either as an operating lease or finance lease.

Furthermore, extensive disclosures are required by IFRS 16.

As at 31 December 18, the Group has non-cancellable operating lease commitments of $1,903k. IAS 17 does not require the recognition of any right-of-use asset of liability for future payments for leases; instead, certain information is disclosed as operating lease commitments in note 31. A preliminary assessment indicates that these arrangements will meet the definition of a lease under IFRS 16, and hence the Group will recognize a right-of-use asset and a related lease liability and is expected to have a significant impact on the amounts recognized in the Group's consolidated financial statements.

IFRS 16 is mandatory for accounting periods beginning 1 January 2019. The Directors have decided to implement the new standard as of this date using the modified approach (i.e. not retrospectively). Based on the leases in place at the year end, as of the 1 January 2019 the Group will recognize an opening right of use (ROU) asset of approximately $2,500k and a corresponding liability of approximately $3,600k, with the differential accounted for in equity.

The ROU asset will be depreciated over its useful life with the liability extinguished as payments are made and an interest charge recognized as time lapses.

Any new leases entered by the group in 2019 will be assessed and accounted for on a case by case basis.

(c) Basis of accounting

The consolidated financial statements have been prepared on the historical cost basis, except for investments in equity instruments which are designated at FVTOCI.

(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 losses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the date the Company gains control until the date when the Company ceases to control the subsidiary.

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

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

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

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

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

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

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

(e) Going concern

The directors have, at the time of approving the financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. At the year end, the Group had net current liabilities of $7.8m which includes $14.8m of deferred revenue. Excluding deferred revenue, the Group has net current assets of $7m including $10.4m held as cash and cash equivalents. Thus, they continue to adopt the going concern basis of accounting in preparing the financial statements. Further detail is contained in the Strategic Report on page 8 to 10.

(f) Business combinations

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

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

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

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

(g) Joint ventures

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

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

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

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

(h) Goodwill

Goodwill is initially recognized and measured as set out in note 1(f).

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

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

(i) Leases (the group as a lessee)

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

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

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

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

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

(j) Revenue recognition

The Group and Company recognizes revenue to depict the transfer of promised goods or services to customers is an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Group and Company follow these steps;

1. Identify the contract(s) with a customer
2. Identify the performance obligations in the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognize revenue when (or as) the entity satisfies a performance obligation

Registry revenue

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

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

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

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

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

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

(k) Partner payments

Partner payments represents the expense relating to certain TLDs where royalty and similar payments are required to be made, including any minimum revenue guarantees.

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

(l) Foreign currencies

Functional and presentation currency

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

Transactions and balances

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

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

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

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

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

(m) Intangible assets

Intangible assets acquired separately

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

Internally generated intangible assets–research and development expenditure

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

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

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

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

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

Useful live and amortisation

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

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

Software and development costs are amortized over their useful economic life. The amortization period and the amortization method for an intangible asset with a finite useful life are reviewed when circumstances indicate a change to its useful life. Changes in the expected useful life are accounted for by charging the amortization period and treated as a change in accounting estimate.

(n) De-recognition of intangible assets

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

(o) Fixtures & equipment

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

- Fixtures & equipment – over 3 to 5 years

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

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

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 that its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is being recognized immediately in profit or loss.

(q) Finance costs/revenue

Interest expenses are recognized using the effective interest method.

Finance revenue is recognized using the effective interest method.

(r) Financial instruments

The Group has adopted IFRS 9 Financial Instruments from the 1 January 2018. IFRS 9 contains three principal classification categories for financial assets: measured at amortized cost, FVOCI and FVTPL. The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IAS 39 categories of held to maturity, loans and receivables and available for sale investments.

The adoption of IFRS 9 has not had a significant effect on the Group's accounting policies for financial instruments.

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

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

Financial assets

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

Financial assets are classified into the following specified categories: 'investments in equity instruments designated at FVTOCI' and 'financial assets at amortized cost'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Financial assets at amortize cost

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

Financial assets at amortize cost 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.

Investments in equity instruments designated at FVTOCI

Investments in equity instruments designated at FVTOCI are non-derivatives that are designated as FVTOCI. Changes to the value of investments in equity instruments are accounted for through OCI.

Listed shares held by the Group that are traded in an active market are classified as being investments in equity instruments and are stated at fair value. Gains and losses arising from changes in fair value are recognized in other comprehensive income and accumulated in the investments revaluation reserve. Dividends from investments in equity instruments are recognized in profit or loss when the Group's right to receive the dividends is established.

Impairment of financial asset

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

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

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

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

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

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

De-recognition of financial assets

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

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

Financial liabilities and equity

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

Equity instruments

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

Financial liabilities

Financial liabilities are classified as trade and other payables.

Trade and other payables

Trade and other payables, including borrowings, are initially measured at fair value, net of transaction costs.

Trade and other payables are subsequently measured at amortized costs using the effective interest method, with interest expense recognized on an effective yield basis.

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

De-recognition of financial liabilities

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

(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 recognized for all taxable temporary differences and deferred tax assets are recognized to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilized.

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

Current and deferred tax for the year

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

(t) Provisions

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

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

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

(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 29.

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

The dilutive effect, if any, of outstanding options is reflected as additional share dilution in the computation of earnings per share (see Note 15).

(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 Significant accounting judgements, estimates and assumptions

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future periods.

Other disclosures relating to the Group's exposure to risks and uncertainties includes:

- Financial instruments risk management and policies Note 30
- Sensitivity analysis Note 30

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, which have the most significant effect on the amounts recognized in the consolidated financial statements:

Intangible Assets

Within intangible assets are assets classified as gTLD assets and contract based intangible assets.

Under the requirements of IAS 38 Intangible Assets and the Group's assessment thereof, the Group has determined that gTLD assets and contract based intangible assets have an indefinite life as the Group has an automatic right to renew the asset every ten years.

Determining whether intangible assets are impaired requires an estimation of the value in use of the cash-generating units to those 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.

The most significant judgement involved in the impairment review of intangible assets is the determination of cash-generating units, and this judgement has a significant impact on the outcome of the impairment review. The directors have grouped gTLDs with similar characteristics to form a single cash-generating unit. The cash generating units have been identified in note 18.

Goodwill and gTLD assets have not been impaired in the current year. Contract based intangible assets have been impaired in the current year. Details of goodwill and intangible assets are set out in note 17 and 18 respectively.

Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future financial years, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. In the absence of available data from similar transactions, the recoverable amount has been assessed by reference to value in use. The value in use calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the three years. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill and other intangibles with indefinite useful lives recognized by the Group. The key assumptions used to determine the recoverable amount for the different CGUs, including a sensitivity analysis, are disclosed and further explained in Note 17 and Note 18.

Taxes

Deferred tax assets are recognized for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgement is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Group has $30.6m (2017: $30.2m) of tax losses carried forward. These losses relate to subsidiaries that have a history of losses, do not expire, and may not be used to offset taxable income elsewhere in the Group. There is uncertainty over the utilization of these tax losses in future periods and on that basis, the Group has determined that it cannot recognize deferred tax assets on the tax losses carried forward. If the Group was able to recognize all unrecognized deferred tax assets, profit and equity would have increased by $5,594k. Further details on taxes are disclosed in Note 13.

Fair value measurement of financial instruments

Financial assets relate to cash and bank balances, loans, receivables and investments in equity instruments designated as at fair value through OCI, financial liabilities relate to trade and other payables. When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using valuation techniques including the DCF model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See Note 30 for further disclosures.

Credit losses

During 2018 the Directors of the Group re-evaluated the amounts due to it from customers on long term payment plans, it was estimated that a bad debt provision of $2,112k should be made.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The bad debt provision consists of individually impaired trade receivables due from companies. The bad debt provision represents the difference between the carrying amount of these trade receivables and the value of the expected proceeds.

Revenue recognition

Revenue is primarily driven from fixed fees charged to registrars for initial registrations or renewal of domain names.

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

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

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

Any fees charges on a variable basis is not recognized as revenue until each parties performance obligations are met.

notes to financial statements

for the year ended 31 December 2018

(continued)

3 Operating segments – Group

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

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

Segment revenues and results

2018	Registry $ 000's	RSP $ 000's	Unallocated $ 000's	Total $ 000's
Revenue				
External sales	14,250	844	-	15,094
Total Revenue	**14,250**	**844**	**-**	**15,094**
Operating EBITDA	4,052	(5)	-	4,047
Strategic Review Costs -	-	(110)	(110)	
Acquisition costs	(595)	-	-	(595)
Restructuring costs	(743)	-	-	(743)
Bad debt provision	(2,112)	-	-	(2,112)
Impairment loss on intangible assets	-	(4,145)	-	(4,145)
Onerous lease provision	-	(7,154)	-	(7,154)
Foreign exchange loss	-	-	(342)	(342)
Profit on disposal of tangible assets	-	-	(12)	(12)
Share based payment expense	-	-	(1,153)	(1,153)
Share of profit of joint venture	-	-	4	4
EBITDA	**602**	**(11,304)**	**(1,613)**	**(12,315)**
Amortisation and depreciation				(211)
Finance revenue				16
Finance costs				(180)
Profit before tax				**(12,690)**
Income tax				54
Profit after tax				**(12,636)**

2017	Registry $ 000's	RSP $ 000's	Unallocated $ 000's	Total $ 000's
Revenue				
External sales	13,265	1,050	-	14,315
Total Revenue	13,265	1,050	-	14,315
Operating EBITDA	5,645	(311)	-	5,334
Strategic Review Costs	-	-	(301)	(301)
Foreign exchange loss	-	-	(45)	(45)
Profit on disposal of tangible assets	-	-	4	4
Share based payment expense	-	-	(1,002)	(1,002)
Share of profit of joint venture	-	-	9	9
EBITDA	5,645	(311)	(1,335)	3,999
Amortisation and depreciation				(187)
Finance revenue				21
Profit before tax				3,833
Income tax				(19)
Profit after tax				3,814

*Included within Operating EBITDA is profit on gTLD auctions of $480k (2017: $2,108k) allocated to the Registry segment.

Other segment information

	Segment assets		Depreciation and amortization	
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Registry	103,136	60,349	144	104
RSP	1,629	17,913	67	83
Total	**104,765**	**78,262**	**211**	**187**

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

Geographical information

The Group's information about its segments by geographic location of assets is detailed below.

	Revenue from external customers		Non-current assets		Additions to Non-current assets	
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
British Virgin Islands	8,395	11,685	43,036	46,138	-	553
Ireland	3	-	146	125	98	116
United Kingdom	844	1,054	-	4,206	-	-
Germany	1,229	1,082	381	459	-	5
Hungary	-	-	189	198	-	-
USA	4,623	494	41,514	1,844	39,625	88
China	-	-	3	5	-	4
Total	15,094	14,315	85,269	52,975	39,723	766

Included in revenues arising from the Registry segment are revenues of $1,596k (2017: $4,001k), which arose from sales to the Group's largest customer.

Revenue for the Company is all derived from the Registry segment from assets located in the British Virgin Islands.

Revenue primarily arises from fixed fees charged to registrars for the initial registration or renewal of domain names. Where the fee from the initial registration matches the fee from the renewal, the fee from both the initial registration and renewal is recognized on a straight-line basis over the registration terms.

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

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

The timing of revenue recognition is detailed below:

	Group		Company	
Timing of revenue recognition	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
At a point in time (i.e. 'premium name revenue')	3,283	7,068	3,037	6,588
Over time	11,811	7,247	5,358	5,101
Total	15,094	14,315	8,395	11,689

FY 2016 revenue adjustment

In the year under review, the Directors of the company reviewed revenue contracts from prior years. A contract which was fully recognized as revenue in the 2016 financial statements consisted of two elements, a fixed portion and a portion contingent on certain events occurring which the Directors' believed had occurred. $586k, the portion contingent on certain events occurring, that was recognized as revenue in the 2016 financial statements. However, the events, as indicated in the interims, did not occur as anticipated and has resulted in the reversal of $586k from Group's and Company's current year revenue rather than a prior period adjustment on the basis of a lack of materiality.

The Directors will report revenue from the variable component as it is realized.

4 Partner payments

		Group		Company
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Partner payments	2,520	2,364	1,013	1,154

Partner payments represents the expense relating to certain TLDs where royalty and similar payments are required to be made. Such payments are based on the Group's and Company's billing and are deferred in line with accounting revenue.

5 Cost of sales

		Group		Company
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Third Party Fees	736	571	258	368
ICANN Fees	967	949	795	775
Marketing	1,317	1,495	1,183	1,109
Other	461	425	38	130
Total	3,481	3,440	2,274	2,382

6 Strategic review costs

The Group concluded its strategic review resulting in the acquisition of ICM Registry, LLC (see note 16 and the Executive Summary for further details). Strategic review costs of $110k (2017: $301k) were incurred. The company incurred $110k (2017: $258k) in strategic review costs.

7 Acquisition costs

The Group and Company acquired ICM Registry, LLC in the period (see note 16 and Executive Summary for further details) and incurred acquisition costs, consisting of legal and professional fees as well as certain internal costs which totalled $595k (2017: $nil).

8 Restructuring costs

The Group and Company incurred restructuring costs of $743k (2017: $Nil) relates to costs incurred to re-negotiate certain legacy registry contracts.

9 EBITDA

EBITDA is arrived at after charging:

		Group		Company
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Auditors' remuneration – current year auditors				
- Audit of these financial statements	83	63	83	63
- Audit of the financial statements of subsidiaries	5	15	-	-
- Tax compliance	11	19	-	-
- Other services	1	2	-	-
Directors' emoluments – fees and salaries	1,027	862	619	513
Operating lease rentals	818	623	-	-
Foreign exchange loss / (gain)	342	(45)	391	(223)

10 Employee information (excluding directors)

	Group		Company	
Staff costs comprise:	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Wages and salaries	2,065	1,763	-	-
Monthly average number of employees:				
Back office (Administration, Finance and Other)	15	12	-	-
Sales & Marketing	6	8	-	-
Engineering	2	-	-	-
Total average	23	20	-	-

11 Finance revenue

	Group		Company	
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Bank interest	16	21	16	21

Finance revenues relate to assets classified as cash and cash equivalents and assets measured at amortized cost.

12 Finance costs

	Group		Company	
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Loan interest	180	-	180	-

Finance costs relate to interest on borrowings made during the year of $3million (2017: Nil) see note 26 for further details.

13 Income tax expense - Group

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

	2018 $ 000's	2017 $ 000's
Current tax credit / (charge)	54	(19)
Deferred tax	-	-
	54	(19)

	2018 $ 000's	2017 $ 000's
Profit / (loss) before tax	(12,690)	3,833
Tax at the BVI tax rate of 0%	-	-
Research and development tax credit	54	-
Income tax	-	(19)
	54	(19)

Company

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

	2018 $ 000's	2017 $ 000's
Current tax	-	-
Deferred tax	-	-
	-	-

	2018 $ 000's	2017 $ 000's
Profit / (loss) before tax on continuing operations	(29,630)	4,623
Tax at the BVI tax rate of 0%	-	-
	-	-

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

No deferred tax asset has been recognized because there is insufficient evidence of the timing of suitable future profits against which they can be recovered. Tax losses carried forward, which may be utilized indefinitely against future taxable profits amount to $12.5m (2017: $12.4m) in the USA, $1.8m (2017: $2m) in Germany, $5.7m (2017: $5.8m) in Ireland, $10.4m (2017: $9.8m) in the United Kingdom, $122k (2017: $97k) in Hungary and $Nil (2017: $3k) in China.

14 Dividends

No dividends were paid or proposed by the Directors (2017: $Nil).

15 Earnings per share

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

	2018 $ 000's	2017 $ 000's
Profit / (Loss) for the purpose of the basic and diluted earnings per share		
Profit / (Loss) from continuing operations - excluding non-controlling interests	(12,652)	3,814
Total profit / (loss) for the year	**(12,652)**	**3,814**

Number of shares	2018 million	2017 million
Weighted average number of ordinary shares used in calculating basic loss per share	752.58	699.86
Effect of dilutive potential ordinary shares – share options and warrants	-	32.43
Weighted average number of ordinary shares for the purpose of diluted earnings per share	**752.58**	**732.29**

(Loss) / profit per share from continuing operations	2018 cent	2017 cent
Basic	(1.68)	0.55
Diluted	(1.68)	0.52

For the purpose of calculating loss per share, all potential shares were anti-dilutive due to the losses reported. The number of potential dilutive ordinary shares is 107.19 million.

16 Business Combinations

On 2 April 2018, MMX entered into an agreement to acquire the entire membership interest of ICM Registry, LLC ("ICM"). The acquisition was completed on 16 June 2018.

The consideration for the acquisition was split into a cash payment of $10m and 225,000,000 new MMX ordinary shares with a value of $20,597k based on the share price of MMX on the date of the acquisition (9.2c/6.9p).

Of the 225,000,000 new MMX ordinary shares 96,699,235 shares ($8,852k) were issued on the date of the acquisition with the remaining 128,300,765 shares ($11,745k) deferred and to be issued on 4 January 2019.

ICM, a Florida based company, is the owner of four high value, niche TLDs and enhances MMX's already strong TLD portfolio by increasing ongoing renewal revenue and minimizing exposure to any one geographic region.

Assets acquired and liabilities assumed

The fair values of the identifiable assets and liabilities of ICM Registry, LLC at the date of acquisition were:

Fair value recognized on acquisition	$ 000's
Assets	
Intangible assets	39,603
Cash and cash equivalents	864
Trade and other receivables	398
	40,865
Liabilities	
Accounts and other payables	(784)
Deferred revenue	(9,484)
	(10,268)
Total identifiable net assets at fair value	30,597
Purchase consideration transferred	30,597
Satisfied by:	
Cash	10,000
225,000,000 ordinary shares of parent company	20,597
Total consideration transferred	30,597

There were no acquisitions in the year ended 31 December 2017.

ICM Registry, LLC contributed revenues of $3,921k and EBITDA of $1,989k for the period from 16 June 2018 to 31 December 2018.

If the acquisition had occurred on 1 January 2018, consolidated pro-forma revenue and EBITDA for the year ended 31 December 2018 would have been $6,923k and $3,453k respectively.

Please refer to note 7 for further details on acquisition costs.

Analysis of cash flows on acquisition

	$ 000's
Cash paid upon acquisition of ICM	(10,000)
Net cash acquired with the acquisition	864
Net cash outflow on acquisition	(9,136)

Analysis of cash flows at reporting date relating to ICM Registry, LLC

	$ 000's
Cash flows from operating activities	
EBITDA	1,989
Adjustments for:	
Decrease in trade and other receivables including long term receivables	116
Decrease in trade and other payables	(158)
Net cash flow from operating activities	**1,947**
Cash flows from investing activities	
Cash paid upon acquisition of ICM	(10,000)
Net cash acquired with the acquisition	864
Net cash flow from investing activities	**(9,136)**
Net decrease in cash and cash equivalents	**(7,190)**

17 Goodwill

Cost	Group $ 000's
31 December 2018 and 31 December 2017	2,828

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units that are expected to benefit from that business combination as a result of expected synergies from combined operations. 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 2018, 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 5% (2017: 10%) for seven years thereafter and 4% (2017: 4%) into perpetuity. The growth rate is appropriate to the new gTLD market that the Group operates in. The rate used to discount the forecast cash flows is 11.5% (2017: 11.5%).

The Group has carried out sensitivity analysis on the impairment test of the CGU. The Directors believe that any reasonable possible change in the key assumptions on which the recoverable amount of the CGU would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. A 1% decrease in the growth rate and an increase of 0.5% in the discount rate are considered reasonably possible.

18 Intangible assets

Group

	generic Top Level Domains $ 000's	Software & development costs $ 000's	Contract based intangible assets $ 000's	Other $ 000's	Total $ 000's
Cost					
At 1 January 2017	41,561	2,297	3,815	170	47,843
Additions	-	235	-	-	235
Exchange differences	68	138	391	-	597
At 31 December 2017	**41,629**	**2,670**	**4,206**	**170**	**48,675**
Additions – acquisition of ICM	39,603	-	-	-	39,603
Additions - other	-	99	-	-	99
Exchange differences	(22)	(62)	-	-	(84)
At 31 December 2018	**81,210**	**2,707**	**4,206**	**170**	**88,293**
Accumulated Amortization and Impairment charges					
At 1 January 2017	-	(2,070)	-	(170)	(2,240)
Amortisation charge for the year	-	(140)	-	-	(140)
Exchange differences	-	(113)	-	-	(113)
At 31 December 2017	**-**	**(2,323)**	**-**	**(170)**	**(2,493)**
Amortisation charge for the year	-	(185)	-	-	(185)
Impairment charge for the year	-	-	(4,145)	-	(4,145)
Exchange differences	-	49	(61)	-	(12)
At 31 December 2018	**-**	**(2,459)**	**(4,206)**	**(170)**	**(6,835)**
Carrying amount					
At 31 December 2018	**81,210**	**248**	**-**	**-**	**81,458**
At 31 December 2017	41,629	347	4,206	-	46,182

Company

	generic Top Level Domains $ 000's	Software & development costs $ 000's	Other $ 000's	Total $ 000's
Cost				
At 1 January 2017	39,379	54	99	39,532
Additions	-	52		52
At 31 December 2017	**39,379**	**106**	**99**	**39,584**
Additions	-	-	-	-
At 31 December 2018	**39,379**	**106**	**99**	**39,584**
Accumulated amortization				
At 1 January 2017	-	(44)	(99)	(143)
Amortisation charge for the year	-	(17)	-	(17)
At 31 December 2017	**-**	**(61)**	**(99)**	**(160)**
Amortisation charge for the year	-	(17)	-	(17)
At 31 December 2018	-	(78)	(99)	(177)
Carrying amount				
At 31 December 2018	**39,379**	**28**	**-**	**39,407**
At 31 December 2017	39,379	45	-	39,424

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 23 for further details. Successful applications are transferred from other long-term assets to Intangible assets. The Group capitalizes the full cost incurred to pursue the rights to operate generic Top Level Domains including amounts paid at auction to gain this right where there is more than one applicant to ICANN for the same generic Top Level Domain.

This class of intangible assets is 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.

In 2018 the group completed the acquisition of ICM Registry, LLC through that acquisition the group acquired a further four gTLDs onto their portfolio with a value of $39,606k (2017: Nil).

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

During 2018 the Group impaired its contract based intangible asset following on from the onerous contract provision as disclosed in Note 27. The total value of the impairment was $4,057k allocated to the RSP CGU.

As at 31 December 2018, the directors carried out an impairment review of the other intangible assets in their portfolio and concluded that no further impairments were required. The recoverable amounts of each group of generic Top Level Domains (the grouping of generic Top Level Domains is based on its characteristics), software, 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.

gTLD assets with indefinite lives are allocated to CGUs, which fall under the Registry operating segment. The carrying values of the CGUs are $28,544k (2017:$28,716k) for consumer lifestyle, $321k (2017:$365k) for geographic gTLDs, $9,177k (2017:$9,177k) for professional occupations, $39,606 (2017: $Nil) for adult themed and $3,556k (2017: $3,371k) for other generic names.

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 5% for seven years thereafter and 4% (2017: 10%) into perpetuity. The rate used to discount the forecast cash flow is 11.5% (2017: 11.5%).

The Group has carried out sensitivity analysis on the impairment test of each CGU. The Directors believe that any reasonable possible change in the key assumptions on which the recoverable amount of Goodwill in the CGUs would not cause the aggregate carrying amount to exceed the aggregate recoverable amount of the cash generating unit. A 1% decrease in the growth rate and an increase of 0.5% in the discount rate are considered reasonably possible.

19 Fixtures and equipment - Group

	Fixtures & equipment $000's
Cost	
At 1 January 2017	310
Additions	31
Exchange differences	24
At 31 December 2017	**365**
Additions	20
Disposals	(9)
Exchange differences	15
At 31 December 2018	**391**
Depreciation	
At 1 January 2017	(221)
Depreciation charge for the period	(47)
Disposal	-
Exchange differences	(17)
At 31 December 2017	**(285)**
Depreciation charge for the period	(26)
Disposals	11
Exchange differences	(32)
At 31 December 2018	**(332)**
Carrying amount	
At 31 December 2018	**59**
At 31 December 2017	80

20 Investment in subsidiaries

Investments in subsidiary undertakings of the Company	Company 2018 $ 000's	2017 $ 000's
Cost		
At the beginning of the year	39,503	39,384
Movement in the year	30,649	119
Impairment charge	(25,883)	-
At 31 December	44,269	39,503

The movement in the year includes investment in ICM Registry, LLC of $30,597k (see business combinations note 16 for further details) and $52k of share option expense attributable to subsidiaries.

The impairment during the year of $25,883k (2017: $Nil) relates to the impairment of the Company's subsidiaries: Minds + Machines Limited (Ireland); Minds + Machines LLC; and Minds and Machines Ltd (UK). Of the impairment charge of $25,883k, $22,068k was allocated to the registry CGU and $3,815k was allocated to RSP CGU.

As a result of Group restructuring activities including the outsourcing of back-end services, Minds + Machiches Limited (Ireland) and Minds + Machines LLC's operations have been reduced. As such the investment in these subsidiaries has been impaired to reflect the recoverable amounts (being their net asset positions).

Minds and Machines Limited (UK) has been fully impaired due to the recognition of an onerous contract provision relating to its business, see note 27 for further details.

Details of the Company's subsidiaries are as follows:

Name	Place of Incorporation (or registration) and operation	Principal activity	Proportion of ownership interest (%)	Proportion of voting power (%)
Minds + Machines US, Inc. (DE)	US	Holding company	100	100
Minds + Machines LLC (1)	US	Registry	100	100
Minds + Machines LLC (FL) (1)	US	Registry	100	100
Bayern Connect GmbH	Germany	Registry	100	100
Minds and Machines GmbH	Germany	Registry	100	100
Minds + Machines Ltd (Ireland)	Ireland	RSP	100	100
Minds and Machines Ltd (UK)	England & Wales	RSP	100	100
Minds + Machines Registrar Ltd (IE) (2)	Ireland	Dormant	100	100
Minds and Machines Registrar UK Ltd	England & Wales	Dormant	100	100
Minds + Machines Hungary	Hungary	Registry	100	100
Emerald Names Inc	US	Registry	100	100
Boston TLD Management LLC	US	Registry	99	99
Dot Law Inc	US	Registrar	51	90
LW TLD Ltd	BVI	Registry	100	100
Beijing MMX Tech Co. Ltd	China	Registry	100	100
ICM Registry, LLC (3)	US	Registry	100	100
ICM Registry AD, LLC (3)	US	Registry	100	100
ICM Registry PN, LLC (3)	US	Registry	100	100
ICM Registry SX, LLC (3)	US	Registry	100	100

(1) Minds + Machines LLC (CA), Minds + Machines LLC (FL) and Dot Law, Inc. are direct subsidiaries of Minds + Machines US, Inc (DE).
(2) Minds + Machines Registrar Limited (Ireland) is a direct subsidiary of Minds + Machines Ltd (Ireland).
(3) On the 16 June 2018, these subsidiaries were acquired by the parent entity Minds + Machines Group Limited, (see business combinations note 16 for further details)

notes to financial statements

for the year ended 31 December 2018

(continued)

21 Investments

	Group and Company	
	2018 $ 000's	2017 $ 000's
Investments in equity instruments carried at fair value		
Shares	57	500

The investment in ordinary shares issued are in Digital Town Inc. This represents an investment into an early stage company looking to innovate local online search that have particular relevance to the Group's gTLD portfolio, especially those with a geographic or vertical focus.

Level one of the fair-value hierarchy, as defined by IFRS 13, has been used in the fair-value measurement of this investment. The Group and Company has elected to present changes to fair value through the other comprehensive income.

22 Interest in joint ventures

During 2018, the group had a 50% interest in 2 joint ventures; Entertainment Names Inc and Dot Country LLC. These joint ventures were formed to sell second-level domain names to registrars.

	Group	
Share of interest in assets / (liabilities)	2018 $ 000's	2017 $ 000's
Assets		
- Non-current	152	152
- Current	292	288
	444	440
Liabilities		
- Current	(12)	(12)
Share of interest in net assets	432	428
- Revenue	18	24
- Cost of sales	(12)	(14)
- Expenses	(2)	(1)
Profit / (loss) after income tax	4	9

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 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 $520k (2017: $520k) in the Company financial statements.

23 Other long-term assets

	Group and Company 2018 $ 000's	2017 $ 000's
Restricted cash	-	2,217
Other long-term assets	435	740
Total	435	2,957

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

During the application process capitalized payments for gTLD applications are included in other long term assets as other long term receivables. While there is no assurance that MMX will be awarded any gTLDs, long-term assets are receivables and 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 U$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 $3.6 million to fund the letters of credit required by ICANN. Since then, to 2015, 41 applications were withdrawn either as a result of participation in auctions, management decision, or transfer to a joint venture. As a result, application fees paid to ICANN as at 31 December 2015 amounted to $1,295k and deposits to fund letters of credit decreased to $2,153k.

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

In 2016, of the application, which was withdrawn, $37k of the application fee is recoverable. The amount not received from ICANN as a result of such withdrawals are accounted for on the profit and loss account as Loss in withdrawal of gTLD applications and amounted to $148k.

In 2017, two further applications were withdrawn as a result of participation in auctions. Private auction proceeds net of refunds from ICANN amounted to $2,108k.

Application fees paid to ICANN as at 31 December 2017 amounts to $740k. Deposits to fund letters of credit remained at $2,217k, of which $36k was released back to the Group after the year end.

In 2018, one application was withdrawn by mutual agreement with the other interested parties, proceeds net of refunds from ICANN amounted to $480k.

Application fees paid to ICANN as at 31 December 2018 reduced to $435k as a result of management decision to withdraw its application with ICANN, in some cases due to participation in auctions. Where MMX receives a partial cash refund for certain gTLD applications and/or to the extent the Group elects to sell or dispose of its interest in certain gTLD applications throughout the process, it may incur gains or losses on amounts invested. In such cases the application fee will be reclassified from a long-term asset. Refunds received will be properly recorded when received, gains on the sale of the Group's interest in gTLD applications will be recognized when realized, and losses will be recognized when deemed probable. Other costs incurred by MMX as part of its gTLD initiative not directly attributable to the acquisition of gTLD operator rights are expensed as incurred.

Restricted cash has increased to $2,221k (2017: $2,217k) as a result of the combined effect of the acquisition of ICM (see note 16) and withdrawal of applications with ICANN. In the period, to better reflect the Group's cash balances (note 24), restricted cash is reflected as cash and cash equivalents.

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

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

24 Cash and cash equivalents

Restricted cash

MMX has total cash balances of $10,367k (2017: $15,868k), Company's cash balance are $5,397k (2017: $12,454k).

Of the Group's total cash balances $3,221k (2017: $1million) are restricted funds. $2,221k of the restricted funds has been reclassified (note 23) in the year from Other long-term assets to Cash and Cash equivalents. These amounts are held to fund letters of credit required by ICANN and $1,000k (2017: $1,000k) is held in escrow to satisfy certain vendor requirements, both of which will be released back to the Group.

25 Trade and other receivables

	Group		Company	
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Trade receivables	6,721	7,300	4,952	7,756
Allowance for doubtful debts	(2,107)	-	(1,821)	-
	4,614	7,300	3,131	7,756
Other receivables	735	569	662	396
Prepayments	3,621	1,489	2,510	1,147
Accrued revenue	109	11	109	11
Balances due from subsidiaries	-	-	5,430	4,190
Due from joint ventures	50	50	50	50
Total	9,129	9,419	11,892	13,550

During 2017 the Group extended credit terms over its standard 30 day payment terms on the sale of certain domain name inventory. Such extended terms were typically over high value "premium" names for a period of 12 months (and in some cases longer) to known parties after careful assessment of the counter parties ability to meet such payment terms. In accordance with IFRS 9 Financial Instruments a bad debt provision has been accounted for based on an assessment of the recoverability of trade receivables.

The loans to 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 2019. The difference between the carrying value and the fair value of the loan at the reporting date is deemed to be immaterial.

Group

Trade receivables disclosed above are measured at amortized cost.

Ageing of receivables:

	2018 $ 000's	2017 $ 000's
0 – 30 days	1,944	5,373
31 – 60 days	266	422
61 – 90 days	369	41
91 days and over	4,142	1,464
Total	6,721	7,300

Company

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

Ageing of receivables:

	2018 $ 000's	2017 $ 000's
0 – 30 days	958	4,336
31 – 60 days	68	445
61 – 90 days	35	599
91 days and over	3,891	2,376
Total	4,952	7,756

Included in the Company's trade receivables in 2018 are balances due from its subsidiary reseller of $Nil (2017: $2,652k).

26 Trade and other payables

	Group		Company	
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Trade payables	92	116	174	160
Registrar prepayments (payments in advance)	1,623	223	484	197
Other liabilities	2,081	2,959	33	30
Borrowings	3,000	-	3,000	-
Taxation liabilities	8	217	-	-
Accruals	2,755	2,617	828	1,121
Due to joint ventures	70	104	66	66
Due to subsidiaries	-	-	8,145	9,679
Trade and other payables	9,629	6,236	12,730	11,253
Deferred revenue	14,761	6,472	4,222	4,296
Trade and other payables including deferred revenue	24,390	12,708	16,952	15,549

Included within other liabilities are liabilities incurred as a result of the restructuring of a certain contract in 2016. In the year, $923k of this liability was paid down and the balance still due at the year end is $2,032k (2017: $2,955k).

MMX entered into a Facility Agreement with London and Capital Assets Management Limited, a shareholder. The facility provides $3 million of working capital to support future innovation and acquisition orientated activity by the Company. The facility is due to be repaid within a year of issue with a monthly interest rate of 1%.

Deferred revenue has increased by $8,289k mostly as a result of its ongoing obligations associated with the acquisition of ICM. Deferred revenue references the transaction price allocated to unsatisfied performance obligation.). Management expects that 61% of the transaction price allocated to the unsatisfied contracts as of the year ended 2018 will be recognised as revenue in the next reporting period ($9.1m). The remaining 39% ($5.7m) will be recognised in the year ended 2020 and beyond.

All trade and other payables (other than deferred revenue as disclosed above) are due within one year and approximate their fair value.

27 Provisions

	2018 $ 000's	2017 $ 000's
Onerous contract provision	5,774	-
	5,774	-
Current	2,914	-
Non-current	2,860	-
	5,774	**-**

	Onerous contract provisions $ 000's
At 1 January 2018	
Provision in the year	7,154
Utilisation of provision	(1,147)
Foreign exchange	(233)
At 31 December 2018	**5,774**

Under IAS 37 Provisions, Contingent Liabilities and Contingent Assets, an onerous contract provision has been created as a result of Management's assessment of future earnings against future obligations associated with a specific agreement. The terms of the agreement provide for an annual minimum revenue guarantee to the business partner. The directors believe that over the term of the agreement the net loss to the Group, which is reflective of the gap between the minimum revenue guarantee payable to the business partner and the expected revenue earned by the intangible asset, is $7,154k. As a result, the asset has been fully impaired (see Note 18).

The onerous contract provision represents management's best estimate of the revenues and expenses associated with this agreement, where revenues have been estimated to be relatively stagnant resulting in losses to meet the annual minimum revenue guarantees to the business partner.

The impact of any net present value calculations on the onerous contract provision is not material.

28 Share capital and premium

Called up, allotted, issued and fully paid ordinary shares of no par value	Note	Number of shares	Price per share (cents/pence)	Total $ 000's
As at 1 January 2017		699,857,562		60,060
Shares issued:				
Issued on the 15 June 2018 for acquisition of ICM Registry, LLC	17	96,699,235	9,2c/6.9p	8,852
31 December 2018		**796,556,797**		**68,912**

On the 4 January 2019 a further 128,300,765 ordinary shares ($11,745k) will be issued as part of the consideration for the acquisition of ICM Registry, LLC, see note 16 for further details.

29 Share-based payments

Share-based payment expense	2018 $ 000's	2017 $ 000's
Equity settled share based payments	1,150	997
Expense as a result of modification of equity settled share based payments	3	5
Total	1,153	1,002

In the year, 5,800,000 options and 7,750,000 Restricted Stock Units ("RSU's) were issued to the Executive team and key employees. This resulted in an increase in the share based payment expense (non-cash) in 2018. The valuation of the issued options is based on the Black-Sholes method as described below.

The Company has the following share option schemes in place:

- Directors and Employees Share Option Scheme – Directors and certain senior executives are enrolled in a 'Restricted Share Option' (RSU) scheme (see below).
- Restricted Share Option ('RSU') scheme – new scheme introduced on the 6 August 2018 for Senior Management.

Directors and Employees Share Option Scheme

	2018		2017	
	Number of share options	Weighted average exercise price (cents /pence)	Number of share options	Weighted average exercise price (cents /pence)
Outstanding at the beginning of the year	37,150,000	5.5/4.1	29,812,500	8.3/6.1
Granted during the year	5,800,000	Nil	8,000,000	3.2/2.3
Forfeited during the year	-	N/A	(662,500)	9.3/6.9
Exercised during the year	-	N/A	-	N/A
Expired during the year	-	N/A	-	N/A
Outstanding at the end of the year	**42,950,000**	**-**	**37,150,000**	**5.5/4.1**
Exercisable at the end of the year	14,222,727	11.8/9.3	12,483,333	12.2/9.1

1. No share options were forfeited 31 December 2018, Included within the number of share options forfeited in 2017 were 662,500 unexercised share options.
2. No share options were exercised in 2018 (2017: $Nil).

The weighted average contractual life of outstanding options at the end of the year is 0.76 years (2017: 0.61 years). There were 5,800,000 options granted in 2018 (2017: 8,000,000). The aggregate of the estimated fair values of the options granted under this scheme during 2018 is $530k (2017: $793k). The weighted average fair value of the options granted is $0.09/£0.07 (2017: $0.10/£0.08).

The general terms of the share options, under the company share options scheme, vest over 3 years (quarterly vesting, 1/12th of options vest every quarter) and are exercisable over ten years from the date of grant if the employee remains within the company. The outstanding share options at the year end range from $0.07/£0.05 to $0.17 / £0.12 (2017: $0.07/£0.05 to $0.15/£0.12).

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

	2018	2017
Weighted average share price (cents/pence)	9.0/7.1	13/9.6
Weighted average exercise price (cents/pence)	Nil	3.2/2.3
Expected volatility	40.79%	42.46%
Expected life	3 years	3 years
Risk-free rate	2%	2%
Expected dividend yield	Nil	Nil

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

Restricted Share Option Scheme

	2018		2017	
	Number of share options	Weighted average exercise price (cents /pence)	Number of share options	Weighted average exercise price (cents /pence)
Outstanding at the beginning of the period	166,668	-	800,001	-
Granted during the period	7,750,000	-	-	-
Forfeited during the period	(100,000)	-	(358,333)	-
Exercised during the period	(66,668)	-	(275,000)	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	7,750,000	-	166,668	-
Exercisable at the end of the period	250,000	-	166,668	-

* All share options exercised during the year under the Restricted Shared Option Scheme were settled in cash. This change was treated as a modification of a share based payment from equity settled to cash settled. The amount payable under this settlement amounted to $11k, of which $3k had been recognized as a share based expense in prior years and therefore reduced from equity in the current year as a repurchase of equity instrument. The balance of $8k was expensed.

The aggregate of the estimate of the fair value of the options granted is $708k (2017: N/A). The weighted average fair value of the options granted is $0.09/£0.07 (2017: N/A).

The weighted average contractual life of outstanding options at the end of the year is 2.25 years (2017: Nil years).

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

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

Under the restricted share option scheme 7,750,000 were granted in 2018 (2017: Nil).

The market price of the ordinary shares at 31 December 2018 was $0.0.8/£0.06 (2017: $0.11/£0.08) and the range during the year was $0.0.7/£0.05 to $0.14/£0.11.

Total warrants outstanding

As at 31 December 2018 the outstanding unexercised warrants in issue were:

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

No warrants were exercised in 2018 (2017: $Nil).

As at the 31 December 2017 the outstanding unexercised warrants in issue were:

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

30 Financial instruments

Capital risk management

The Group and Company manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximizing the return to stakeholders through the optimization of the debt and equity balance. On the 7 June 2018, the Group drew down on a facility of $3million in order to support the Group's operations, otherwise the Group and Company's overall strategy remains unchanged since 2017.

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

The Group and Company are 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 and debt funding to finance operations. The Directors are confident that adequate cash resources exist to finance operations to commercial exploitation, but controls over expenditure are carefully managed.

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

Categories of financial instruments

Group

Financial Instruments	2018 $ 000's	2017 $ 000's
Cash and bank balances	10,367	15,868
Financial assets at amortized cost	7,890	11,353
Investments in equity instruments at FVTOCI	57	500
Financial liabilities		
Financial liabilities at amortized cost	6,783	3,330

Company

Financial Instruments	2018 $ 000's	2017 $ 000'
Cash and bank balances	5,397	12,454
Financial assets at amortized cost	11,476	15,889
Investments in equity instruments at FVTOCI	57	500
Financial liabilities		
Financial liabilities at amortized cost	11,837	10,069

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.

It is, and has been throughout 2018 and 2017, 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 summarized below.

Market risk

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

Foreign currency risk

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

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

Group		Liabilities		Assets
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Sterling	2,031	2,956	1,335	1,836
USD	4,710	23	16,045	23,892
Euro	42	351	934	1,993
As at 31 December	6,783	3,330	18,314	27,721

Company		Liabilities		Assets
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Sterling	-	-	3,822	2,908
USD	10,176	8,309	11,723	25,932
Euro	1,661	1,760	1,385	3
As at 31 December	11,837	10,069	16,930	28,843

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	
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Profit or loss (i)	(337)	(479)	(98)	(234)
Other equity (ii)	-	-	-	-
	(337)	(479)	(98)	(234)

Company	Pound Sterling impact		Euro impact	
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Profit or loss (i)	(382)	(291)	(305)	(176)
Other equity	-	-	-	-
	(382)	(291)	(305)	(176)

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

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

Interest rate risk

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

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 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.

In the current year, the group applied IFRS 9 Financial Instruments, this standard introduces new requirements for (1) the classification and measurement of financial assets and financial liabilities and (2) impairment for financial assets.

As at 1 January 2018, the directors of the Company reviewed and assessed the Group's existing financial assets and amounts due from customers for impairment using reasonable and supportable information that is available without undue cost or effort in accordance with the requirements of IFRS 9 to determine the credit risk of the respective items at the date they were initially recognized. See note 25 for further details on the Group and Company's bad debt provision.

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

Liquidity risk management

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

Cash forecasts are regularly produced to identify the liquidity requirement for the Group and Company. To date, the Group has relied on the issuance of stock warrants and shares to finance its operations. The Group borrowed $3 million in 2018 (2017: $Nil).

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

			Group		Company
31 December 2018	Weighted average effective interest rate	Within 1 year $ 000's	1 – 5 years $ 000's	Within 1 year $ 000's	1 – 5 years $ 000's
Non-interest bearing:					
Trade and other payables		5,033	-	3,000	-
		5,033	-	3,000	-

			Group		Company
31 December 2017	Weighted average effective interest rate	Within 1 year $ 000's	1 – 5 years $ 000's	Within 1 year $ 000's	1 – 5 years $ 000's
Non-interest bearing:					
Trade and other payables		802	2,496	357	-
		802	2,496	357	-

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

The Group and Company had no derivative financial instruments as at 31 December 2018 and at 31 December 2017.

31 Commitments

The group as a lessee	2018 $ 000's	2017 $ 000's
Lease payments recognized under operating leases recognized as an expense in the year	895	649

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:

	2018 $ 000's	2017 $ 000's
Within one year	1,041	542
In the second to fifth years inclusive	1,328	1,665
	2,369	2,207

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

As at 31 December 2018 and 31 December 2017, the Group has no capital commitments.

As at 31 December 2018 and 31 December 2017, the Company had no lease or capital commitments.

32 Related party transactions - Group

Balances and transactions between the company and its subsidiaries, which are related parties, have been eliminated on consolidation. Transactions between the Group and its associates are disclosed below. Transactions between Group and its subsidiaries are disclosed below.

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.

	2018 $ 000's	2017 $ 000's
Due to Entertainment Names Inc	45	45
Due to Dot Country LLC	(66)	(70)

Remuneration of Key Management Personnel

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

Related party transactions - Company

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

Subsidiaries

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

Recharged costs and services from	2018 $ 000's	2017 $ 000's
Minds and Machines LLC	2,949	2,521
Minds + Machines Limited (IE)	784	709

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

Company	2018 $ 000's	2017 $ 000's
Minds and Machines LLC	(5,245)	(2,751)
Bayern Connect GmbH	443	1,146
Minds and Machines GmbH	630	747
Minds + Machines Limited (IE)	(1,661)	(1,760)
Minds + Machines Registrar Limited (IE)	-	5
Minds and Machines Limited (UK)	2,155	197
Minds and Machines Registrar UK Limited	9	-
Emerald Names, Inc	86	95
Minds + Machines (FL)	(566)	(400)
Minds + Machines, Inc.	5	5
Minds + Machines Hungary	311	300
Dot Law, Inc.	(673)	(2,247)
Boston TLD Management LLC	1,557	1,519
Beijing MMX Tech Co. Ltd	209	176
ICM Registry, LLC	8	-
ICM Registry AD, LLC	6	-
ICM Registry PN, LLC	6	-
ICM Registry SX, LLC	6	-

The Company also sold second level domain names to its subsidiary, Dot Law, Inc (DLI). DLI owns and operates join.law, a reseller of second level domain names. Any secondary domain names sold to DLI are to fulfil third-party orders from end users. Second level domain names sales and trade receivable balances outstanding at the year end are:

Company	Second level sale of domains		Trade receivable outstanding	
	2018 $ 000's	2017 $ 000's	2018 $ 000's	2017 $ 000's
Dot Law, Inc.	785	1,250	-	1,868

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

	2018 $ 000's	2017 $ 000's
Due from Entertainment Names Inc	50	49
Due to Dot Country LLC	(33)	(33)

Remuneration of Key Management Personnel
The remuneration of the Executive Directors, who are the key management personnel of the Group, is set out in Directors' remuneration report along with the share options issued.

33 Post Balance Sheet Events
On the 4 January 2019 128,300,765 ordinary shares were issued as part of the consideration for the acquisition of ICM Registry, LLC, see note 16 for further details.

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