new horizons,
new opportunities

mmx.co

annual report
2017

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

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

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financial highlights
a year of growth

1.32m
Domains Under Management
+ 61% (2016: 0.82m)

$15.63m
Gross Billings
- 1% (2016: $15.8m)

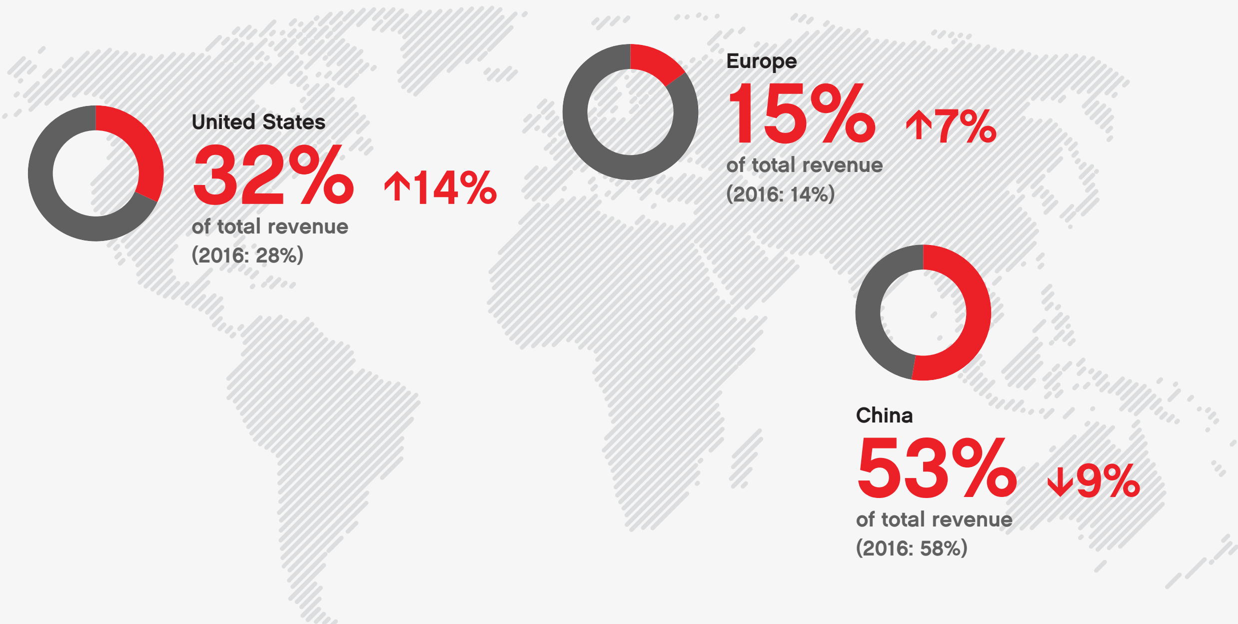
$5.63m
Renewal Billings
+ 50% (2016: $3.75m)

$5.28m
Overheads
- 19% (2016: $6.53m)

$5.33m
Accounting Operating EBITDA
+ 509% (2016: -$1.30m)

$3.62m
Billings Operating EBITDA
+ 614% (2016: -$0.70m)

operational highlights
key regions of growth



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

executives summary

Toby Hall
Chief Executive Officer

Michael Salazar
Chief Operating Officer/
Chief Financial Officer

Introduction

2017 was a year of consolidating the transformational progress of 2016 so that a profitable base could be firmly established for the business on an increasingly de-risked and proven business model. This is now enabling the Group to accelerate its wider ambitions of scaling profitably within the registry industry through a combination of organic growth, acquisition, and innovation to deliver a long-term annuity based business.

To that end, the directors are delighted to announce:

- MMX Group's first year of unadjusted profitability swinging from a $4.5million loss in 2016 to a $3.8million profit in 2017; and
- the effective conclusion of the strategic review with the proposed acquisition of ICM Registry LLC ("ICM"). ICM owns and operates four high value, niche TLDs regulated by ICANN that in 2017 delivered net sales of $7.3million, and net income of $3.5million from approximately 100,000 registrations.

The Directors believe that the acquisition of ICM, further details of which can be found in a separate announcement issued today, will transform the Group by materially increasing Group profitability and the overall scale of the business within the TLD market. The acquisition, which is subject to ICANN approval, is estimated to be earnings enhancing in the current year with further earnings enhancement being targeted from cost-synergies, increased operational leverage and scale efficiencies. The ICM acquisition consideration will be $10million in cash, 96,699,235 new Ordinary Shares to be issued on Completion, of which 75million will be subject to a four month lock and 21,699,235 to a 12 month lock, and 128,300,765new Ordinary Shares to be issued on 1 January 2019 and locked until the 12 month anniversary of Completion.

2017 Financial Highlights

MMX Group's financial highlights for 2017 are as follows:

- maiden year of profitability achieved by MMX with retained profit for the year of $3.8million compared to a $4.5million loss in 2016;
- operating EBITDA of $5.3million delivered in 2017 compared to an operating EBITDA loss of $1.3million for the ongoing operations in 2016;
  - operating EBITDA includes $2.1million of one-off income generated through private auctions in the period;
- renewal revenue grown 100% in 2017 to $4.8m (2016: $2.4m), renewal billings growing 50% to $5.6million (2016: $3.8million);
- fixed overheads reduced in 2017 by 19% to $5.3million (2016: $6.5million);
- cash balances at year-end improved 4% to $15.9million (2016: $15.3million);
- year-end liabilities, excluding deferred revenue, reduced 30% to $6.2million (2016: $8.9million) with $3.1million paid in year relating to a 2016 restructured contract; and
- Earnings Per Share of 0.55cents achieved compared to 2016 Group EPS loss of 0.60cents.

Business Overview

Operational

At an operational level, the key focus in 2017 was to lock-in the revenue gains of 2016 so as to drive EBITDA growth. In essence, to prove out the business model without relying on any significant new launches in the period. This goal was successfully achieved by:

- driving domains under management ("DUMs") growth by placing greater emphasis on new standard registrations across the portfolio rather than the 2016 focus on high value premium sales – a strategy which management believes will better support future years' renewal revenue profile;

- delivering upper quartile renewal ratios across the portfolio so as to ensure growing renewal revenues;
- leveraging insights gained in China across the rest of portfolio, with an initial focus on the UK and Europe, so as to better balance the revenue contribution from each region; and
- continuing to control fixed overheads but on the expectation they will be geared up to drive future growth as revenue and EBITDA improvements permit.

As noted above, a key focus of 2017 was also around driving standard sales across the portfolio – particularly outside of China – so as to begin rebalancing the revenue contribution from each region as well as to help deepen the potential renewal revenue base in 2018 and subsequent years. To that end, the Group made good progress in Japan gaining meaningful new registrations for .work and in the US from .wedding and the .boston launch. Overall DUMs grew 61% in 2017 to 1.32million in 2017.

In terms of consolidating the renewal revenue base, which grew 100% in the year, the primary focus in H1 was to achieve a successful first year renewal season for .vip in China which was delivered. In H2, MMX once again saw healthy renewals across all its main properties in the US and Europe resulting in renewal revenues for the year growing from $2.4million in 2016 to $4.8million in 2017 on an accounting basis and 50% on a billings basis (2016: $3.8million; 2017: $5.6million).

Encouragingly, the combination of the renewal activity and the new sales activity across all the regions has meant that, from a revenue perspective, the process of re-balancing the contribution from each region has started to materialize. In 2017, the US contribution increased 14% to 32% of total revenue (2016: 28%), Europe's contribution increased 7% to 15% (2016: 14%), and China's decreased 9% to 53% (2016: 58%). Management expects this trend to continue in the current year.

In relation to managing overheads, management believes 2017 will be the last year of meaningful reductions given the Group's maiden cross-over into profitability. The goal now will be to continue prudently strengthening the team so as to drive growth. To that end, the trend of building out the team of senior managers within the business and introducing greater levels of accountability to each team member will continue so that remuneration is more closely aligned to a specific TLD or bucket of TLDs. Indeed, the benefits of this process are now starting to show tangible results in the current year.

2017 also saw MMX successfully gain MIIT approval for a further four of its TLDs - .law, .购物(shopping), .work, and .beer – allowing the Group to potentially launch these properties into China. Post year-end, MMX appointed strategic partners to spearhead the roll-out of .law and .购物 respectively into the region.

Strategic

At the strategic level, the focus was to define a long-term strategy for delivering value to shareholders through a process that involved exploring all options available to the business in parallel – asset sale, acquisition, organic growth and innovation (see Strategic Review section).

In short, 2017 was about locking down the operational gains of 2016 both to ensure a profitable base and prove out the model, whilst developing a long-term growth strategy for 2018 rather than simply launching new TLDs or initiatives without proper research or game-plans. It was about developing a long-term growth strategy to allow the business to develop sustainable cashflow and from that a progressive dividend policy over the next 18 months.

2017 KPI's

The 2017 KPI's therefore very much reflect the operational priorities of the year:

- renewal billings grown for a second year running to $5.6million (2016:

> "2017 has created a profitable platform from which the Group can now accelerate its development through a combination of organic growth, strategic acquisitions and innovation to deliver a highly profitable, long-term annuity-based business.

executives summary
continued

$3.8million) in turn meaning the Group was able to achieve a core milestone of renewal income being greater than fixed overheads for the first time;

- domains under management grown 61% to 1.32million (2016: 821,000) reflecting the increased internal focus on new standard sales activity and renewals; and
- fixed overheads reduced for a second year running to $5.3million from $6.5million on a like-for-like basis.

However, as a result of the increased emphasis on standard sales and renewal activities:

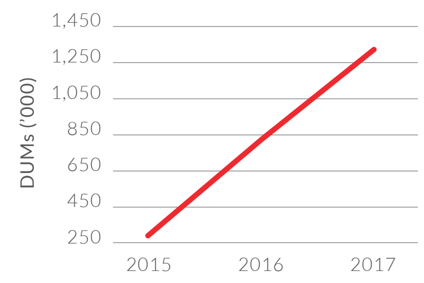
- billings remained broadly flat at $15.6million compared to $15.8million for 2016; and
- Cost of Sales were moderately flexed above the 20% of gross billings guideline for the first time under the new management's tenure as the Group moved into profitability at both the billings and accounting revenue operating EBITDA levels for the first time – this, however, led to Cost of Sales being 23% (2016: 16%) of Gross Billings.

In relation to the billings operating EBITDA KPI for the ongoing business, in the 2016 Report & Accounts an adjusted number was used based on billings before restructuring costs. In the table below, an unadjusted number for the ongoing business in 2016 is shown. On this unadjusted basis, billings operating EBITDA for 2017, which excludes gTLD auction proceeds, swung from a $705k loss in 2016 to a $3.6million profit in 2017; meanwhile operating EBITDA on an accounting basis, which includes gTLD auction proceeds, moved from a $1.3million loss in 2016 to a $5.3million profit in 2017. On an adjusted basis, 2016 billings EBITDA for the ongoing business was $4.2million and on an accounting basis $3.6million, reflecting that in 2016 there were significantly lower partner payments that year as part of the restructuring of one contract.

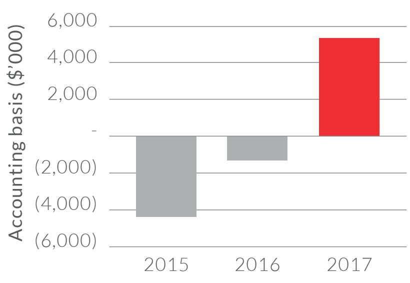
Highlighted KPI's

KPI	2017	2016	% Change
Domains under management - #	1,320,000	821,000	61%
Gross Billings - $'000's	15,633	15,800	-1%
Renewal Billings - $'000's	5,626	3,753	50%
Overheads (on a like for like basis) - $'000's	5,285	6,536	-19%
Accounting Operating EBITDA - $'000's	5,335	(1,303)	509%
Billings Operating EBITDA - $'000's	3,622	(705)	614%

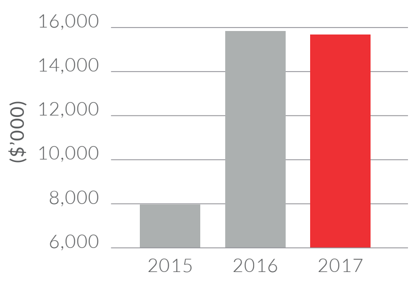
Domains under management



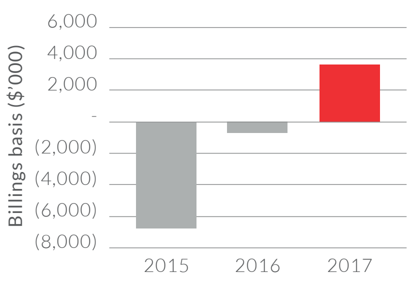
Accounting Operating EBITDA



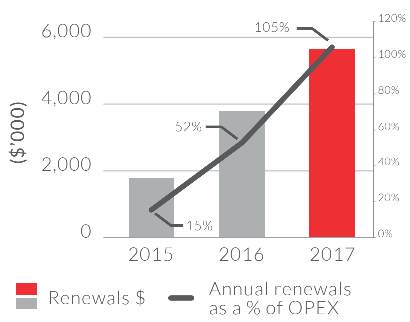
Gross Billings



Billings Operating EBITDA



Renewal Billings



Strategic Review

In May 2017, the Group announced the commencement of a strategic review to "explore how strategic options might accelerate shareholder value, in particular whether and how MMX can participate in a broader industry consolidation. The outcome of the strategic review may therefore include (but not be limited to) an acquisition by or sale / merger of the Group." Whilst many interpreted this to simply mean the business was up for sale, the reality is a parallel process was put in motion from the outset where all of the options below were fully considered and advanced in parallel through to the end of the strategic review:

- asset disposal;
- acquisition;
- focus on organic growth; and
- innovation.

Indeed, the Group was in advanced discussions around the sale of its assets through to the end of the process. However, the Board concluded that the long-term interests afforded to shareholders from the expected consolidation in the sector will be best served in the near to mid-term by pursuing a strategy based on three key tenets:

- continuing to drive profitable growth through operational efficiencies and organic business development initiatives within the portfolio;
- accelerating scale and earnings through strategic acquisitions; and
- innovation.

In summary, the Board continues to see consolidation as a major theme in the sector over the near to mid-term. Further, the Board believes the proposed ICM acquisition, announced today, combined with other developments in the Group that will increasingly seek to bring innovation to the sector, will allow the enlarged Group to better participate in this dynamic.

Accelerating Scale

Management believes the proposed acquisition of ICM will significantly enhance earnings in FY 2019 and will likewise contribute positively to H2 2018. Management further believes it will enable the Group to build on its core business, extract significant synergies across the two businesses, and meaningfully build its non-China billings base.

Key characteristics of ICM's unaudited 2017 file tax returns are:

- renewal revenue in excess of $5.7m representing 78% of their total revenue;
- premium revenue under 14% of total revenue $7.3m; and
- net income of $3.5million.

Indeed, as a result of the proposed acquisition, management is confident that MMX's position as a leading portfolio registry business will be further strengthened and its renewal revenue and EBITDA significantly boosted. This will create a stronger platform from which to bring greater innovation into the industry and allow the Group to participate more actively in industry consolidation.

Indeed, management is deeply encouraged by the support of its major shareholders for this strategy as reflected in the $3million Facility, announced today, which has been made available through a vehicle associated to the Group's second largest shareholder.

Innovation

In terms of Innovation, management believes a key driver of future domain usage will be the development of new services and applications where a domain name will represent more than simply a website address or email address suffix. To that end, MMX expects to continue establishing commercial partnerships with relevant third parties where their underlying technologies, or platforms, provide innovative solutions to specific end-user groups for a given TLD or cluster of TLDs. An exploratory first step in this direction was taken in 2017 with MMX's investment into DigitalTown, an early-stage business that is developing local search solutions that directly relate to MMX's geo TLDs as well as certain of its vertical properties.

During 2018, MMX anticipates to increasingly forge innovative partnerships that have the potential to deliver meaningful value to the Group, and in turn its shareholders. In particular, MMX is watching the blockchain environment closely. In H2, the Group expects to launch the first of its Innovation based projects.

Conclusion

Looking into the current year, whilst MMX continues to see good progress across each of its geographic regions, the Group will continue to be heavily H2 weighted, a characteristic that will be accentuated in the current year by the potential half-year contribution of the ICM acquisition and anticipated launch of one new innovation based project in the second half of this year.

In summary, 2017 has created a profitable platform from which the Group can now accelerate its development through a combination of organic growth, strategic acquisitions and innovation to deliver a highly profitable, long-term annuity-based business.

Toby Hall
Chief Executive Officer
3 May 2018

Michael Salazar
Chief Operating Officer/
Chief Financial Officer
3 May 2018

strategic report
to the members of Minds + Machines Group Limited

Cautionary statement

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

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

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

Review of the Group's Business

The Business Model

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

In total, 24 of the 28 uncontested domains in which the Group has a commercial interest have entered General Availability, resulting in the Group having over 1,320,000 domains under management at the year end.

The Group currently has an interest in 4 contested generic top-level domains (gTLDs). The Group:

- Wholly-owns, or majority owns, 3 contested gTLDs; and
- Is in partnership for one gTLD.

Registry Business

A registry is the authoritative master database of all Domain Names registered for each 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.

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

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

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

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

The Group 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.

The industry has adopted a new approach on the sale of certain high value 'premium' names by extending credit terms. The group has followed such industry practices and has worked on extending credit terms to certain customers. In any extention of credit there is an inherent risk that payments may not be collected.

The Group determines the creditworthiness of certain customers prior to extending credit.

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

As a registry, the Group is dependent on the performance of software registry system and underlying databases, together with its back-up systems and disaster recovery plans, to ensure that critical registry functions are available to end users, registrars and other parties that must have access to those functions in the event any circumstance arises that materially impacts the operation of the primary registry system. The integrity, reliability and operational performance of the Group's IT systems, whether in-house or outsourced, are therefore critical to the Group's operations. The Group's IT systems may be damaged or interrupted by increases in usage, human error, unauthorized access, natural hazards or disasters or similarly disruptive events.

Furthermore, Group's current systems may be unable to support a significant increase in online traffic or increased customer numbers, whether as a result of organic or inorganic growth of the business. Any failure of the Group's IT infrastructure or the telecommunications and/or other third party infrastructure on which such infrastructure relies could lead to significant costs and disruptions that could reduce revenue, harm the 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 package's including share options to retain and attract key personnel.

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

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

strategic report
to the members of Minds + Machines Group Limited continued

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 $15.9 million held as cash and cash equivalents. The proposed acquisition of ICM (referenced in the Executive Summary) for a cash consideration of $10million (plus new Ordinary Shares) has also been considered. The cash consideration is expected to be funded via existing cash reserves. The Group is forecast to be cashflow generative on a standalone basis and it is anticipated that the proposed acquisition of ICM will augment the enlarged group's cash generation. In order to maintain additional liquidity, particularly immediately upon consummation of the proposed transaction the Group has entered into an unsecured general purpose $3m working capital facility that can be drawn down post completion of the proposed acquisition. The Directors do not have any current intention of drawing down this facility.

On the above basis, 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 3 May 2018 and signed on its behalf by:

Michael Salazar
Chief Operating Officer/Chief Financial Officer
3 May 2018

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 2017. The Corporate Governance Statement set out on pages 11 to 12 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 2017 (2016: 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

The Group remunerates the Directors at a level commensurate with the size of the Group and the experience of its Directors. The Remuneration Committee has reviewed the Directors' remuneration and believes it upholds the objectives of the Company with regard to this issue. Details of Director's emoluments are set out in Note 13 to the financial statements.

Directors' Interests

The total beneficial interests of the serving Directors at the year-end in the shares and options of the Company during the period to 31 December 2017 were as follows:

Director	31 December 2017 Shares	31 December 2017 Options*	31 December 2016 Shares	31 December 2016 Options*
Toby Hall	500,000	10,500,000	500,000	7,500,000
Michael Salazar	1,925,050	10,500,000	1,975,050	7,500,000
Guy Elliott	23,300,000	-	20,250,000	-
Henry Turcan	-	-	-	-

* Terms of the options have been disclosed in Note 29 to the financial statements.

Directors' Indemnities

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

Corporate Governance

A statement on Corporate Governance is set out on pages 11 to 12.

Environmental Responsibility

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

Employment Policies

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

Health and Safety

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

Annual General Meeting ("AGM")

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

Statement of disclosure of information to auditor

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

- So far as each director is aware, there is no relevant audit information of which the Company's auditor is unaware, and
- they have taken all the steps that they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the Company's auditor 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 Operating Officer/Chief Financial Officer
3 May 2018

corporate governance

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

Board of Directors

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

Board Meetings

The Board meets regularly throughout the year. For the year ended 31 December 2017, the Board met 7 times in relation to normal operational matters. The Board is responsible for formulating, reviewing and approving the Company's strategy, financial activities and operating performance. Day to day management is devolved to the Executive Directors who are charged with consulting the Board on all significant financial and operational matters.

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

Board Committees

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

Audit Committee

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

Remuneration Committee

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

Internal controls

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

Risk Management

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

Risks and uncertainties

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

Business risk

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

General and economic risks

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

Funding risk

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

Content risk

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

Intellectual property

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

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

Market risk

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

Key personnel

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

Treasury Policy

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

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 2017 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 2017 and of the group's and the parent company's profit 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.

Use of the audit report
This report is made solely to the company's members, as a body, in accordance with our engagement letter dated 2 February 2018. 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.

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 authorised 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 30.

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:

- Domain registry service revenue should be recognised evenly over the relevant registration period. There is a risk that revenue relating to future periods is not appropriately deferred.

- The group enters into complex partnering arrangements that include provisions for revenue sharing between the partners. There is a risk that revenue might not be appropriately recognised in accordance with the contractual terms of these partnering arrangements.
- The group records revenue immediately for the initial premium arising on the sale of certain domain names, while recurring fees are recognised 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.

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

- On a sample basis, testing domain registry service revenue recognised in the period and revenue deferred at the year-end by reference to the period covered by the service;
- Assessing the basis of accounting for revenue sharing under those partnering arrangements concluded in prior years, including enquiring as to whether changes to those arrangements had been agreed; and
- For significant new partnering arrangements, assessing the adopted accounting for revenue sharing by reference to the terms of those arrangements.

Our findings:
Our audit procedures did not identify any evidence of misstatement to revenue recognised 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 26, note 1(m) 'Intangible assets' and note 1(n) 'De-recognition of intangible assets' on page 27 and note 1(p) Impairment of fixtures & equipment and intangible assets excluding goodwill' both on page 32.

Non-current intangible assets include capitalised 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 capitalisation of the consideration payable on renegotiation.

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, by reference to a "Cash Generating Unit" (CGU). In the absence of a readily available indicator of market value, the Directors have based their impairment review on an estimation of value in use which is based on projected future cash flows.

There is a risk that intangible assets are impaired below their carrying value in the financial statements. Commentary on the judgements and estimates in respect of the group's impairment review over intangible assets is set out in note 2 on page 36.

Key assumptions in the group's impairment review include revenue growth and the discount rate used to calculate the present value of projected future cash flows.

In addition to these assumptions, 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 aggregate gTLDs within CGUs.

Our response:
We reviewed management's impairment review, considering and challenging the key judgement and assumptions identified above. Our audit procedures included, but were not limited to:

- review and challenge of management's basis for aggregating intangible assets into CGUs;
- considering the appropriateness of the assumptions used in the impairment reviews; and
- performing sensitivity analysis to assess the impact of reasonable variations in both discount rates and revenue growth rates.

Our findings:

Management's grouping of gTLDs into CGUs is considered to be appropriate based on the information and explanations provided by management and the audit work completed.

We found that the underlying assumptions that management has used in the impairment review are reasonable in the circumstances. Based on our audit procedures, we did not identify any evidence of the need for impairment of intangible assets.

Our application of materiality

We apply the concept of materiality in planning and performing our audit, in evaluating the effect of identified misstatements on the financial statements, and in forming our audit opinion. The level of materiality we set is based on our assessment of the magnitude of misstatements that, individually or in aggregate, could reasonably be expected to have influence on the economic decisions of the users of the financial statements.

We established materiality based on the group's and company's total asset value; this is appropriate as the group and company hold significant gTLDs and have not yet fully developed revenue streams for all gTLDs. We determined materiality for the consolidated and company financial statements as a whole to be $1.0m, representing 1.3% of the group's and company's total assets.

Performance materiality is set to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements in the financial statements exceeds materiality for the financial statements as a whole. Performance materiality of $0.8m was applied in the audit, which is approximately 75% of overall group and company materiality.

We agreed with the Audit Committee that we would report to that committee all identified corrected and uncorrected audit differences in excess of $0.03m (representing 3% of financial statement materiality) together with differences below that threshold that, in our view, warranted reporting on qualitative grounds.

Audit work at component locations for the purpose of obtaining audit coverage over significant financial statement accounts is undertaken based on a percentage of total performance materiality. The performance materiality set for each component is based on the relative scale and risk of the component to the group as a whole and our assessment of the risk of misstatement at component level. In the current period, the range of performance materiality allocated to components was $0.1m to $0.8m.

An overview of the scope of our audit

Our audit involved obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. 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.

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 10 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.

Mazars LLP
Chartered Accountants

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

3 May 2018

group statement of comprehensive income

for the year ended 31 December 2017

	Notes	Year Ended 31 Dec 2017 $ 000's	Year Ended 31 Dec 2016 $ 000's
Continuing Operations			
Revenue		14,315	15,001
Less: Partner payments	4	(2,364)	(1,520)
Revenue less partner payments		**11,951**	**13,481**
Cost of sales	5	(3,440)	(2,541)
Gross Profit		**8,511**	**10,940**
Gross Profit Margin %		**71%**	**81%**
Profit on gTLD auctions	24	2,108	-
Loss on withdrawal of gTLD applications	24	-	(148)
Operating expenses - ongoing	10	(5,285)	(6,536)
Operating expenses - forfeited	10	-	(646)
Restructuring costs - operating	6	-	(1,166)
Restructuring costs - contracts	7	-	(3,748)
Operating earnings / (loss) before interest, taxation, depreciation and amortisation (Operating EBITDA)		**5,334**	**(1,304)**
Strategic review costs	8	(301)	-
Foreign exchange (loss) / gain		(45)	251
Profit / (loss) on disposal of fixed assets		4	(19)
Share based payments	29	(1,002)	(745)
Share of results of joint ventures	23	9	(25)
Earning / (Loss) before interest, taxation, depreciation, and amortisation (EBITDA)	11	**3,999**	**(1,842)**
Depreciation and amortisation charge	19/20	(187)	(285)
Finance revenue	14	21	39
Loss on disposal of joint ventures		-	(276)
Profit / (Loss) before taxation		**3,833**	**(2,364)**
Income tax	15	(19)	195
Profit / (Loss) from the year from continuing operations		**3,814**	**(2,169)**
Loss from discontinued operations	9	-	(2,332)
Profit / (loss) for the year		**3,814**	**(4,501)**

group statement of comprehensive income
for the year ended 31 December 2017
continued

	Notes	Year Ended 31 Dec 2017 $ 000's	Year Ended 31 Dec 2016 $ 000's
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences		455	(648)
Other comprehensive income for the year net of taxation		455	(648)
Total comprehensive income for the year		**4,269**	**(5,149)**
Retained profit / (loss) for the year attributable to:			
Equity holders of the parent		3,859	(4,508)
Non-controlling interests		(45)	7
		3,814	**(4,501)**
Total comprehensive income for the year attributable to:			
Equity holders of the parent		4,314	(5,169)
Non-controlling interests		(45)	20
		4,269	**(5,149)**
Earnings / (loss) earnings per share (cents)			
From continuing operations			
Basic	17	0.55	(0.29)
Diluted	17	0.52	(0.29)
From discontinued operations			
Basic	17	N/A	(0.31)
Diluted	17	N/A	(0.31)

The notes set out on pages 26 to 63 form an integral part of these financial statements.

company statement of comprehensive income

for the year ended 31 December 2017

	Notes	Year Ended 31 Dec 2017 $ 000's	Year Ended 31 Dec 2016 $ 000's
Continuing Operations			
Revenue		11,689	12,417
Less: Partner payments	4	(1,154)	(1,049)
Revenue less partner payments		**10,535**	**11,368**
Cost of sales	5	(2,382)	(1,446)
Gross Profit		**8,153**	**9,922**
Gross Profit Margin %		**77%**	**87%**
Profit on gTLD auctions	24	2,108	-
Loss on withdrawal of gTLD applications	24	-	(148)
Operating expenses - ongoing		(4,603)	(8,098)
Restructuring costs - operating	6	-	(80)
Operating earnings before interest, taxation, depreciation and amortisation (Operating EBITDA)		**5,658**	**1,596**
Strategic review costs	8	(258)	-
Foreign exchange gain		223	317
Impairment of investment in subsidiaries	21	-	(6,859)
Share based payments		(1,000)	(794)
Earrnings / (loss) before interest, taxation, depreciation and amortisation (EBITDA)		**4,623**	**(5,740)**
Depreciation and amortisation charge	19	(17)	(73)
Finance revenue	14	21	39
Loss on disposal of joint ventures	23	-	(276)
Profit / (Loss) before taxation		**4,627**	**(6,050)**
Income tax	15	-	-
Profit / (loss) for the year		**4,627**	**(6,050)**
Other comprehensive income		-	-
Total comprehensive income for the year		**4,627**	**(6,050)**

All operations are considered to be continuing.

The notes set out on pages 26 to 63 form an integral part of these financial statements.

group statement of financial position

as at 31 December 2017

	Notes	31 Dec 2017 $ 000's	31 Dec 2016 $ 000's
ASSETS			
Non-current assets			
Goodwill	18	2,828	2,828
Intangible assets	19	46,182	45,603
Fixtures & equipment	20	80	89
Investments	22	500	-
Interest in joint ventures	23	428	385
Other long-term assets	24	2,957	3,327
Total non-current assets		52,975	52,232
Current assets			
Trade and other receivables	26	9,419	7,953
Cash and cash equivalents	25	15,868	15,275
Total current assets		25,287	23,228
TOTAL ASSETS		78,262	75,460
LIABILITIES			
Current liabilities			
Trade and other payables	27	(12,708)	(14,984)
Total current liabilities		(12,708)	(14,984)
NET ASSETS		65,554	60,476
EQUITY			
Share capital	28	-	-
Share premium	28	60,060	60,060
Foreign exchange reserve		1,197	742
Retained earnings		4,367	4
		65,624	60,806
Non-controlling interests		(70)	(330)
TOTAL EQUITY		65,554	60,476

The notes set out on pages 26 to 63 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 3 May 2018 and signed on its behalf by:

Toby Hall
Chief Executive Officer

Michael Salazar
Chief Operating Officer/Chief Financial Officer

company statement of financial position
as at 31 December 2017

	Notes	31 Dec 2017 $ 000's	31 Dec 2016 $ 000's
ASSETS			
Non-current assets			
Intangible assets	19	39,424	39,389
Investment in subsidiaries	21	39,503	39,384
Investments	22	500	-
Interest in joint ventures	23	520	486
Other-long term assets	24	2,957	3,327
Total non-current assets		82,904	82,586
Current assets			
Trade and other receivables	26	13,551	8,519
Cash and cash equivalents	25	12,454	10,544
Total current assets		26,005	19,063
TOTAL ASSETS		108,909	101,649
LIABILITIES			
Current liabilities			
Trade and other payables	27	(15,549)	(13,880)
Total current liabilities		(15,549)	(13,880)
NET ASSETS		93,360	87,769
EQUITY			
Share capital		-	-
Share premium	28	60,060	60,060
Retained earnings		33,300	27,709
TOTAL EQUITY		93,360	87,769

The notes set out on pages 26 to 63 form an integral part of these financial statements.

These financial statements were approved by the Board of Directors on 3 May 2018 and signed on its behalf by:

Toby Hall
Chief Executive Officer

Michael Salazar
Chief Operating Officer/Chief Financial Officer

group cash flow statement
for the year ended 31 December 2017

	Notes	Year Ended 31 Dec 2017 $ 000's	Year Ended 31 Dec 2016 $ 000's
Cash flows from operations			
Operating EBITDA		5,334	(1,304)
Adjustments for:			
Loss from discontinued operations		-	(1,312)
Restructuring costs - contracts		-	3,748
Strategic review costs	8	(301)	-
Increase in trade and other receivables		(1,096)	(1,926)
Increase / (decrease) in trade and other payables		430	(350)
Withdrawals of gTLDs		240	148
Foreign exchange loss		21	367
Net cash flow from operating activities		**4,628**	**(629)**
Cash flows from investing activities			
Interest received	14	21	39
Amounts transferred from restricted cash		-	(64)
Payments towards restructuring of contracts	27	(3,105)	(2,035)
Payments to acquire intangible assets	19	(235)	(1,761)
Payments to acquire fixtures & equipment	20	(31)	(28)
Receipts from the disposal of tangible assets		4	90
Increase in investment in a subsidiary	21	(155)	-
Payments to acquire investments	22	(500)	-
Net cash flow from investing activities		**(4,002)**	**(3,759)**
Cash flows from financing activities			
Issue of ordinary shares	28	-	6,811
Share issue costs	28	-	(300)
Purchase of own shares	28	-	(20,267)
Repurchase of vested equity instruments		(33)	(1,219)
Net cash flow from financing activities		**(33)**	**(14,976)**
Net increase / (decrease) in cash and cash equivalents		593	(19,364)
Cash and cash equivalents at beginning of period		15,275	34,651
Exchange loss on cash and cash equivalents		-	(12)
Cash and cash equivalents at end of period	25	**15,868**	**15,275**

The notes set out on pages 26 to 63 form an integral part of these financial statements

company cash flow statement

for the year ended 31 December 2017

	Notes	Year Ended 31 Dec 2017 $ 000's	Year Ended 31 Dec 2016 $ 000's
Cash flows from operations			
Operating EBITDA		5,658	1,596
Adjustments for:			
Strategic review costs	8	(258)	-
Increase in trade and other receivables		(4,663)	(4,495)
Decrease in trade and other payables		1,675	10,026
Foreign exchange loss		184	362
Net cash flow from operating activities		**2,596**	**7,489**
Interest received	14	21	39
Payments to acquire intangible assets	19	(52)	-
Increase in investment in a subsidiary	21	(155)	(7,218)
Payments to acquire investments	22	(500)	-
Net cash flow from investing activities		**(686)**	**(7,179)**
Cash flows from financing activities			
Issue of ordinary shares	28	-	6,811
Share issue costs	28	-	(300)
Purchase of own shares	28	-	(20,267)
Net cash flow from financing activities		**-**	**(13,756)**
Net increase / (decrease) in cash and cash equivalents		1,910	(13,446)
Cash and cash equivalents at beginning of period		10,544	23,990
Exchange (loss) / gain on cash and cash equivalents		-	-
Cash and cash equivalents at end of period	25	**12,454**	**10,544**

The notes set out on pages 26 to 63 form an integral part of these financial statements

group statement of changes in equity
for the year ended 31 December 2017

	Share Capital $ 000's	Share premium reserve $ 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 2016	-	73,816	1,403	4,987	80,206	(332)	79,874
Loss for the year	-	-	-	(4,508)	(4,508)	7	(4,501)
Currency translation differences	-	-	(661)	-	(661)	13	(648)
Total comprehensive income	-	-	(661)	(4,508)	(5,169)	20	(5,149)
Additions to share premium	-	6,811	-	-	6,811	-	6,811
Cost of share issue	-	(300)	-	-	(300)	-	(300)
Acquisition of own shares	-	(20,267)	-	-	(20,267)	-	(20,267)
Credit to equity for equity-settled share based payments	-	-	-	653	653	(2)	651
Share based payments (repurchase of vested equity instruments)	-	-	-	(1,128)	(1,128)	-	(1,128)
Adjustment arising from change in Non-Controlling Interest	-	-	-	-	-	(16)	(16)
As at 31 December 2016	-	60,060	742	4	60,806	(330)	60,476
Profit for the year	-	-	-	3,859	3,859	(45)	3,814
Currency translation differences	-	-	455	-	455	-	455
Total comprehensive income / (loss)	-	-	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)
Adjustment 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

- Share premium – This reserve includes any premiums received on issue of share capital. Any transaction costs associated with the issue of shares are deducted from share premium
- Foreign 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 26 to 63 form an integral part of these financial statements.

company statement of changes in equity
for the year ended 31 December 2017

	Share capital $ 000's	Share premium reserve $ 000's	Retained earnings $ 000's	Total $ 000's
At 1 January 2016	-	73,816	34,234	108,050
Loss for the year	-	-	(6,050)	(6,050)
Total comprehensive income	**-**	**-**	**(6,050)**	**(6,050)**
Additions to share capital / premium	-	6,811	-	6,811
Cost of share issue	-	(300)	-	(300)
Acquisition of own shares	-	(20,267)	-	(20,267)
Credit to equity for equity-settled share based payments	-	-	653	653
Share based payments (repurchase of vested equity instruments)	-	-	(1,128)	(1,128)
As at 31 December 2016	**-**	**60,060**	**27,709**	**87,769**
Profit for the year	-	-	4,627	4,627
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**	**33,300**	**93,360**

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

The notes set out on pages 26 to 63 form an integral part of these financial statements.

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 6 to 8.

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

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

(b) Statement of compliance with IFRS

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

Adoption of new and revised standards

The Group's and Company's financial statements have been prepared on the basis of accounting policies consistent with those applied in the financial statements for the year ended 31 December 2016 except for for the implementation of a number of minor adjustments issued which applied for the first time in 2017. These new pronouncements do not have a significant impact on the accounting policies, methods of computation or presentation applied by the Group and Company and therefore prior-year financial statements have not been restated for these pronouncements.

Future changes in accounting policies

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

Mandatory for 2018

IFRS 15	IFRS 15 Revenue from Contracts with Customers. The core principle of IFRS 15 is that an entity recognizes revenue to depict the transfer to promised goods or services when control of the goods or services passes to customers. The amount of revenue recognized should reflect the consideration to which the entity expects to be entitled in exchange for those goods or services. A modified transitional approach is permitted under which a transitional adjustment is recognized in retained earnings at the date of implementation of the standard without adjustment of comparatives. The new standard will only be applied to contracts that are not completed at that date.
IFRS 9	IFRS 9 Financial Instruments. This standard includes a single approach for the classification of financial assets, based on cash flow characteristics and the entity's business model, which requires expected losses to be recognized when financial instruments are first recognized. The standard amends the rules on hedge accounting to align the accounting treatment with the risk management practices of an entity.

Mandatory for 2019

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

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

The directors have conducted a review of the impact of IFRS 15 on the Group's core registry and RSP business, and on the basis of this review do not expect the adoption of this standard to have a material impact on the financial statements.

The directors do not expect that the adoption of IFRS 9 to have a material impact on the financial statements of the Group in future periods.

IFRS 16 will impact on the recognition of those leases that are either currently classified as operating leases or other long term leases. Information on the undiscounted amount of the Group's operating lease commitments under IAS 17, the current lease standard, is disclosed in note 31. Under IFRS 16, the present value of these commitments would be shown as a liability on the balance sheet together with an asset representing the right of use. Beyond the information above, it is not practicable to provide a reasonable estimate of the effect of this standard until a detailed review has been completed.

(c) Basis of accounting

The consolidated financial statements have been prepared on the historical cost basis, except for available for sale financial assets which are measured at fair value.

(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. 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 6 to 9.

(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 above.

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

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

(i) Leases (the group as a lessee)

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

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

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

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

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

(j) Revenue recognition

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

Revenue is recognized to the extent of the company's and group's ability to collect on future receivables.

Registry revenue

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

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

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

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

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

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

(k) Partner payments

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

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

(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 recognised in profit and loss in the period in which they arise.

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

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

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

(m) Intangible assets

Intangible assets acquired separately

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

Internally generated intangible assets–research and development expenditure

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

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

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

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

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

Useful 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 7 years

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

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

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

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: 'available for sale' financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective interest method

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

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

Loans and other receivables

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

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

Available for sale financial assets

Available for sale financial assets ("AFS") are non-derivatives that are either designated as AFS or are not classified as loans and receivables, held to maturity investments or financial assets at fair value through profit or loss.

Listed shares held by the Group that are traded in an active market are classified as being AFS 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 or AFS equity investments 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 available for sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed through profit or loss to the extent that the carrying amount of the investment at the date the impairment is reversed does not exceed what the amortized cost would have been had the impairment not been recognized.

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

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

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

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

Financial liabilities
Financial liabilities are classified as 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 a effective yield basis.

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

De-recognition of financial liabilities

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

(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 17)

(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 recognised in the consolidated financial statements:

Intangible Assets

Within intangible assets are assets classified as gTLD assets. Under the requirements of IAS 38 Intangible Assets and the Group's assessment thereof, the Group has determined that gTLD 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 19.

Goodwill and intangible assets have not been impaired in the current year. Details of goodwill and intangible assets are set out in note 18 and 19 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 recognised 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 18 and Note 19.

Taxes

Deferred tax assets are recognised for unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and the level of future taxable profits, together with future tax planning strategies. The Group has $29.8m (2016: $28.9m) 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 recognise deferred tax assets on the tax losses carried forward. If the Group was able to recognise all unrecognised deferred tax assets, profit and equity would have increased by $5,472k. Further details on taxes are disclosed in Note 15.

Fair value measurement of financial instruments

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.

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

2017	Registry $ 000's	RSP $ 000's	Other $ 000's	Total $ 000's
Revenue				
External sales	13,144	1,102	69	14,315
Total Revenue	**13,144**	**1,102**	**69**	**14,315**
Operating EBITDA	5,916	(315)	(267)	5,334
Strategic Review Costs				(301)
Foreign exchange loss				(46)
Profit on disposal of tangible assets				4
Share based payment expense				(1,002)
Share of profit of joint venture				9
EBITDA				**3,998**
Amortisation and depreciation				(187)
Finance revenue				21
Profit before tax				**3,832**
Income tax				(19)
Profit after tax				**3,813**

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

Inter-segment sales are charged at prevailing market prices.

2016	Registry $ 000's	RSP $ 000's	Other $ 000's	Total $ 000's
Revenue				
External sales	13,573	1,304	124	15,001
Total Revenue	13,573	1,304	124	15,001
Operating EBITDA	3,433	(4,419)	(318)	(1,304)
Foreign exchange gain				251
Loss on disposal of tangible assets				(19)
Share based payment expense				(745)
Share of loss of joint venture				(25)
EBITDA				(1,842)
Amortisation and depreciation				(285)
Finance revenue				39
Loss on disposal of joint venture				(276)
Loss before tax				(2,364)
Income tax				195
Loss after tax				(2,169)

* Included within Operating EBITDA is loss on withdrawal of gTLD applications $148k allocated to Registry segment.

Inter-segment sales are charged at prevailing market prices.

Other segment information

	Segment assets		Depreciation and amortization	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Registry	59,674	66,143	75	278
RSP	17,913	5,736	83	4
Other	1,564	3,581	29	3
Total	79,151	75,460	187	285

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 18.

Geographical information

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

	Revenue from external customers		Non-current assets		Additions to Non-current assets	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's	2017 $'000's	2016 $'000's
British Virgin Islands	11,685	12,268	46,138	43,103	553	3
Ireland	-	13	125	49	116	35
United Kingdom	1,054	1,047	4,206	3,817	-	3,815
Germany	1,082	1,035	459	452	5	165
Hungary	-	-	198	174	-	-
USA	494	638	1,844	4,637	88	1,561
China	-	-	5	-	4	-
Total	**14,315**	**15,001**	**52,975**	**52,232**	**766**	**5,579**

Included in revenues arising from the Registry segment are revenues of $4,001k (2016: $1,963k), which arose from sales to the Group's largest customer.

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

4 Partner payments

	Group		Company	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Partner payments	2,364	1,520	1,154	1,049

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.

The restructuring of contracts (see note 7) resulted in a restructured partner payment in 2016 only with normal partner payments resuming in 2017 as per the revised agreement. This resulted in an increase in partner payment expenses in the current year.

5 Cost of sales

	Group		Company	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Third Party Fees	571	918	368	190
ICANN Fees	949	882	775	642
Marketing	1,495	-	1,109	-
Other	425	741	130	614
Total	**3,440**	**2,541**	**2,382**	**1,446**

In 2016 marketing expenses of $661k were spent across the entire portfolio and were accounted for operating expenses. In 2017, marketing expenses were earmarked to specific TLDs and were therefore classified as cost of sales. The net increase in marketing was $834k. Cost of sales excluding marketing expenses decreased from 2016 by just under $600k.

6 Restructuring costs – operating

	Group		Company	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Executive severance pay-outs	-	522	-	-
Employee severance pay-outs	-	247	-	-
Relocation costs	-	118	-	-
Migration costs	-	279	-	80
Total	-	1,166	-	80

7 Restructuring costs – contracts

	Group		Company	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Restructuring contracts	-	3,748	-	-

Restructuring costs – contracts, relates to costs incurred to re-negotiate certain contracts.

8 Strategic review costs

In the year the Group conducted a strategic review (refer to the Executive Summary for further details). Costs of $301k (2016: nil) for the Group of which $258k (2016: nil) was paid directly by the Parent Company.

9 Discontinued operations

In 2016, the group entered into a sale agreement to dispose of the registrar customer list effectively closing down the registrar business. The disposal was affected to pursue the group's strategy of being a pure play registry. The disposal was completed in 2016.

	Group	
	2017 $ 000's	2016 $ 000's
Revenue	-	-
Expenses	-	(1,312)
Gross loss	-	(1,312)
Amortization	-	(1,020)
Loss before tax from discontinued operations	-	(2,332)
Income tax	-	-
Loss after tax from discontinued operations	-	(2,332)

Discontinued operations contributed to a cash outflow of nil in 2017 (2016: $1,312k) to the group's net operating cash flows.

10 Operating expenses – ongoing / forfeited

In 2016, operating expenses were separated into "ongoing" and "forfeited". Ongoing operating expenses represented expenses that the restructured Group and Company would have incurred for that current year.

Forfeited expenses represented expenses that the Group and Company would not have incurred under a restructured business. The Group incurred no forfeited expenses in 2017.

11 EBITDA

EBITDA is arrived at after charging:

	Group		Company	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Auditors' remuneration – current year auditors				
- Audit of these financial statements	63	68	63	68
- Audit of the financial statements of subsidiaries	15	35	-	-
- Tax compliance	19	11	-	-
- Other services	2	20	-	-
Directors' emoluments – fees and salaries (note 13)	862	1,610	508	438
Operating lease rentals	351	237	-	-
Foreign exchange loss	(46)	(251)	(218)	(317)

12 Employee information (excluding directors)

	Group		Company	
Staff costs comprise:	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Wages and salaries	1,763	3,670	-	-
Share based payment expense / (credit)	18	(71)	-	-
Total	1,781	3,599	-	-

Monthly average number of employees:	Group		Company	
Administration	9	12	-	-
Finance	5	6	-	-
Sales & Marketing	8	7	-	-
Engineering	-	6	-	-
Total average	22	31	-	-

13 Directors' emoluments

	Group		Company	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Directors emoluments	862	1,610	513	482
Share based payment expense (Note 29)	874	528	874	528
Total	1,736	2,138	1,387	1,010

2017	Salaries & Fees $ 000's	Redundancy $'000	Bonus $ 000's	Benefits in kind $ 000's	Directors emoluments $ 000's	Share Option Pay-out $'000	Group Total $ 000's
Executive Directors							
Toby Hall	300	-	50	5	355	-	355
Michael Salazar	300	-	25	24	349	-	349
Non-Executive Directors							
Guy Elliott	100	-	-	-	100	-	100
Henry Turcan	58	-	-	-	58	-	58
Total	758	-	75	29	862	-	862

2016	Salaries & Fees $ 000's	Redundancy $'000	Bonus $ 000's	Benefits in kind $ 000's	Directors emoluments $ 000's	Share Option Pay-out $'000	Group Total $ 000's
Executive Directors							
Toby Hall (#)	199	-	100	-	299	-	299
Michael Salazar	326	-	100	29	455	75	530
Antony Van Couvering (#)	137	522	-	-	659	556	1,215
Caspar Veltheim (#)	14	-	-	-	14	-	14
Non-Executive Directors							
Guy Elliott	100	-	-	-	100	-	100
Henry Turcan (#)	53	-	-	-	53	-	53
David Weill (#)	10	-	-	-	10	-	10
Keith Teare (#)	10	-	-	-	10	56	66
Elliot Noss (#)	10	-	-	-	10	-	10
Total	859	522	200	29	1,610	687	2,297

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

Company

2017	Salaries & Fees $ 000's	Redundancy $'000	Bonus $ 000's	Benefits in kind $ 000's	Directors emoluments $ 000's	Share Option Pay-out $'000	Total $ 000's
Executive Directors							
Toby Hall	300	-	50	5	355	-	355
Michael Salazar	-	-	-	-	-	-	-
Non-Executive Directors							
Guy Elliott	100	-	-	-	100	-	100
Henry Turcan	58	-	-	-	58	-	58
Total	458	-	50	5	513	-	513

Company

2016	Salaries & Fees $ 000's	Redundancy $'000	Bonus $ 000's	Benefits in kind $ 000's	Directors emoluments $ 000's	Share Option Pay-out $'000	Total $ 000's
Executive Directors							
Toby Hall (#)	199	-	100	-	299	-	299
Michael Salazar	-	-	-	-	-	-	-
Caspar Veltheim (#)	-	-	-	-	-	-	-
Antony Van Couvering (#)	-	-	-	-	-	-	-
Non-Executive Directors							
Guy Elliott	100	-	-	-	100	-	100
Henry Turcan (#)	53	-	-	-	53	-	53
David Weill (#)	10	-	-	-	10	-	10
Keith Teare (#)	10		-	-	10	56	66
Elliot Noss (#)	10	-	-	-	10	-	10
Total	382	-	100	-	482	56	538

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

No pension benefits are provided for any Director.

Details of Directors' share options exercised have been disclosed in note 29 to the accounts.

14 Finance revenue

	Group 2017 $ 000's	Group 2016 $ 000's	Company 2017 $ 000's	Company 2016 $ 000's
Bank interest	21	35	21	35
Other interest received	-	4	-	4
Total	21	39	21	39

Finance revenues relate to assets classified as cash and cash equivalents adnd loans and receivables.

15 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:

	2017 $ 000's	2016 $ 000's
Current tax charge / (credit)	19	(195)
Deferred tax	-	-
	19	(195)

	2017 $ 000's	2016 $ 000's
Profit / (loss) before tax on continuing operations	3,833	(2,364)
Tax at the BVI tax rate of 0%	-	-
Research and development tax credit	-	(212)
Income tax	19	17
	19	(195)

Company

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

	2017 $ 000's	2016 $ 000's
Current tax	-	-
Deferred tax	-	-
	-	-

	2017 $ 000's	2016 $ 000's
Profit / (loss) before tax on continuing operations	4,623	(6,050)
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 $12.4m (2016: $11.7m) in the USA, $1.6m (2016: $2m) in Germany, $5.8m (2016: $5.5m) in Ireland, $9.8m (2016: $9.7m) in the United Kingdom, $97k (2016: $70k) in Hungary and $50k (2016: $3k) in China.

16 Dividends

No dividends were paid or proposed by the Directors (2016: $Nil).

17 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.

	2017 $ 000's	2016 $ 000's
Profit / (Loss) for the purpose of the basic and diluted earnings per share		
Profit / (Loss) from continuing operations - excluding non-controlling interests	3,814	(2,169)
Profit / (Loss) from discontinued operations	-	(2,332)
Total profit / (loss) for the year	3,814	(4,501)

Number of shares	2017 million	2016 million
Weighted average number of ordinary shares used in calculating basic loss per share	699.86	743.00
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	732.29	743.00

Profit / (Loss) per share from continuing operations	2017 cent	2016 cent
Basic	0.55	(0.29)
Diluted	0.52	(0.29)

Profit / (Loss) per share from discontinued operations	2017 cent	2016 cent
Basic	N/A	(0.31)
Diluted	N/A	(0.31)

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

18 Goodwill

Cost	Group $ 000's
31 December 2016 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. 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 2017, 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 10% for seven years thereafter and 4% (2016: 5%) 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% (2016: 10%).

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

19 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 2016	40,078	2,070	-	171	42,319
Additions	1,500	261	3,815	-	5,576
Exchange differences	(17)	(34)	-	(1)	(52)
At 31 December 2016	**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**
Accumulated Amortization					
At 1 January 2016	-	(857)	-	(171)	(1,028)
Charge for the year	-	(1,171)	-	-	(1,171)
Exchange differences	-	(42)	-	1	(41)
At 31 December 2016	**-**	**(2,070)**	**-**	**(170)**	**(2,240)**
Charge for the year	-	(140)	-	-	(140)
Exchange differences	-	(113)	-	-	(113)
At 31 December 2017	**-**	**(2,323)**	**-**	**(170)**	**(2,493)**
Carrying amount					
At 31 December 2017	**41,629**	**347**	**4,206**	**-**	**46,182**
At 31 December 2016	41,561	227	3,815	-	45,603

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Company

	generic Top Level Domains $ 000's	Software & development costs $ 000's	Other $ 000's	Total $ 000's
Cost				
At 1 January 2016	39,379	51	99	39,529
Additions	-	3	-	3
Transfers from other long term assets	-	-	-	-
At 31 December 2016	**39,379**	**54**	**99**	**39,532**
Additions	-	52		52
At 31 December 2017	**39,379**	**106**	**99**	**39,584**
Accumulated amortization				
At 1 January 2016	-	(28)	(42)	(70)
Charge for the year	-	(16)	(57)	(73)
At 31 December 2016	**-**	**(44)**	**(99)**	**(143)**
Charge for the year	-	(17)	-	(17)
At 31 December 2017	**-**	**(61)**	**(99)**	**(160)**
Carrying amount				
At 31 December 2017	**39,379**	**45**	**-**	**39,424**
At 31 December 2016	39,379	10	-	39,389

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

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.

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

Impairment review of intangible assets

The Directors carried out an impairment review as at 31 December 2017 and have concluded that no impairment is required. The recoverable amounts of each group of generic Top Level Domains (the grouping of generic Top Level Domains is based on its characteristics), software, contract based intangible assets and other intangible assets are determined from value in use calculations. The key assumptions for the value in use calculations are those regarding the discount rates, growth rates and expected changes to the selling process and direct costs. Management estimate discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risk specific to the asset.

gTLD assets with indefinite lives are allocated to CGUs, which fall under the Registry operating segment. The carrying values of the CGUs are $28,716k (2016:$28,692k) for consumer lifestyle, $365k (2016:$322k) for geographic gTLDs, $9,177k (2016:$9,177k) for professional occupations and $3,371k (2016:$3,371k) for other generic names.

Contract based intangible assets are allocated to the Registry services provider segment. The contract has historically been in a loss making position and while it made a profit in 2017 due to a revised minimum revenue guarantee for the year, the asset's performance will be continually reviewed to determine if any impairment will be required.

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 10% for seven years thereafter and 4% (2016: 5%) into perpetuity. The rate used to discount the forecast cash flow is 11.5% (2016: 10%).

The Group has carried out sensitivity analysis on the growth rate and discount rate. A 2% change in either rates would not give any indication of a material impairment for all classes of intangible assets.

20 Fixtures and equipment - Group

	Fixtures & equipment $ 000's
Cost	
At 1 January 2016	388
Additions	28
Disposal	(99)
Exchange differences	(7)
At 31 December 2016	310
Additions	31
Exchange differences	24
At 31 December 2017	365
Depreciation	
At 1 January 2016	(199)
Depreciation charge for the period	(64)
Disposal	36
Exchange differences	6
At 31 December 2016	(221)
Depreciation charge for the period	(47)
Exchange differences	(17)
At 31 December 2017	(285)
Carrying amount	
At 31 December 2017	80
At 31 December 2016	89

21 Investment in subsidiaries

Investments in subsidiary undertakings of the Company	Company 2017 $ 000's	2016 $ 000's
Cost		
At the beginning of the year	39,384	4,189
Movement in the year	119	42,054
Impairment charge	-	(6,859)
At 31 December	39,503	39,384

The movement in the year includes $155k paid to acquire an additional 20% interst in Bayern Connect GmbH and Minds + Machines GmbH (after this acquisition both subsidiaries are wholly owned) and a credit of $36k representing share based payment credit in subsidiaries over the parent company's equity.

The 2016 impairment relates to the impairment of the Company's subsidiary, Minds and Machines Ltd (UK). The recoverable amount of the subsidiary is calculated using a value in use method. The Company prepares cash flow forecasts derived from the most recent financial budgets approved by management for the next eight years and extrapolates cash flows into perpetuity based on an estimated growth rate of 5%. The rate used to discount the forecast cash flow is 10%.

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	90	90
Beijing MMX Tech Co. Ltd	China	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).

22 Investments

	Group and Company	
	2017 $ 000's	2016 $ 000's
Available-for-sale investments carried at fair value		
Shares	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.

23 Interest in joint ventures

During 2017, 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. In 2016 the Group disposed of its interest in Basketball Domains Limited and Rugby Domains Limited.

	Group	
Share of interest in assets / (liabilities)	2017 $ 000's	2016 $ 000's
Assets		
- Non-current	152	379
- Current	288	421
	440	800
Liabilities		
- Current	(12)	(415)
Share of interest in net assets	428	385
- Revenue	24	16
- Cost of sales	(14)	(15)
- Expenses	(1)	(26)
Profit / (loss) after income tax	9	(25)

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 (2016: $486k) in the Company financial statements.

24 Other long-term assets

	Group and Company	
	2017 $ 000's	2016 $ 000's
Restricted cash	2,217	2,217
Other long-term assets	740	1,110
Total	**2,957**	**3,327**

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

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.

25 Cash and cash equivalents

Restricted cash

Of the total Group's cash balances of $15,868k (2016: $15,275k) and Company cash balance of $12,454k (2016: $10,544k), $1million (2016: $1million) is restricted funds and held in escrow to satisfy certain vendor requirements, to be released back to the Group and Company at the end of five years (FY 2021).

26 Trade and other receivables

	Group		Company	
Current trade and other receivables	**2017 $ 000's**	**2016 $ 000's**	**2017 $ 000's**	**2016 $ 000's**
Trade receivables	7,300	3,992	7,759	3,048
Other receivables	580	1,969	396	732
Prepayments	1,489	1,943	1,145	859
Accrued revenue	-	-	11	-
Balances due from subsidiaries	-	-	4,190	3,831
Due from joint ventures	50	49	50	49
Total	9,419	7,953	13,551	8,519

During the year 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. The result of entering into such deals has resulted in an increase in 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 2018. 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 classified as loans and receivables and are therefore measured at amortized cost.

Ageing of past due but not impaired receivables:

	2017 $ 000's	2016 $ 000's
1 – 30 days	422	1,766
31 – 60 days	41	398
61 days and over	878	594
Total	1,341	2,758

Company

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

Ageing of past due but not impaired receivables:

	2017 $ 000's	2016 $ 000's
1 – 30 days	445	1,635
31 – 60 days	599	398
61 days and over	1,793	354
Total	2,837	2,387

Included in the Company's trade receivables are balances due from its subsidiary reseller of $1,911k (2016: $627k)

27 Trade and other payables

	Group		Company	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Trade payables	339	878	357	181
Other liabilities	2,959	5,917	30	228
Taxation liabilities	217	171	-	-
Accruals	2,617	1,853	1,121	1,085
Deferred revenue	6,472	6,095	4,296	3,523
Due to joint ventures	104	70	66	65
Due to subsidiaries	-	-	9,679	8,798
Total	**12,708**	**14,984**	**15,549**	**13,880**

Included within other liabilities are liabilities incurred as a result of the restructuring of a certain contract in 2016 (see note 7). In the year, $3,105k of this liability was paid down and the balance still due at the year end is $2,955k (2016: $5,660k). After the year end, a further $460k has been paid down.

Due to subsidiaries, in 2016 of $8,798k was due to the implementation of Group's transfer pricing policy.

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

28 Share capital and premium

Called up, allotted, issued and fully paid ordinary shares of no par value	Number of shares	Price per share (cents/pence)	Total $ 000
As at 1 January 2016	767,104,685		73,816
Shares repurchased	(10,658,568)	11/7.7	(1,179)
Share warrants exercised:			
24 May 2016 for cash on exercise of options	1,103,753	8.7/6	95
Shares repurchased:			
3 October 2016 Tender Offer	(100,000,000)	16.9/13	(19,088)
Shares issued:			
10 October 2016 Shares issued for cash	42,307,692	16.2/13	6,716
Cost of share issue			(300)
31 December 2016 and 31 December 2017	**699,857,562**		**60,060**

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29 Share-based payments

Share-based payment expense	2017 $ 000's	2016 $ 000's
Equity settled share based payments	997	653
Expense as a result of modification of equity settled share based payments	5	92
Total	1,002	745

In the year, 8,000,000 options were issued to the Executive team and key employees. This resulted in an increased in the share based payment expense (non-cash) in 2017. The valuation of the issued options is based on the Group's method using the Black-Sholes method as described below.

The Company has the following share option schemes in place:

- Directors and Employees Share Option Scheme – this scheme was previously open to all directors and employees of the scheme. Current employees are now enrolled under a new 'Restricted Share Option' (RSU) scheme (see below) whilst this current scheme is only open to Directors and certain senior executives.
- Restricted Share Option ('RSU') scheme – this scheme was in place for employees from 2014 to 2017.

Directors and Employees Share Option Scheme

	2017		2016	
	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	29,812,500	8.3/6.1	55,207,318	9.8/8.0
Granted during the year	8,000,000	3.2/2.3	15,000,000	Nil
Forfeited during the year (1)	(662,500)	9.3/6.9	(15,244,818)	8.5/6.9
Exercised during the year (2)	-	N/A	(25,150,000)	8.7/7.0
Expired during the year	-	N/A	-	N/A
Outstanding at the end of the year	**37,150,000**	**5.5/4.1**	**29,812,500**	**8.3/6.1**
Exercisable at the end of the year	12,483,333	12.2/9.1	9,575,000	11.7/8.6

1. Included within the number of share options forfeited in the year are 662,500 (2016: 15,244,818) unexercised share options. In 2016, included within the number of share options forfeited in the year are 8,500,000 (2015: Nil) share options issued to Directors that were forfeited and settled in cash. This change was treated as a modification of a share based payment from equity settled to cash settled. The amounts payable under this settlement amounted to $75k, which had already been recognized as an expense in the prior years and therefore reduced from equity in the current year as a repurchase of equity instrument. No additional amounts were expensed.
2. No share options were exercised in the year. In 2016, included within the number of share options exercised during the year are 25,150,000 (2015: Nil) share options issued that were settled in cash. This change was treated as a modification of a share based payment from equity settled to cash settled. The amount payable under this settlement amounted to $676k, of which $639k had already been recognized as a share based payment expense in the prior years and therefore reduced from equity in the current year as a repurchase of equity instrument. The balance of $37k was expensed.

The weighted average contractual life of outstanding options at the end of the year is 0.61 years (2016: 1.5 years). There were 8,000,000 options granted in 2017 (2016: 15,000,000). The aggregate of the estimated fair values of the options granted under this scheme during 2017 is $793k (2016: $2,058k).

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

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

	2017	2016
Weighted average share price (cents/pence)	13/9.6	11.0/9.0
Weighted average exercise price (cents/pence)	3.2/2.3	Nil
Expected volatility	42.46%	43.25%
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

	2017		2016	
	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	800,001	-	7,133,333	-
Granted during the period	-	-	-	-
Forfeited during the period	(358,333)	-	(2,737,496)	-
Exercised during the period	(275,000)	-	(3,595,836)	-
Expired during the period	-	-	-	-
Outstanding at the end of the period	166,668	-	800,001	-
Exercisable at the end of the period	166,668	-	183,334	-

* All share options exercised during 2016 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 $38k, of which $33k had already been recognized as a share based expense in prior years and therefore reduced from equity in the current year as a repurchase of equity instrument. The balance of $4k was expensed.

The weighted average contractual life of outstanding options at the end of the year is nil years (2016: 0.64 years). There were no options granted in 2017 (2016: nil).

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:

No options under the restricted share option scheme were granted in 2017 (2016: nil).

The market price of the ordinary shares at 31 December 2017 was $0.11 / £0.08 (2016: $0.13 / £0.11) and the range during the year was $0.11 / £0.08 to $0.18 / £ 0.14 (2016: $0.10 / £0.07 to $0.17 / £ 0.13).

Directors' share options

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

	1 Jan 2017	Granted	Forfeited	Exercised	Expired	31 Dec 2017
Michael Salazar (1)	7,500,000	3,000,000	-	-	-	10,500,000
Toby Hall (2)	7,500,000	3,000,000	-	-	-	10,500,000
Total	15,000,000	6,000,000	-	-	-	21,000,000

* These directors were not employed for the full 2017 financial period

(1) At the beginning of the year 7,500,000 options -Exercise price – Nil, exercisable on the publication of the 2018 financial statements. During the year, a further grant of 3,000,000 options were awarded – Nil exercise price – exercisable on the publication of the 2019 financial statements.

(2) At the beginning of the year 7,500,000 options -Exercise price – Nil, exercisable on the publication of the 2018 financial statements. During the year, a further grant of 3,000,000 options were awarded – Nil exercise price – exercisable on the publication of the 2019 financial statements.

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

Total warrants outstanding

As at 31 December 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

In 2017, a balance of 1,047,089 (2016:Nil) warrants expired, no warrants were exercised in 2017 (2016:1,103,753 at an exercise price of 8.7cents/6pence).

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

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

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. The Group and Company's overall strategy remains unchanged from 2016.

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 is not subject to any externally imposed capital requirements.

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

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

Categories of financial instruments

Group

Financial Instruments	2017 $ 000's	2016 $ 000's
Cash and bank balances	15,868	15,275
Loans and receivables (including long term receivables)	10,767	8,178
Available for sale investments	500	-
Financial liabilities		
Financial liabilities at amortised cost	3,330	6,792

Company

Financial Instruments	2017 $ 000's	2016 $ 000's
Cash and bank balances	12,454	10,544
Loans and receivables (including long term receivables)	15,303	9,828
Available for sale investments	500	-
Financial liabilities		
Financial liabilities at amortised cost	10,069	9,205

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

Financial risk management objectives

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

It is, and has been throughout 2017 and 2016, the policy of both the Group and the Company that no trading derivatives are contracted.

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

Market risk

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

Foreign currency risk

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

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

Group	Liabilities		Assets	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Sterling	2,956	5,682	1,836	3,708
USD	23	1,065	23,306	18,047
Euro	351	45	1,993	1,698
As at 31 December	3,330	6,792	27,135	23,453

Company	Liabilities		Assets	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Sterling	-	2,068	2,908	3,696
USD	8,309	5,524	25,346	14,780
Euro	1,760	1,613	3	1,896
As at 31 December	10,069	9,205	28,257	20,372

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	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Profit or loss (i)	(479)	(1,129)	(234)	(174)
Other equity (ii)	-	-	-	-
	(479)	(1,129)	(234)	(174)

Company	Pound Sterling impact		Euro impact	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Profit or loss (i)	(291)	(576)	(176)	(351)
Other equity	-	-	-	
	(291)	(576)	(176)	(351)

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

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

Interest rate risk

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

Interest rate sensitivity analysis

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

Credit risk management

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

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

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

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

The Group and Company 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 did not borrow in 2017 and 2016.

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

		Group		Company	
31 December 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	-

		Group		Company	
31 December 2016	Weighted average effective interest rate	Within 1 year $ 000's	1 – 5 years $ 000's	Within 1 year $ 000's	1 – 5 years $ 000's
Non-interest bearing:					
Trade and other payables		6,792	-	406	-
		6,792	-	406	-

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

The Group and Company had no derivative financial instruments as at 31 December 2017 and at 31 December 2016.

31 Commitments

The group as a lessee	2017 $ 000's	2016 $ 000's
Lease payments recognised under operating leases recognised as an expense in the year	351	237

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:

	2017 $ 000's	2016 $ 000's
Within one year	423	406
In the second to fifth years inclusive	1,872	2,734
After five years	-	-
	2,295	3,141

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

As at 31 December 2017 and 31 December 2016, the Group has no capital commitments.

As at 31 December 2017 and 31 December 2016, 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 and are not disclosed in this note. Transactions between the Group and its associates are disclosed below. Transactions between the Company and its subsidiaries and associates are disclosed 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.

	2017 $ 000's	2016 $ 000's
Due to Entertainment Names Inc	45	44
Due to Dot Country LLC	(70)	(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 note 13.

Related party transactions - Company

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

Subsidiaries

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

Recharged costs and services from	2017 $ 000's	2016 $ 000's
Minds and Machines LLC	2,521	4,350
Minds + Machines Limited (IE)	709	1,533

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

Company	2017 $ 000's	2016 $ 000's
Minds and Machines LLC	(2,751)	(4,907)
Bayern Connect GmbH	1,146	1,001
Minds and Machines GmbH	747	651
Minds + Machines Limited (IE)	(1,760)	(1,613)
Minds + Machines Registrar Limited (IE)	5	-
Minds and Machines Limited (UK)	197	(2,068)
Minds and Machines Registrar UK Limited	-	2
Emerald Names, Inc	95	97
Minds + Machines (FL)	(400)	(211)
Minds + Machines, Inc.	5	5
Minds + Machines Hungary	300	240
Dot Law, Inc.	(2,247)	102
Boston TLD Management LLC	1,519	1,514
Beijing MMX Tech Co. Ltd	176	219

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

Company	Second level sale of domains		Trade receivable outstanding	
	2017 $ 000's	2016 $ 000's	2017 $ 000's	2016 $ 000's
Minds and Machines LLC	-	927	-	2,101
Dot Law Inc.	1,250	627	1,868	627

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.

	2017 $ 000's	2016 $ 000's
Due from Entertainment Names Inc	49	49
Due to Dot Country LLC	(33)	(33)

Other

At the balance sheet date, an amount of $61k (2016: $61k) was due from Frederick Krueger (a former Director of the company) in relation to shares previously issued.

Remuneration of Key Management Personnel

The remuneration of the Executive Directors, who are the key management personnel of the Group, is set out in note 13 and share options issued set out in note 29.

33 Post Balance Sheet Events

The Group completed its Strategic Review leading to the proposed acquisition of ICM Registry. Refer to the Executive Summary for further information.

corporate information

Registered number
1412814 registered in
British Virgin Islands

Directors
Toby Hall
Chief Executive Officer

Michael Salazar
Chief Operating Officer and
Chief Finance Officer

Guy Elliott
Non Executive Chairman

Henry Turcan
Non Executive Director

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